

MINUTES OF MEETING
STATE BOARD OF FINANCE

JUNE 3, 2014

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 2:30 p.m., Tuesday, June 3, 2014, 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
Charles Robinson, Treasurer of State
Janet Harris, Representing Auditor Charlie Daniels
Haley Keenan-Gray, Representing Governor Mike Beebe
Heath Abshire, Arkansas Securities Commissioner
Clarence "Al" Hamilton, Certified Public Accountant
Luther Guinn, Representing Candace Franks, Arkansas Bank Commissioner

Others present were Debbie Rogers, Autumn Sanson, and Celeste Gladden of the Treasurer's staff; Andy Babbitt of the Division of Legislative Audit; Paul Louthian of the Department of Finance and Administration; Tony Williams and Mark Conine of the Arkansas Student Loan Authority; and Jack Williams and Kate Fletcher of Williams & Anderson PLC.

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 March 25, 2014 were approved as distributed.

The Chairman recognized Tony Williams of the Arkansas Student Loan Authority to discuss the first item on the agenda, a request for Board of Finance approval of a proposed financing of \$25,000,000 in student loans by Simmons First National Bank in Pine Bluff. Mr. Williams explained that this transaction is a normal course of business for the ASLA, by which statute requires the approval of the Board. Chairman Weiss asked if there were any questions by the Board, there were

not. The Chairman then recognized Jack Williams of Williams & Anderson PLC to present the Resolution. The Resolution reads, in words and figures, as follows:

STATE OF ARKANSAS
STATE BOARD OF FINANCE
RESOLUTION

WHEREAS, the Arkansas Student Loan Authority (the "Authority") was created by Act 873 of the Acts of Arkansas of 1977, codified, as amended, at Arkansas Code Annotated §§ 6-81-101 through 6-51 -131 (the "Act"), which describes the Authority's responsibilities and authorizes it to issue obligations to provide funds to accomplish the purposes for which it was created and established and to acquire and sell student loans; and

WHEREAS, to continue its statutory responsibilities, the Authority proposes (1) to acquire the remaining Student Loan portfolio owned by Simmons First National Bank, Pine Bluff ("SFNB") in the approximate amount of \$25,000,000; (2) to finance the purchase with a loan in the amount of the purchase price from SFNB, such loan to be evidenced by a loan agreement with SFNB and a promissory note of ASLA (the "Note") given in consideration of such purchase and sale and loan; and (3) to provide funds for a Reserve Fund and to pay costs of issuance; and

WHEREAS, the Promissory Note involved in this transaction shall be the obligation only of the Authority, neither the faith and credit nor the taxing power of the State of Arkansas, or any political subdivision thereof, will be pledged to the repayment of the principal of or interest on the Note; the Note will not be secured by a mortgage or lien on any lands or buildings belonging to the State of Arkansas; and the Notes shall not constitute an indebtedness of the State of Arkansas within the meaning of any constitutional or statutory limitations; and

WHEREAS, the Authority's Board of Directors at its April 2, 2014 meeting discussed the proposed transaction and directed its management to go forward and determine if such a transaction could be effected; and

WHEREAS, the management of both the Authority and SFNB have now entered into a Transaction Structure and Term Sheet dated May 2, 2014, whereby both parties agree to go forward and obtain necessary approvals for this transaction, and to that end the Authority has held a public hearing on May 13, 2014 as required under its statute, and will have its Board of Directors adopt an authorizing resolution authorizing the purchase of the Student Loans from SFNB and the Loan Agreement and Note to evidence the obligation owed to SFNB to fund the purchase price; and

WHEREAS, Section 6 and Section 8 of the Act, Arkansas Code Annotated § 6-81-107-108, requires that prior to the issuance of any obligations by the Authority, the State Board of Finance shall first give its consent by Resolution to the issuance of such an obligation; and

WHEREAS, the State Board of Finance is charged with the responsibility of maintaining and improving the credit standing of the State of Arkansas.

NOW, THEREFORE, BE IT RESOLVED by the State Board of Finance of the State of Arkansas that:

Section 1. The State Board of Finance has reviewed the proposed transaction, and based upon such review the consent required by Section 6 and Section 8 of the Act, Arkansas Code Annotated § 6-81 -107-108, is hereby given to the Authority, this current authority carrying with it the issuance of the Note by the Authority, as set forth herein and in the authorizing resolution of the Authority.

Section 2. The consent given by this Resolution does not extend to any swap agreement or other derivative agreement, and the Authority shall obtain the specific approval of the State Board of Finance before entering into any interest rate swap agreement or other derivative agreement.

Section 3. Pursuant to Arkansas Code Annotated § 6-81-108, a copy of this Resolution shall be provided to the Office of the Governor.

ADOPTED: June 3, 2014.

/s/ Richard Weiss
Chairman

ATTEST:

/s/ Charles Robinson
Secretary

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Janet Harris made a motion to adopt the Resolution as written, seconded by Luther Guinn, and passed unanimously by the Board.

Chairman Weiss recognized Autumn Sanson to discuss the next item on the agenda, consideration of the Investment Summary Report for the State Treasury. The Investment Summary

Report is included in the Minutes as Attachment 1. Ms. Sanson explained that this Report is a review of the demand accounts, money market accounts, and long-term investments currently held by the Treasury. She stated that this report is now available on the Treasurer's Office website and will be provided to the Board at each meeting. Ms. Sanson also presented to the Board a report of the investment transactions that have taken place since the last Board meeting. This report is included in the Minutes as Attachment 2.

Chairman Weiss then recognized Debbie Rogers to discuss the next item on the agenda, an update on the National Association of State Treasurers Meeting. Ms. Rogers stated that she attended the Treasury Management Training Symposium in May along with Autumn Sanson and Melissa Corrigan. Ms. Rogers stated that together they participated in a very informative panel discussion on cash positioning and forecasting. During this discussion they learned that many of the states face a lot of the same issues and challenges in relation to cash management, forecasting, and gathering data on trends in revenues and expenditures. She said they also discussed banking and service fees and learned that some states charge their agencies for bank services such as return check and ACH charges. In addition, most states are using an RFP process to contract with banks to provide services for 3-10 years. Ms. Rogers told the Board that they also attended other sessions such as: an economic update given by a senior economist from the Federal Reserve; a session on how to prepare for a rising rate environment; a workshop on portfolio management; and a roundtable on local government investment pools. Ms. Rogers concluded by saying that the meeting was extremely informative and it was very beneficial to network with other states.

Addressing the last item on the agenda, the Chairman directed the State Treasurer's office to pay warrants for the succeeding quarter, as now required by state statute.

To conclude, the Chairman asked if there were any further issues to be brought before the Board. There being no further business, the Chairman accepted a motion to adjourn.

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.