
**MINUTES OF A MEETING OF THE MEMBERS OF
THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON JUNE 13, 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, June 13, 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

Mr. Randy L. Etter (by telephone)
Mr. W. Thomas Reeves
Dr. John F. Smith
Dr. Robert Stein

Absent

Dr. Robert H. Spence
Mr. Gregory Upchurch
Ms. Jennifer Kneib

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; Mr. Harry W. Lohse, Assistant Director of Information Systems and Information Security Officer; Mr. Andrew Helton, Assistant Controller; 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; Dr. Lynn Walker of Boundary Management Consultants; Mr. Dustin Allison of the Missouri Attorney General's Office; Mr. Brian Pultman of Wachovia Securities; Mr. Harold Walton of Buckingham Asset Management; Mr. Richard Beldner, Private Investor; Mr. Doug Coombs of Wachovia; Mr. Rich Messey of First Bankers Banc Sec; Mr. Mark Carroll of Metro; Mr. Al Sears of Buckingham Asset Management; Mr. Jeff Hollingsworth; Mr. Todd Cassagno of Deloitte & Touche; Mr. Jim Hodapp of Wachovia; Mr. Marting Millna; Mr. Brent Wagner, Student; Mr. Daniel Stephens of Wachovia; Mr. Nielson Parker; V. Olen Dotkins of UMB; Dr. Edward S. Rader; Mr. Frank Birresi of Stifel; and Mr. Steven Crump of Commerce Bank. 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 9:10a.m. The Chair stated that in the interest of preserving a quorum of the Members, the public comment item would be taken up later in the meeting. The Chair then stated that the first item was the discussion, consideration and vote on approval of minutes of the Authority meetings of March 28, 2008 and May 23, 2008. The Chair asked if there were any corrections or discussion. There being none, he called for a motion to approve the minutes. Dr. Stein moved and Mr. Reeves seconded a motion to approve the March 28, 2008 and May 23, 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 vote on said motion. The following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to approve the March 28, 2008 and May 23, 2008 minutes as drafted and presented had been unanimously approved.

Executive Director's Report

The Chair stated that the next item was the discussion, consideration and possible vote on the report of the Executive Director and asked Mr. Bayer to present his report. Mr. Bayer stated that the U.S. Department of Education's liquidity program will assist MOHELA in funding loans this fall. He stated that the Authority is committed to serving all 154 schools in the state of Missouri and that one-third of the schools have been cut off by some lenders. He noted that the Authority will fulfill its mission and provide funding to the schools at this critical time.

Mr. Bayer also provided a financial update. He stated that following the auction rate failure, although the Authority may not show a profit for year end, the Authority has returned to profitability within the last three months, earning \$77,000 in March, \$740,000 in April and \$4.2 million in May. He observed this is a remarkable success considering how the industry has been hit and that the best thing we can do for bondholders besides refinancing the bonds is to protect the Authority's finances. The Authority's operations are doing very well financially and it should finish Fiscal Year 2008 right around the break even mark. He noted that this is a tremendous success in what has been described as the worse credit crisis since the Great Depression.

Mr. Bayer stated that Bank of America made a decision to alter how it originates student loans nationwide. He informed the Members that Bank of America has decided to process all of their loans through one guarantor and one servicer. He noted that Bank of America was the Authority's largest customer, however the Authority has acted quickly to fill the void with Commerce Bank, Boone County National Bank and several smaller lenders. Mr. Bayer also stated that with the Authority now being legally eligible to be an originator of Stafford loans more students will begin accessing loans directly through the Authority.

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 action item on the Agenda.

Auction Rate Bonds Update

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote regarding failed Auction Rate Bonds and authorization for the Authority to purchase a limited number of bonds pursuant to a tender offer. Mr. Bayer stated that the Authority has 5.1 billion in outstanding debt which includes auction rate bonds totaling \$3.5 billion which carry an average interest rate of 3.7%. He stated that carrying this debt load costs the Authority approximately \$3.4 – \$3.6 million per month in interest. The Authority also has approximately \$750 million in Libor Index Rate debt. Variable Rate Demand Bonds make up approximately \$461 million of the Authority's debt. Some of this debt is insured by AMBAC & MBIA and those insurers are struggling.

Mr. Bayer stated that in today's market, it would take a contribution of \$40 million of equity per billion dollars to refinance debt and that the Authority has only enough money to refinance about half of \$1 billion. Even then, however there is no certainty that such a financing could be done and it would drain all available cash. Mr. Bayer reiterated the potential options available which include: open market purchases, a tender offer and potentially, refinancing, although given the market and the Authority's limited assets, refinancing is currently not feasible.

Mr. Lause stated that purchasing some of the bonds at an amount less than par would strengthen the trust estate. He noted that the submitted resolution would authorize going forward with the tender offer.

The Chair asked for a motion on Resolution No. 061308.01. Mr. Reeves moved to adopt Resolution No. 061308.01 as presented and Dr. Stein seconded the motion. Dr. Stein inquired as to whether these matters could be handled by an executive committee. Mr. Lause advised that it would have to be a full board action since an executive committee is not authorized by statute or even Bylaws. There being no further discussion, the Chair called for a vote on said motion, at which time the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to adopt Resolution No. 061308.01 authorizing the Authority to go forward with the tender offer was unanimously approved.

Lewis & Clark Distribution Resolution

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 (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. Dr. Stein moved to table this item in an attempt to have a full Board present to consider the matter. Mr. Etter seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to table this item was unanimously approved.

Audit Committee Charter

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on revisions to the Audit Committee Charter. Mr. Bayer stated that the intent was always for the committee to encompass audit and finance matters. Mr. Reeves stated the revised charter will just formalize what the committee has been doing all along. He stated the charter will provide for more in-depth review of financial issues. Mr. Reeves also informed the Members that the Audit Committee was in favor of recommending the charter to the Board. The Chair asked for a motion to adopt the revised charter. Dr. Stein moved to adopt the revised charter and Mr. Etter seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to adopt the revised Audit Committee Charter was unanimously approved.

Line of Credit Renewal Resolution

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on a resolution authorizing the Authority to renew the \$300 million line of credit with Bank of America. Mr. Bayer stated that the \$300 million line of credit is currently fully extended. He stated that the line of credit expires June 30, 2008 and that the terms have changed slightly. Mr. Bayer stated that staff are asking the Members to allow it to renew the line of credit. Mr. Reeves stated that the Audit Committee reviewed this item, considered it a positive relationship and would recommend approval to the board. The Chair asked for a motion on Resolution No. 061308.04. Mr. Etter moved to adopt Resolution No. 061308.04 as presented and Dr. Stein seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to adopt Resolution No. 061308.04 authorizing the Authority to renew the \$300 million line of credit was unanimously approved.

Conduit Renewal Resolution

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on a resolution authorizing the Authority to renew the \$500 million commercial paper conduit with Bank of America. Mr. Bayer stated that this conduit expires July 24, 2008. Mr. Reeves stated that the Audit Committee also recommended approval of this item to the Members. The Chair asked for a motion on Resolution No. 061308.05. Mr. Reeves moved to adopt Resolution No. 061308.05 as presented and Dr. Stein seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to adopt Resolution No. 061308.05 authorizing the Authority to renew the \$500 million commercial paper conduit was unanimously approved.

U.S.D.E. Program Resolution

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on a resolution authorizing the Authority's officers, Executive Director, and Chief Financial Officer to execute such documents as may be necessary for the Authority to participate in a program recently announced by the U. S. Department of Education whereby the Authority may draw down funds from the U. S. Treasury for the purposes of making and purchasing FFEL Program loans for the 2008-2009 academic year. Mr. Bayer stated this program will allow the Authority to proceed with utilizing the draw down from the Treasury and originate loans this fall. The Chair asked for a motion on Resolution No .061308.06. Dr. Stein moved to adopt Resolution No. 061308.06 as presented and Mr. Etter seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

Yeas

Mr. W. Thomas Reeves
Mr. Randy L. Etter
Dr. Robert Stein
Dr. John F. Smith

Nays

None

The Chair announced that the motion to adopt Resolution No. 061308.06 relative to the new U.S. Department of Education Program was unanimously approved.

FY 2009 Budget

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on recommendations to approve the (a) Fiscal Year 2009 General Administrative Budget Operating Expenses, (b) Fiscal Year 2009 Fixed Asset Expenses, and (c) the Fiscal Year 2009 Pro-forma Financial Statement. Mr. Reeves reported that the Audit Committee had reviewed the proposed budget and that the proposed budget anticipates a profit of approximately \$15 million. He stated that the budget shows about an \$8 million swing from Fiscal Year 2008 and that management has substantially decreased overhead and expenses. Mr. Bayer stated the Policy Governance

Manual requires that the Operating Budget, Fixed Asset Budget and Pro-forma statements be provided to the Board. The Chair asked for a motion to approve the FY 09 Budgets and Pro-forma Financials. Mr. Etter moved to adopt the FY 09 Budgets and Pro-forma Financials as presented and Dr. Stein seconded the motion. The Chair called for a vote on said motion and the following vote was recorded:

<u>Yeas</u>	<u>Nays</u>
Mr. W. Thomas Reeves	None
Mr. Randy L. Etter	
Dr. Robert Stein	
Dr. John F. Smith	

The Chair announced that the motion to approve Fiscal Year 2009 Budgets and Pro-forma Financials was unanimously approved.

Dr. Stein stated the Executive Director's report shows current employees at 239 and that the Fiscal Year 2009 Budget shows employees at 235. He questioned the discrepancy or anticipated change. Mr. Bayer explained that the Authority builds its budget with anticipated vacancies, rolling vacancies, people on sick leave and not getting paid and people on FMLA and not getting paid.

The Chair recommended a motion be made to close the meeting and asked Dr. Matchefts to announce the reason for same. Dr. Matchefts stated that pursuant to the tentative meeting agenda, 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. Stein 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 roll call vote on the motion. Upon said motion being put to a roll call vote, the following roll call 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. Robert Stein	
Dr. John F. Smith	

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 9:52 a.m. and everyone except the Members, Mr. Bayer, Dr. Matchefts and Mr. Lause exited the meeting.

The Members reconvened the regular meeting at approximately 10:20 a.m. after properly making a motion to do so which was made by Mr. Upchurch, seconded by Mr. Etter and was unanimously by roll call approved.

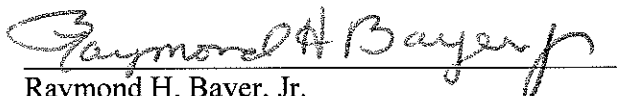
The Chair briefly discussed the Kindergarten College Funding Initiative and the progress made in recent months.

The Chair asked if any members of the public wished to make comments. Mr. Beldner stated that he is an investor in the Authority's auction rate securities and he believes the Authority needs to take action in order to maintain the support of the investment community. Mr. Messey stated that the auction rate bonds are par investments and that the Authority should seek a solution to redeem the bonds at par as opposed to buying the bonds at a discount, which might further reduce liquidity in the auction rate markets. Mr. Pultman stated that it was the Authority's duty to take action to create liquidity for its auction rate bonds, which were bought by investors in good faith. He further stated that the Authority's bonds were communicated, marketed and sold as short-term, money-market securities. He noted that he would be testifying in Jefferson City the following week.

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. Stein moved and Mr. Reeves seconded a motion to adjourn the meeting which was unanimously approved by voice-vote. The meeting adjourned at approximately 10:40 a.m.

Approved:



Raymond H. Bayer, Jr.
Assistant Secretary