
**MINUTES OF A MEETING OF THE MEMBERS OF
THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON MARCH 28, 2008**

The Members of the Higher Education Loan Authority of the State of Missouri, a public instrumentality and body politic and corporate under the laws of the State of Missouri (the "Authority"), held a meeting of the Authority on Friday, March 28, 2008 at 3:30 p.m. at the office of the Authority, located at 633 Spirit Drive in Chesterfield, Missouri. Proper notice of the meeting was forwarded to the State for publication, mailed and otherwise provided to the Members, posted at the office of the Authority and on the Authority's website in advance of and during the meeting and provided to certain other individuals. On a roll call of the meeting, the following Members of the Authority were found to be present in person unless otherwise stated:

Present

Mr. Randy L. Etter (by telephone)
Mr. W. Thomas Reeves
Dr. John F. Smith
Dr. Robert H. Spence (by telephone)
Dr. Robert Stein (by telephone)
Mr. Gregory Upchurch
Ms. Jennifer Kneib (by telephone)

Absent

None

A quorum of the Members was present for the purposes of conducting business and exercising the powers of the Authority. Present in person and representing the staff of the Authority were Mr. Raymond H. Bayer, Jr., Executive Director, Chief Executive Officer and Assistant Secretary; Mr. Scott D. Giles, Director of Finance/Chief Financial Officer; Mr. William C. Shaffner, Director of Business Development; Ms. Mary J. Stewart, Director of Loan Origination and Servicing; Ms. Susan B. Crump, Assistant Director of Administration; Ms. Jennifer Farmer, Assistant Director of Loan Servicing; Ms. Penny J. Hagan, Assistant Director of Finance & Controller; Mr. Harry W. Lohse, Assistant Director of Information Systems and Information Security Officer; Mr. Barry Usry, Senior Manager of Product Development; Ms. Jennifer DiGiacomo, Policy & Compliance Officer; Ms. Janet Saulich, Internal Auditor; Ms. Cheryl Stevens, Executive Assistant; and Ms. Joan Conway, Paralegal. Also present in person were Mr. Michael F. Lause of Thompson Coburn LLP, Special Counsel to the Authority; Mr. Dustin Allison of the Missouri Attorney General's Office and Ms. Marilyn Bush of Bank of America. Present by telephone were Dr. James L. Matchefts, General Counsel; Ms. Zora AuBuchon of Missouri Department of Higher Education. Ms. Conway and Ms. Stevens of the Authority staff assisted Mr. Bayer in taking minutes of the meeting. Dr. Smith acted as Chair of the meeting and Mr. Bayer acted as Assistant Secretary.

Call to Order

The Chair called the meeting to order at approximately 3:30 p.m. and asked if there were any public comments. There being none, he asked if there were any other

announcements. Hearing none he stated that the first item on the agenda was the discussion, consideration, and possible vote on approval of the minutes of the Authority meeting of March 14, 2008. The Chair asked if there were any corrections or discussion. Hearing none, he called for a motion. Dr. Spence moved and Mr. Upchurch seconded a motion to approve the minutes of the Authority meeting of March 14, 2008. The Chair asked if there was any further discussion on the motion. There being none, he called for a vote on said motion. Upon said motion being put to a vote, the following vote was recorded in favor of adoption of such motion:

<u>Yeas</u>	<u>Nays</u>
Mr. Randy L. Etter	None
Mr. W. Thomas Reeves	
Dr. John F. Smith	
Dr. Robert H. Spence	
Dr. Robert Stein	
Mr. Gregory Upchurch	
Ms. Jennifer Kneib	

The Chair announced that the motion to approve minutes of the Authority meeting of March 14, 2008 had been unanimously adopted.

Resolution Authorizing and Directing Distribution

The Chair stated that the next item on the agenda was the discussion, consideration and possible vote on a resolution authorizing and directing the distribution by the Authority of up to \$5 million of its assets to the Lewis and Clark Discovery Fund in the State Treasury by March 31, 2008 or the basis for delaying such distribution, in compliance with Section 173.385.2 of the Missouri Revised Statutes and related Authority actions and matters. The chair acknowledged that the issue was discussed minimally at the March 14, 2008 meeting, however it was requested by the board that a committee complete some additional research and submit a recommendation following the research. Mr. Bayer stated that a committee which consisted of, Mr. Bayer, Mr. Giles, Mr. Upchurch and Mr. Reeves met and that a memorandum had been drafted following the research; Mr. Bayer asked for any questions regarding the memorandum. Dr. Spence inquired on what the current cash position is of MOHELA. Mr. Bayer stated that there are a variety of ways to measure cash and informed that regarding liquidity and availability to buy loans there is approximately \$24 million cash on hand and that there is access to liquidity of approximately \$300 million. Mr. Lause pointed out that there are a substantial amount of commitments to purchase loans. Mr. Bayer stated that the cash position in terms of equity is approximately \$80 million of which \$50 million is restricted and tied up within bond trust indentures and approximately \$30 million would be accessible for short term, however approximately only \$5-6 million could be accessible by end of business on Monday, March 31, 2008. Dr. Spence expressed concerns about the subjectivity of the language within the statute adversely affecting the economic viability of the Authority. Mr. Bayer stated that the most important calculation is the equity ratio and that nine months ago when the initial installment to the Lewis and Clark Plan was made MOHELA was in a comfortable position, however in today's environment a 3-4% equity ratio is required to finance new transactions and to transfer out additional funds at this time would further lower the current equity ratio. The Chair inquired on the actual

amount of funds that would go out of the treasury to the Lewis and Clark Fund. Mr. Bayer stated to make the payment this quarter it would require approximately \$2.3 million of funds being transferred in addition to the \$2.7 million that is on hand and accrued interest at the state treasury. Mr. Giles stated that the current equity ratio reflects \$239 million in payments to the State. The Chair inquired on the effect that not making the payment would have on our market. Mr. Shaffner informed that all secondary markets are currently struggling with liquidity issues thus MOHELA is not alone in attempting to manage such and that by not making the payment it could go either way. The Chair asked Mr. Upchurch for feedback following the research done for today's meeting. Mr. Upchurch stated that not only did they look at the effect on the financial viability of the Authority but also the effects on the borrower benefits and services. He stated that there were examples of cutbacks to date in those areas; however that it is unlikely that any of the changes, including the financial viability of the Authority, can be linked to a particular payment. He also stated that the statute does not state that we have to determine the effect; just that it may have such an effect. It was concluded that the full payment may have an effect, the type of effect being, unmeasurable. Mr. Upchurch stated that he would rely on the bankers and that at this time, evidence shows huge banks and financial institutions are hanging on to cash. Dr. Stein pointed out that the law doesn't specify when any delayed payments are to be made up, it allows us to not make the payment indefinitely. Discussions regarding the analysis and criteria that would be used to trigger making up any delayed payments followed. Mr. Lause clarified that there is nothing within the statute that mandates when any delayed payment would have to be made up or anything limiting the number of deferrals that we are allowed to take. He stated that statute allows the board to go through this analytical process each quarter and the absolute deadline for the full payment which additionally would include making up any delayed payments without receiving a penalty is September 30, 2013. If a penalty is assessed, MOHELA would receive a lower amount of tax exempt bond allocations. The members agreed to a commitment to look into making up the delayed payments around May 1, 2008 and every regularly scheduled board meeting thereafter as opposed to leaving the issue open ended and not making up until the end when the full payment becomes due.. The Chair asked for any questions or comments. Hearing none, he called for a motion. Mr. Upchurch moved and Ms. Kneib seconded a motion to approve the "Resolution Authorizing Delay in the Distribution," attached hereto as Exhibit A. The Chair asked if there was any discussion on the motion. There being none, he called for a vote on said motion. Upon said motion being put to a vote, the following vote was recorded in favor of adoption of such motion:

Yeas

Mr. Randy L. Etter
Mr. W. Thomas Reeves
Dr. John F. Smith
Dr. Robert Stein
Mr. Gregory Upchurch
Ms. Jennifer Kneib

Nays

Dr. Robert H. Spence

Mr. Lause announced that the motion authorizing the Authority to delay the distribution passes by a vote of 6 to 1.

March 26, 2008 Sunshine Law Request

The Chair stated that the next item on the agenda was the discussion, consideration and possible vote regarding March 26, 2008 Sunshine Law Request received From the Missouri Attorney General's Office. Mr. Lause stated that the request asked for documents that are in the possession of not only MOHELA executives but also board members. He stated that some materials have already been provided to the requestor. Mr. Lause informed the members that no action was required at this time and if additional items are required, Mr. Matchefts will be in touch with everyone to assist in retrieving all the information and documents that are relevant. No vote was taken on this matter.

Vote to Close Meeting

The Chair stated that the next item on the agenda was a vote to close the meeting. He stated that pursuant to the tentative agenda for the meeting, the meeting may be closed in connection with the discussion of legal actions, causes of action or litigation and any confidential or privileged communications with attorneys and/or personnel matters, including the hiring, firing, disciplining and/or promoting of personnel and possible review of records related thereto pursuant to Sections 610.021 (1), (3) and (13) of the Revised Statutes of Missouri. The Chair asked if there were any questions or comments from the Members. There being none, he called for a motion. Dr. Spence moved and Mr. Etter seconded a motion to close this portion of the meeting for the reasons stated pursuant to Sections 610.021 (1), (3) and (13) of the Revised Statutes of Missouri. The Chair called for any discussion on the motion. There being none, he called for a vote on the motion. Upon said motion being put to a vote, the following vote was recorded in favor of the adoption of such motion:

<u>Yeas</u>	<u>Nays</u>
Mr. Randy L. Etter	None
Mr. W. Thomas Reeves	
Dr. John F. Smith	
Dr. Robert H. Spence	
Dr. Robert Stein	
Mr. Gregory Upchurch	
Ms. Jennifer Kneib	

The Chair announced that the motion to move the meeting into closed session was unanimously approved, whereupon the meeting moved into closed session at approximately 4:00 p.m. and everyone except the Members, Mr. Bayer, Mr. Matchefts and Mr. Lause exited the meeting.

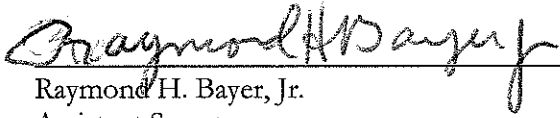
The Members reconvened the regular meeting at approximately 4:20 p.m. after properly making a motion to do so which was made by Dr. Stein, seconded by Mr. Reeves and was unanimously approved.

Informational Items and Adjournment

The Chair asked if there were any additional items and, hearing none, he called for a motion to adjourn. Dr. Spence moved and Mr. Reeves seconded a motion to adjourn the

meeting which was unanimously approved by voice-vote. The meeting adjourned at approximately 4:25 p.m.

Approved:



Raymond H. Bayer, Jr.
Assistant Secretary