

MINUTES OF MEETING
STATE BOARD OF FINANCE

December 11, 2008

A meeting of the State Board of Finance of the State of Arkansas was held in the Conference Room, Office of the Treasurer of State, Suite 275, Victory Building, Little Rock, Arkansas, at 10:00 a.m., Thursday, December 11, 2008, pursuant to notice duly given to each member of the Board by the Chairman.

The following members were present:

Richard Weiss, Director, Department of Finance
And Administration
Martha Shoffner, Treasurer of State
Candace Franks, Arkansas State Bank Commissioner
Jim Wood, Auditor of State
James Miller, representing Governor Mike Beebe

Others present were Michael Wickline, reporter for the Arkansas Democrat-Gazette; Jack Williams, Tony Williams, Mark Conine, and Michele Allgood, all of Williams & Anderson PLC, representing the Arkansas Student Loan Authority (“ASLA”); Lisa White, of the Auditor’s Staff; and Karla Shepard, Autumn Sanson, and Patti Lah of the Treasurer’s staff.

Richard Weiss served as acting Chairman in the absence of Governor Beebe and called the meeting to order with recognition of a quorum.

Minutes of the meeting held on November 17, 2008, were approved as distributed.

Acting Chairman Weiss recognized Tony Williams, representative for ASLA, to address the main item on the agenda, which was the discussion and consideration of a requested one-time extension for the ASLA secured line of credit. Mr. Williams requested three specific modifications to the terms of the original line of credit:

- a. Extend the maturity date, originally set at December 1, 2009, to September 30, 2010.
- b. Remove the cash flow requirement.
- c. Permit ASLA to “recycle” funds drawn on the line of credit.

A memorandum addressing each of these items was distributed to the Board members. The memorandum reads, in words and figures, as follows:

Proposed Modification
\$80,000,000
State Board of Finance Line of Credit
to the Arkansas Student Loan Authority

December 11, 2008

- **Total loans made as of November 30, 2008** **\$39,716,083**

- **Number of loans made as of November 30, 2008** **14,651**

- **# of colleges and universities attended by students served:** **44 in-state**
schools **21 out-of-state schools**

- **Current Line of Credit maturity date:** **December 1, 2009**

- **Expiration date of federal legislation guaranteeing liquidity:** **September 30, 2010**

- **Due to the continued dysfunctional state of the capital markets, ASLA proposes a ten month extension to the Line of Credit's maturity date that will correspond with the federally guaranteed liquidity period. The extension will enable ASLA to continue serving the funding needs of Arkansas students for the complete 2009-2010 academic year.**

- **The Ensuring Continued Access to Student Loans Act (ECASLA) assures liquidity for federal student loans through September 30, 2010, thereby assuring ASLA's ability to liquidate loans and repay the State line of credit.**

- **ASLA will receive a price of 101% of the outstanding principal balance for loans sold to the federal government. The student loans funded by the Line of Credit are insured at a rate of 97% by the federal government as protection against losses in the case of death, disability or default.**

- **Proposed Modifications:**
 - **Extend maturity date to September 30, 2010.**
 - **Waive cash flow calculations intended to evidence ASLA's ability to repay the line of credit with student loan payments.**
 - **Permit ASLA to "recycle" funds drawn on the Line of Credit. Using federal bail-out legislation, ASLA can sell student loans originally funded with proceeds of the Line of Credit. These receipts would then be used by ASLA to acquire or fund additional student loans.**
(Currently, the Line of Credit permits ASLA to use the funds only once, with a requirement that any sale proceeds be used to repay the line of credit.)

- **Process for amendment:**
 - **Approval by State Board of Finance and Arkansas Student Loan Authority Board**
 - **Execute amendments to Trust Agreement, Loan Agreement, and Note**
 - **Deliver additional certificates as deemed necessary by counsel to State and counsel to ASLA**

Secretary Shoffner asked Mr. Williams what the default rates were on student loans. Mr. Williams replied that ASLA has not yet seen a rise in default rates because the loans aren't being held long enough to fall into default. He also reminded the Board that the federal government insures the student loans at a rate of 97% as protection against losses.

Jack Williams, of the law firm Williams & Anderson PLC, presented to the Board a Resolution formalizing the modifications to the Arkansas Student Loan Authority Line of Credit. Mr. Williams advised that the Resolution had been reviewed and approved by Mac Dodson, President of the Arkansas Development Finance Authority. The Resolution reads, in words and figures, as follows:

Chairman Weiss asked Board members if they agreed to accept the Resolution as presented. Secretary Shoffner moved to accept the Resolution and Commissioner Franks seconded the motion. The motion was unanimously passed and the Resolution was signed by Chairman Weiss and Secretary Shoffner.

There being no further business, Chairman Weiss declared the meeting adjourned.

ATTEST:

Secretary of the State Board
of Finance of the State of Arkansas

Acting Chairman of the State Board
of Finance of the State of Arkansas

Secretary's Note: All documents pertaining to the issues considered are filed in the permanent records of the State Board of Finance.