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**MINUTES OF A MEETING OF THE MEMBERS OF  
THE HIGHER EDUCATION LOAN AUTHORITY  
OF THE STATE OF MISSOURI  
ON JUNE 26, 2008**

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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 Thursday, June 26, 2008 at 3:00 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**

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

**Absent**

Dr. John F. Smith

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. Jennifer DiGiacomo, Policy & Compliance Officer; Mr. Barry Usry, Senior Manager of Product Development; Ms. Janet Saulich, Internal Auditor; Dr. James L. Matchefts, General Counsel; 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. Also present by telephone with Dr. Stein were Ms. Zora Aubuchon and Ms. Leanne Cardwell of the Missouri Department of Higher Education. Mr. Upchurch acted as Chair of the meeting and Mr. Bayer acted as Assistant Secretary. Ms. Conway and Ms. Stevens of the Authority staff assisted Mr. Bayer in taking minutes of the meeting.

**Call to Order**

The Chair called the meeting to order at approximately 3:05 p.m. and asked if there were any public comments. There being no public comments, the Chair stated that the Members would move to the next agenda item.

**Resolution Authorizing and Directing Distribution**

The Chair stated the next agenda item was the discussion, consideration and possible vote on a resolution authorizing and directing the distribution by the Authority of (1) up to \$5 million of its assets to the Lewis and Clark Discovery Fund in the State Treasury by June 30, 2008, or the basis for delaying such distribution; and (2) up to \$2.5 million of its assets to the Lewis and Clark Discovery Fund in the State Treasury as the remainder of the installment due March 31, 2008 or the basis for further delaying such distribution, in compliance with Section 173.385.2 of the Missouri Revised Statutes and related Authority actions and matters.

Mr. Bayer advised the members that two resolutions were provided in the board packet, one authorizing the Authority to make the payments and the second authorizing the Authority to delay the payments. He also noted that information was provided outlining the interest that has accrued on the account. Mr. Bayer stated that the Authority still has approximately \$1.3 million outstanding on the March 31, 2008 payment. Dr. Spence inquired on what the Authority's cash position is today as compared to March. Mr. Bayer informed the Members that the Authority has purchased some loans, thus lowering the cash on hand. He stated the Authority has approximately \$35 million in cash on hand.

Mr. Etter questioned what could be done to make some form of payment. He made reference to the possibility of bringing the March payment current and partially paying the June payment. Dr. Stein stated we need to look at the intended and possible unintended effects. Dr. Stein stated that there is anxiety about the Lewis and Clark Initiative. He questioned whether institutions should jump quickly to draw down funds from the State Treasury. He stated that possibly contractors should not start construction until it is certain that the Authority can make the payments. He stated the Authority needs to look at the total picture and the ripple effect and consideration needs to be given to what message is sent by not making the payments. He suggested the possibility of coming up with something to show a good faith effort.

Mr. Bayer stated that his recommendation is to not make any portion of the payment as the Authority is significantly under-capitalized. He stated the equity ratio is at 1.65% in assets and reiterated that it takes 4-5% to issue new debt in today's market. He stated that the Authority will need to attempt to borrow money this fall to allow the Authority to both buy loans and originate loans and that it is a challenge raising new money without sufficient capital on hand. He stated that the money from the federal government pursuant to its new program is a separate cash flow stream for certain new loans in the upcoming year and does not eliminate the need for additional borrowing.

Mr. Etter questioned what effect it would make on the Authority if the March payment was made. He asked where the Authority would be in the next quarter if no payment is made. Mr. Etter also suggested that consideration be given to the people doing the capital projects. He questioned what financial position the Authority would be in if the March payment is brought up to date. Dr. Stein asked for input from Mr. Reeves based on his understanding of the Authority's financial status.

Mr. Reeves stated he agreed with everything stated by Mr. Bayer. He stated that capital is stressed and cash is precious at this point. He stated that this quarter there is a little more comfort in this unprecedented financial crisis and that everyone at the Authority has done an amazing job in cost controls and reallocating investments. He also noted that the staff has reestablished lines of credit and came together to keep the Authority in good shape. Mr. Reeves stated that the Authority has accrued some additional interest and questioned what payment amount would be due.

Mr. Giles stated there was \$2.5 million in interest earned in January, February and March and approximately \$1.1 million earned in April and May. He stated that there should be about \$500,000 interest income in June. Mr. Etter asked if we paid the difference up to date with the March payment, what the effect is. Mr. Giles stated he strongly agreed with Mr. Bayer and Mr. Reeves regarding capital being precious and needing capital to shore up existing trusts and to buy loans from lenders.

Mr. Reeves stated that the Authority's first and foremost responsibility is to preserving the institution and that the Authority maintains the financial capability to carry out its mission. He stated that the Authority cannot realistically totally operate in a vacuum. He stated that the Authority's actions send a message and that the Authority should show that it is firmly committed to the Lewis and Clark Initiative. Mr. Reeves stated the Authority needs to make a good faith gesture.

Ms. Kneib questioned whether the Authority would encounter business ramifications if no payment is made. She also inquired about other options such as real estate that could be leveraged to contend with any cash flow crisis. Mr. Reeves stated that the real estate should not be leveraged in a weak real estate market and that planning and fore-thought should be used. He also stated that the Authority would not be able to get its desired amount out of real estate right now.

Dr. Stein advised it was important to make a decision before the deadline and that the Members need to make a decision based on the information available currently. Dr. Spence stated that he was uncomfortable with delaying the payment. He stated that the law is subjective and open to interpretation, however if the Authority can make a decision to not make scheduled payments, the people could make the same decisions regarding their loans and as a result the Authority would not be in business. He stated that the newspapers carry the message when the Authority does not make a payment and that he would be in favor of making the remainder of the payment due March 31, 2008.

Mr. Bayer addressed Ms. Kneib's question regarding real estate. He stated that seven months ago the Authority did not know how critical things would become. He stated that there is about \$1.5 million in land and that it is not feasible to sell or lease at this time. Ms. Kneib stated that some effort has to be made to make a payment. She stated she cannot see deferring the entire payment. Ms. Kneib stated she felt we needed to make some effort to do something.

Dr. Spence made a motion to use the interest available through June 30<sup>th</sup> and other available funds to make up the difference to satisfy the March payment. Ms. Kneib seconded the motion.

The chair called for a five minute break to allow the lawyers to edit the resolution. At 3:35 p.m. the Members recessed. The Members reconvened at 3:40 p.m. The chair requested Dr. Spence withdraw his prior motion. Dr. Spence agreed.

Mr. Lause and Dr. Matchefts presented the proposed resolution authorizing the Authority to make the remainder of the March 31, 2008 payment no later than June 30, 2008 and to delay the June 30, 2008 payment.

Dr. Stein asked what borrower benefits we now have. Mr. Bayer stated the Public Service Reward Program, Rate Relief and Engineering Loan Forgiveness.

The Chair asked if there were any further questions or comments and, there being none, he called for a motion on Resolution No. 062608.01 authorizing the Authority to make the remainder of the March 31, 2008 payment no later than June 30, 2008 and to delay the payment for the June 30, 2008 payment. Dr. Spence moved to adopt Resolution No. 062608.01 as presented and Ms. Kneib seconded the motion. The Chair called for a roll call vote on said motion and the following vote was recorded:

**Yeas**

Mr. Greg Upchurch  
Mr. W. Thomas Reeves  
Mr. Randy L. Etter  
Dr. Robert Spence  
Dr. Robert Stein  
Ms. Jennifer Kneib

**Nays**

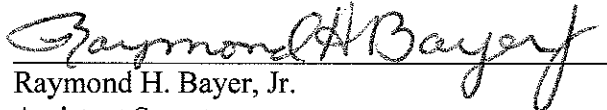
None

The Chair announced that the motion to adopt Resolution No. 062608.01 authorizing the Authority to make the remainder of the March 31, 2008 payment no later than June 30, 2008 and to delay the June 30, 2008 payment based on the statutory criteria was unanimously approved.

**Informational Items and Adjournment**

The Chair asked if there were any informational items or 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 3:45 p.m.

Approved:

  
Raymond H. Bayer, Jr.  
Assistant Secretary