
**MINUTES OF A MEETING OF THE MEMBERS OF
THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON MAY 23, 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, May 23, 2008 at 11:30 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
Mr. W. Thomas Reeves
Dr. John F. Smith
Dr. Robert Stein (by telephone)
Dr. Robert H. Spence (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; Ms. Mary J. Stewart, Director of Loan Origination and Servicing; Ms. Susan B. Crump, Assistant Director of Administration; Ms. Lisa Adams, Senior Manager of System Design and Support; 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. John Noce of Bi-State Development Agency; Mr. Harold Walton of Buckingham Asset Management; Mr. Al Sears of Buckingham Asset Management; and Mr. Steven Crump of Commerce Bank. 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 11:30 a.m. and asked if there were any public comments. Mr. John Noce, CFO of Bi-State Development Agency, stated that his organization holds of \$28.2 million of the Authority's par value bonds. He stated that Bi-State's investment in the instruments is intended as a temporary investment and that the funds are derived from Missouri sales taxes. Mr. Noce noted that, if the Authority's bonds are discounted, Bi-State may lose certain federal funding. He stated that a 30 percent discount on the Authority's bonds translates into an \$8.5 million loss directly to Bi-State and a \$36 million loss in federal grant funding. He expressed his sympathy with the Authority's current situation, but encouraged management and the Board to focus on solving the liquidity problem for purposes of keeping the bondholders whole.

The Chair next recognized Mr. Harold Walton, Director of Fixed Income for Buckingham Asset Management. Mr. Walton encouraged the Authority and the Board to find a near term resolution for creating liquidity for all bondholders at par. Mr. Walton noted that his clients hold approximately \$30 million in Authority bonds and that many are distraught at the prospect of the bonds being discounted. He asked that the Authority work diligently towards a solution.

The Chair acknowledged the public comments and thanked the speakers.

New Program Announced by the U.S. Department of Education

The Chair stated that the Members would take up the fourth item on the Agenda and later pick up with the third Agenda item.

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote regarding the Authority's participation in a new student loan financing program announced on May 20, 2008 by the U.S. Department of Education (the "USDE") and the program's potential impact on origination, servicing, loan purchases and borrower benefits offered by the Authority. Mr. Bayer stated that this USDE program is great news for the industry and the Authority in terms of increasing its ability to finance student loans in the 2008 – 2009 school year. He stated that the Authority's traditional means of financing loans with bonds seems unlikely to work for the upcoming year.

It was noted that some bonds are beginning to trade in the secondary market. Mr. Bayer stated that the Authority's reserves are being depleted, which will make it difficult or impossible for the Authority to commit long-term to loan purchases.

Mr. Bayer described the recent announcement by the USDE as an effort to avoid a crisis in which students would be unable to obtain FFEL Program loans for the 2008-2009 academic year. He explained how the new program would allow the Authority to access funds directly from the U.S. Treasury to originate or purchase new loans. He

noted, however, that there is some bad news with respect to the USDE Program and that has to do with the ability of the Authority to continue to offer “borrower benefits” as in the past.

Mr. Bayer stated that, without permanent long-term bond financing, the Authority’s cash flows will be insufficient to continue financing borrower benefits. He explained that, in light of the current credit market crisis, it is unlikely that such permanent financing will be available in the foreseeable future. Accordingly, the Authority would have been forced to suspend or eliminate the Rate Relief Program and The Public Service Reward Program (the “PSRP”) by October 2008 even if the USDE Program were not used. In any event, Mr. Bayer stated that the Authority no longer has any choice but to suspend or eliminate the Rate Relief Program and the PSRP because, under the USDE’s new program, loans with those borrower benefits would not be eligible for sale to the USDE. He explained that the USDE will only honor borrower benefits that are consistent with those offered under the Federal Direct Loan Program (the “FDLP”), and that the Rate Relief Program and the PSRP provide more generous benefits than those available under the FDLP.

The Chair asked if there were any further questions or comments. There being none, he called for a motion. Mr. Upchurch moved and Mr. Etter seconded a motion to adopt the “Resolution of the Higher Education Loan Authority of the State of Missouri Relative to Participation in a Student Loan Financing Program Announced by the U.S. Department of Education on May 20, 2008 and Authorizing the Executive Director to Undertake Actions in Compliance with such Program, Including the Reduction, Suspension or Elimination of the Authority’s Existing Borrower Benefit Programs in Order to Make such Borrower Benefit Programs Consistent with Benefits Offered Under the Federal Direct Loan Program,” attached hereto and incorporated herein as Exhibit A. 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 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 adopt the “Resolution of the Higher Education Loan Authority of the State of Missouri Relative to Participation in a Student Loan Financing Program Announced by the U.S. Department of Education on May 20, 2008 and Authorizing the Executive Director to Undertake Actions in Compliance with such Program, Including the Reduction, Suspension or Elimination of the Authority’s Existing Borrower Benefit Programs in Order to Make such Borrower Benefit Programs

Consistent with Benefits Offered Under the Federal Direct Loan Program” was unanimously approved.

Recommendation Regarding Authorization of Senior Management to Purchase and Cancel Authority Bonds

The Chair stated that the next item on the agenda was the discussion, consideration, and possible vote on a recommendation to Authority Members regarding the authorization of Senior Management to purchase and cancel Authority bonds at a price below par through public trading platforms or other secondary markets for such bonds. Messrs. Bayer and Lause discussed the impact of the credit market crisis on the Authority’s auction rate bonds and the desire for some bondholders to convert their bonds to cash, even at a discounted price. Mr. Bayer stated that it was unlikely the Authority would be able to refinance its \$3.5 billion in auction rate debt in the near future due to a number of factors including that in the current market about \$40 million is required to refinance even \$1 billion in such debt. Messrs. Bayer and Lause indicated that a number of bondholders and others are unhappy that the Authority is considering purchasing bonds at a discount. These include the individuals who spoke earlier at the meeting as well as Wachovia and others.

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. 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 Stein	
Dr. Robert H. Spence	
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 12:00 p.m. and everyone except the Members, Mr. Bayer, Mr. Giles, Dr. Matchefts and Mr. Lause exited the meeting. Ms. Kneib excused herself from the meeting at this time.

The Members reconvened the regular meeting at approximately 1:00 p.m. after properly making a motion to do so which was made by Mr. Upchurch, seconded by Mr. Etter and was unanimously approved.

The Chair asked if there were any further questions or comments regarding the proposal to purchase and cancel Authority bonds. There being none, he called for a motion. Dr. Stein moved and Mr. Reeves seconded a motion to adopt the "Resolution of the Higher Education Loan Authority of the State of Missouri Relative To The Possible Purchase Of A Limited Number Of Auction Rate Bonds," attached hereto and incorporated herein as Exhibit B. 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 adoption of such motion:

Yeas

Mr. Randy L. Etter
Mr. W. Thomas Reeves
Dr. John F. Smith
Dr. Robert Stein
Mr. Gregory Upchurch
Dr. Robert H. Spence

Nays

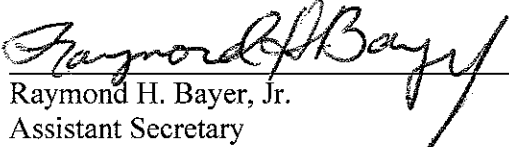
None

The Chair announced that the motion to adopt the "Resolution Of The Higher Education Loan Authority Of The State Of Missouri Relative To The Possible Purchase Of A Limited Number Of Auction Rate Bonds" 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. Mr. Etter moved and Mr. Upchurch seconded a motion to adjourn the meeting which was unanimously approved by voice-vote. The meeting adjourned at approximately 1:15 p.m.

Approved:



Raymond H. Bayer, Jr.
Assistant Secretary