
**MINUTES OF A MEETING OF THE MEMBERS OF
THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON JULY 29, 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 Tuesday, July 29, 2008 at 9:00 a.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. John F. Smith
Mr. W. Thomas Reeves
Dr. Robert Stein (by telephone)
Mr. Randy L. Etter (by telephone)
Ms. Jennifer Kneib (by telephone)

Absent

Dr. Robert H. Spence
Mr. Gregory Upchurch

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; 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; Mr. Brendan Kane of the Missouri Governor's Office; Mr. Craig Billingsly of Wachovia; Mr. Mike Hartmann of Commerce Bank; Mr. Steve Crump of Commerce Bank; and Mr. Gil Farha of McCarthy. Dr. Smith 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 9:05 a.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. The Chair then stated that the first item was the discussion, consideration and vote on approval of minutes of the Authority meetings of June 13, 2008 and June 26, 2008. The Chair asked if there were any corrections or discussion. There being none, he called for a motion to approve the minutes. Mr. Etter moved and Mr. Reeves seconded a motion to approve the June 13, 2008 and June 26, 2008 minutes as drafted and presented. The Chair asked if there was any further discussion on the motion. There being none, he called for a voice vote on said motion and it was unanimously approved.

The Chair announced that the motion to approve the June 13, 2008 and June 26, 2008 minutes as drafted and presented had been unanimously approved.

Update on Potential Tender Offer

The Chair stated the next agenda item was the discussion, consideration and update on a potential tender offer by the Authority, financial conditions in the student loan industry and the credit markets and their impact on the Authority, liquidity issues, and related matters.

Mr. Bayer advised the Members that things had changed in the last week so that management is no longer recommending a tender offer be made. He stated that this is primarily because the Authority's liquidity is provided by two short-term borrowings that have recently become the subject of tightened bank requirements. He stated that the Authority has \$800 million in short term credit lines, which consists of a \$500 million commercial paper conduit and a \$300 million line of credit. He stated that management started ninety days out attempting to renew the commercial paper conduit, however was unable to renew until Wednesday, July 23, 2008, which was the day before the conduit expired. He stated that the cost to renew the conduit tripled. Mr. Bayer stated the Authority had anticipated the financing cost would be approximately \$7.5 million; however the actual cost required \$25 million in cash.

At approximately 9:15 a.m. Dr. Spence and Mr. Upchurch joined the meeting by telephone.

Mr. Bayer stated the second short term liquidity item is the \$300 million line of credit and that the line of credit becomes due on September 30, 2008. He stated that the Authority currently has 2.5% into the line of credit and anticipates that it will at least go to 5%. He stated that management anticipates the Authority will be able to renew the line of credit, however reiterated that it should not be counted on until it is signed.

Ms. Kneib pointed out that the minutes reflect the expiration date is June 30, 2008 and questioned whether the renewal date for the line of credit is ninety days from that point. Mr. Reeves and Mr. Giles noted that June 30th was a clerical error. The Chair asked if the motion to accept the minutes as drafted needed to be rescinded. Mr. Lause stated the motion to accept the minutes could stand, so noting the clerical error.

Mr. Bayer stated the line of credit expires on September 30th and that the Authority will presumably be renewing. He stated the Authority will have to put \$15 million into it whereas it currently only takes \$7.5 million. Mr. Bayer stated that initially the tender offer was going to be financed with one of these two short term borrowings. He stated the Authority has \$348 million in liquidity available and that it would take \$100 million of liquidity for the tender offer. He stated that the Authority's liquidity (including that from the short-term borrowings) is too precious, too variable and vulnerable and too costly to use for the tender offer at this time. Mr. Bayer asked if there were any questions regarding this update.

Dr. Stein confirmed that management is withdrawing its interest in doing the tender offer at this time and questioned whether the Members would be required to meet should the situation change and management decide they would want to make a tender offer. Mr. Bayer stated it is safe to say it is not feasible in the near future, however the Members would have to approve going forward with the tender offer.

Mr. Upchurch questioned whether making the tender offer is not financially feasible or if there are other reasons management is no longer recommending the tender offer. Mr. Bayer repeated that the Authority would have to put up \$7 million in equity in the short-term borrowings at the chance of making \$15 million in an unspecified period of time. He stated that if the \$15 million is actually earned, it would be locked in trust estates for years to come.

Mr. Reeves stated that he was in agreement with management. He stated that liquidity and unrestricted cash will be thin for the foreseeable weeks and months and that to the extent that the Authority needs to take unrestricted cash to bolster its equity position and lines to repurchase securities, there is no guarantee it could be extracted immediately. He stated there is too much unknown in the coming months.

Mr. Bayer stated it is reasonable to believe that the Authority will make some money on operations in each of the 12 months in FY09, however the Authority needs every dollar on hand as it has approximately \$35 - \$40 million in cash outside of the trust estates and all of the money it currently has is spoken for. He noted that if the Authority uses \$25 million here and \$15 million there it adds up and that the Authority needs to stay substantially liquid. Mr. Bayer stated that the Authority has arrangements with lenders wishing to sell loans including an arbitration which could impact the Authority's liquidity. He also stated that the Authority has to be prepared for a margin call; it must have cash on hand available to make loans this fall. He stated that it could require \$150 - \$250 million available to make loans this fall. Mr. Bayer stated that another unknown possible problem is in our VRDO's -Variable Rate Demand Obligations and that all

investors have put those back to the liquidity providers which are the banks. He stated that \$370 million which is currently at 5% is owned by Depfa Bank and will be increasing to 6% in ninety days. He noted that the trust estates could slowly bleed out unless changes are made. As to this matter, Mr. Bayer stated that the Authority is currently in discussions and has received a verbal proposal for a three year refinancing which could require some of the Authority's liquidity. He stated that refinancing would stop the trust estate from losing money and that the Members will be called on short notice for their authorization.

Mr. Bayer also recited the liquidity problems facing the Indiana and Texas Authorities.

In addition on the liquidity front, Mr. Giles stated that in the 9th General Resolution VRDN -Variable Rate Demand Note, the Authority currently has \$37.3 million tendered at 5% for 90 days, then prime plus 50, then prime plus 1. He stated the Authority is negotiating to refinance as part of a larger issue which could require some of the Authority's liquidity.

The Chair asked if there were any further questions or comments and, there being none, he stated that the Members would move to the next item on the Agenda

USDE Financing Program Resolution

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on a resolution approving the Authority's participation in the new student loan financing program of the U.S. Department of Education for FFELP loans including approval of execution of the program's Master Loan Sale Agreement and Master Participation Agreement and related matters.

Mr. Lause presented the proposed resolution and noted that as a supplement to prior discussions the resolution focuses on the upcoming academic school year and how loans can be made and operations can continue successfully at the Authority. He reiterated that the Department of Education has come forward with a student loan financing program to provide liquidity funding for the upcoming academic year and that the Authority has previously approved to explore and participate in the program. He stated that the Department of Education has recently developed and distributed master forms for the program. The forms are take it or leave it. Mr. Lause stated that adopting the resolution will approve the basic Master Loan Sale Agreement and the Master Participation Agreement of the Department of Education, that will allow the Authority to 1) acquire loans and sell immediately or 2) to acquire loans and have liquidity in the opportunity to keep them in-house or to sell them at a later date.

Mr. Giles stated that the Master Participation Agreement refers more to the federal financing program and that the loan would have to be first disbursed before it can be moved to the Authority's custodian who then would submit it to the Department of

Education and certify certain things. Ms. Kneib questioned whether the Department has imposed any type of repurchase obligation on the Authority should the borrower early default. Mr. Giles stated that the majority of the loans would still be in school or in a six month grace period and that none of the loans should get to be in repayment status if they are financed in the participation line or if they are sold to the Department and so there should be no relevant default. He stated that in the unlikely event they do go into default, the Authority could not sell them and would have to submit the claim to the guarantee agency for payment. Mr. Giles then discussed several other aspects of the program. He stated there is a minimum on the federal participation program of \$50 million; however the sale could be for any amount. He stated that the second disbursements will be more concentrated. The Authority may have to fund all the loans in one day and wait seven days to get reimbursed. He reiterated the Authority needs equity to finance those loans. He stated that even with the conduit, if the market gets worse, rates may be worse and the margin call higher. Mr. Bayer stated that the Authority needs as much cash as possible, and that this is the reason it is attempting to maintain its liquidity. Mr. Giles stated that the Authority has not pushed for additional student loan volume.

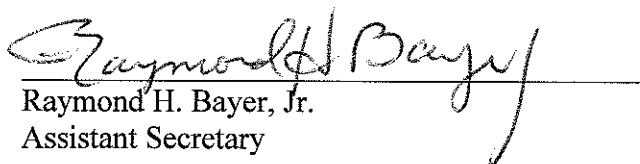
The Chair asked if there were any further questions or comments and, there being none, he asked for a motion on Resolution No. 072908.01. Mr. Reeves moved to adopt Resolution No. 072908.01 as presented and Dr. Stein seconded the motion. The Chair called for a voice vote on said motion and it was unanimously approved.

The Chair announced that the motion to adopt Resolution No. 072908.01 relative to the new U.S. Department of Education Program was unanimously approved.

Other Matters and Adjournment

The Chair asked if the Members or management had any reason to close the meeting, 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 9:38 a.m.

Approved:


Raymond H. Bayer, Jr.
Assistant Secretary