VERBATIM TRANSCRIPT

HISTORICAL BLACK COLLEGES AND UNIVERSITY

CAPITAL FINANCING PROGRAM

MEETING OF FRIDAY, APRIL 20, 2007

XAVIER UNIVERSITY CENTER BUILDING

1 DREXEL DRIVE

NEW ORLEANS, LOUISIANA 70125

REPORTED BY:

TERRY L. OWENS, CCR, RPR

CERTIFIED COURT REPORTER
DR. FRANCIS:

I would like to call this meeting to order. I'm going to ask that we take our seats, get ourselves comfortable. I want to welcome Mr. McNealy. You did it great timing. I just heard that you were just getting in. I've got you right by me here.

DR. McNEALY:

I hear you. Thanks.

DR. NORMAN:

I pick the people that sit next to me. That's where I used to put some of your friends. I won't call their names, they might sue me.

Let me welcome you to the Xavier campus. Several, many of you have been here, and I think a few of you will get a chance to maybe go by Dillard and SUNO. I know there have been requests for that, Dr. Hughes, and I met the SUNO representative for the other session. I think somebody's going to be able to go over to his place.

But we are happy to have you here.
The weather is good. The place looks good, but we have got a long way to go. Fortunately, we were able to get back, both of us, in fact, all of us who were under water, the three schools, HBCU's in the city.

Strangely enough, some of the other schools were on the ridge and therefore they escaped major damage, but those of us who were in the bowl and next to levies and next to canals and all were not so fortunate. And that's particularly true of Dillard, particularly true of us because we have the -- what's called the 17th Avenue Canal, although it's called the Washington Avenue Canal now because it's here. The London Avenue Canal is Dillard is and where I live, so we both lost homes and buildings. Dillard lost buildings and --

DR. HUGHES:
All of the buildings.

DR. FRANCIS:
All of the buildings just about.
All of the buildings.

All of the buildings. Well, it's coming back and I suspect it should be ready by August of '07, if you are fortunate?

Well, we first returned in September of '07 partially, but we only have space for living, residential space for students and a little classroom space. All of those buildings have to be stripped, it's as simple as that, every one of those.

What's your -- the reason I'm saying is for your protection. We came through this and people will give you one date and, you know, next month, next month, next month. Any firm dates you have yet for when you will be able to put together most of what you need on campus?
It will take about two more years
or more because we had three buildings
burn down, remember?

DR. FRANCIS:
Uh-huh.

DR. HUGHES:
We had to demolish three
buildings, and all the others were under
water. So everything had to be restored
at Dillard.

DR. FRANCIS:
Like New Orleans, it's going to be
much longer than people think. We were
somewhat fortunate. We had about 6 feet
everywhere and the first floors of
everything and the mold ran to some
other floors, but where -- what all of
us have learned is, and hopefully it
never happens to any of you, in the time
that it happened in the summertime, if
you had just a little bit of water, mold
runs, just runs, and we did have a
number of buildings where the molds ran
and you had to go past the first floor.

You lose the first floor and you lose
what’s right behind me, the central
plant, like your heart, and that goes,
everything stops. No lights. No
anything.
So as you look around and drive,
if you are -- and have a chance to see
some of the city, it looks good in some
places, other places very devastated.
And I can say with my other hat, people
say, you know, why is it taking so long,
and my crass answer to that is:
Compared to what? You tell me another
event that this happened in the United
States and then I'll be able to give you
a judgment as to whether we are moving
slow or fast. And we are now second --
finishing our second year, and as
Dr. Hughes has said, the city itself and
the coast line, it's going to be an 8-
to 10-year process of getting back
totally. Certainly progress will be
made.
And the country doesn't fully
appreciate, I think, what did happen,
and then some people don't think -- some
people think there is still water on the
expressway. So you have got a big gap
between an understanding, and part of
what Louisiana and New Orleans is trying
to do is to travel around the country
and explain what happened, and the only
commercial I'll give in a sense is we
are faced with the same problems that
every urban city faces, crime is in
every urban center, but we are a poster
child. So that any time there is crime
of any kind it is highlighted. And so
it's going to have a great impact on
enrollment in all of our schools, I
mean, all of our schools in New Orleans
that were all hit.
So I welcome you today with that
in mind, but the bottom line is that all
of our institutions are so important
that we are going to come back and we
are going to come back stronger than we
were. I think all have taken the
position that we paid such a huge price
in what we have lost, it would be
immoral to say we are going to come back
just the way we were. We have to come back better than that because the world changes and the competition changes in terms of what is expected of our youngsters who are in our institution. So we intend not to come back to where we were but to come back better than where we were. And I say this to you because all of our grandparents and our mothers and fathers used to say to us, oh, boy, those good old days. They don't make shoes like they made them. They don't make cars like they made them. Well, not all of the good old days were good old days and we know that and that's what we are trying to change. So with that invocation and welcome, I'm going to stand up and raise my right hand so I can be official. Is that right, Tom?

MR. DAWSON: That's right.

MS. BASKERVILLE: Mr. Chairman?

DR. FRANCIS:
Yes.

MS. BASKERVILLE:

Before you do that or at some appropriate time, I wanted to thank you for welcoming us here and tell you how delighted we are to be on your campus.

I want to thank you and President Hughes for your magnificent, incredible leadership that resulted in saving two of our national treasures, and your indefatigable work, your prayers, your dogged determination that brought us back and not only saved the institutions over which you are serving but institutions that are so important to all of us in our nation. And we are just delighted to be here and stand ready to assist in any manner or means.

Thank you so very much.

DR. FRANCIS:

Appreciate it very much, and I can say sitting here, Dr. Hughes will say it, we are grateful for all around the country how many students have all come to help us, so we thank you very much,
Lezli.

MS. BASKERVILLE:
Thank you.

DR. FRANCIS:
Good. All right.

MR. DAWSON:
Without further delay, my name is Tom Dawson. I'm with the Department.
Jim Manning, who is our assistant secretary, would typically be here today. Unfortunately with the Virginia Tech incident earlier in the week he wasn't able to make it, so I came in his stead.
Quickly, I wanted to thank all of you-all for coming, especially to Dr. Francis for agreeing to chair the board.
I know he has a lot going on so this is -- both Jim and Secretary Spellings, as well, appreciate your agreeing to do this, so that's wonderful.
For all of the new members around the table, if you could stand, as well, because I'm going to swear all of you in at once. When I start, immediately
after I start, I'll turn it over to you to state your name and you can all state it at the same time.

Okay. If you could please raise your right hand. I --

(Members stated their names.)

MR. DAWSON:

-- do solemnly swear --

MEMBERS:

-- do solemnly swear --

MR. DAWSON:

-- that I will support and defend the Constitution --

MEMBERS:

-- that I will support and defend the Constitution --

MR. DAWSON:

-- of the United States --

MEMBERS:

-- of the United States --

MR. DAWSON:

-- against all enemies --

MEMBERS:

-- against all enemies --

MR. DAWSON:
-- foreign and domestic --

MEMBERS:

-- foreign and domestic --

MR. DAWSON:

-- that I will bear true faith and allegiance to the same --

MEMBERS:

-- that I will bear true faith and allegiance to the same --

MR. DAWSON:

-- that I take this obligation freely --

MEMBERS:

-- that I take this obligation freely --

MR. DAWSON:

-- without any mental reservation or purpose of evasion --

MEMBERS:

-- without any mental reservation or purpose of evasion --

MR. DAWSON:

-- and that I will well and faithfully --

MEMBERS:
-- and that I will well and faithfully --

MR. DAWSON:
-- discharge the duties --

MEMBERS:
-- discharge the duties --

MR. DAWSON:
-- of the office --

MEMBERS:
-- of the office --

MR. DAWSON:
-- on which I am about to enter --

MEMBERS:
-- on which I am about to enter --

MR. DAWSON:
-- so help me God.

MEMBERS:
-- so help me God.

MR. DAWSON:
Congratulations.

DR. FRANCIS:
Thank you. Last time I did that I got married.

(Laughter.)

DR. FRANCIS:
So we are ready to go. I think
the first item on the agenda, on my
agenda is the roll call of members of
the advisory committee. Ms. Lezli
Baskerville is here. I'm here. Charles
Greene who has been with us for the last
day and a half is here. Happy to have
you. Dr. Marvalene Hughes is here.
Dr. Michael Lomax. Michael, you didn't
get caught in that traffic?
DR. LOMAX:
No.
DR. FRANCIS:
They cleaned it up. They knew you
were coming.
DR. LOMAX:
I know my way around.
DR. FRANCIS:
Dr. Earnest McNealy. Dr. Carolyn
Myers. Oh, that's right. I beg your
pardon. She is traveling with the
Governor, as I recall. Is that right,
Don?
MR. WATSON:
Yes.
DR. FRANCIS:

Dr. Lester Newman? Good. Haywood Strickland, and, of course, the executive director, Don Watson is here.

I'm going to ask --

DR. STRICKLAND:

Mr. Chairman, let me just observe, my name is Haywood Strickland rather than Hayward Strickland.

DR. FRANCIS:

What did I say?

DR. STRICKLAND:

They have me listed as Hayward, w-a-r-d. It's w-o-o-d.

DR. LOMAX:

That sounds good, though. You could get used to it.

DR. STRICKLAND:

I did it for a while when I was ashamed of Haywood when I was younger.

DR. FRANCIS:

I'll ask -- maybe we can get the introductions of some of the other folks who will be appearing here this morning, then we will start.
Mr. Hansel, why don't you tell us what you are doing. I think some of us -- most of us know.

MR. HANSEL:

Certainly. Thank you. My name is Derek Hansel. I'm the president of the Commerce Capital Access Program Corporation. We have had the pleasure of serving the Department and the HBCU community as the designated bonding authority for the past several years. The designated bonding authority is a statutory position where we essentially act as a conduit lender for the program, market program administration, loan facilitation. And so, again, that's been our great honor and pleasure.

I appreciate your having us, Dr. Francis, and we are looking forward to working with all of you. Thank you.

MR. DAWSON:

My name is Tom Dawson, and I'm the Deputy Assistant Secretary for Post-Secondary Education at the Department, which means that I supervise
all of our grant programs there,

institutions of higher education

including historically black colleges

and universities, but it would also

include all the international education

we run, the trio programs that we run.

As Derek said, we would just like

to thank you for having us here,

Dr. Francis, and I know you are in good

hands with Don. Don and I work very

closely together, and Charlie, as well.

So thanks for having us.

Happy to have you.

Doug Prayelo. Eloise Phillip is

my predecessor.

With Mr. Hansel, I'm Samuel

Mayfield, also with the Commerce Capital

Access Program. You heard about the

DBA, the bonding authority, so I'll take

my seat at that.

There you go.
MR. PRESMAN:
I'm Dylan Presman. I'm with the
Department of Education Project Service.

MS. EHRGOOD:
Julia Ehrgood with the Carmen
Group. We represent Dillard University
in Washington, D.C.

MS. WILKINSON:
I'm Patty Wilkinson. I'm with the
law firm of Bryant Miller Olive, and we
serve as counsel to the designated
bonding authority. We have worked with
lots of schools over the years and we
are looking forward to working with the
schools in New Orleans.
And just by way of background,
I've worked in tax exempt financing for
nearly 20 years with over $15 billion
and bonds issued for various types of
financings and worked with over 20
different colleges and universities
across the country.

DR. FRANCIS:
Thank you.

MS. LEONA COSBY:
My name is Leona Cosby and my associate is Tamica Williams with the Department of Treasury Federal Financing Bank and we provide the funding for the program.

MR. FRANCIS:

Good to have you here.

She covered you?

MS. WILLIAMS:

Yes.

DR. FRANCIS:

Say it for yourself.

MS. WILLIAMS:

Good morning. My name is Tamica Williams. I work alongside with Leona Cosby and we work with the Federal Financing Bank.

DR. FRANCIS:

I tell you, we have got experience in bonds and we have got the place that gives the money. We are in good shape.

Yes, ma'am.

MS. BLAIR:

I'm Cassandria Blair with the US Department of Education. I work in the
strategic planning staff under Tom.

DR. FRANCIS:

Great. Well, we'll get some observers over there to keep me straight.

Calvin, tell us who you are.

MR. TREGUE:

Good morning. I'm with Xavier University. I'm Calvin Tregue. I'm Senior Vice President of Administration, and I think I want to go sit on that side of the room with the financing people.

DR. FRANCIS:

Calvin's handled all of our bonds, private bonds. Our internal auditor.

MR. BOSTICK:

William Bostick, Director of Internal Audits at Xavier University.

MR. PHILLIPS:

Edward Phillips, the Chief Financial Officer.

DR. FRANCIS:

Very good. Well, we all know each other and now we can get started.
I need an approval of the minutes of the previous meeting, and I want to say I spent one night and I read every word of the October '06 meeting. I think I remember everybody who spoke several times, too.

So can I get a motion to approve the minutes for those who were there who can attest to the fact that these are a reflection of what you did in October?

DR. LOMAX:
The transcription? So moved.

DR. NEWMAN:
Second.

DR. FRANCIS:
Any questions?

Yes, Lezli.

MS. BASKERVILLE:
I have a question, sir. Is the summary of the minutes that was attached, will that become a part of the record? And if so, I have reservations about that.

DR. FRANCIS:
What's been the practice? Who's
been one a while? This is my first one, so I can't answer that. I have to say --

MR. WATSON:

I can answer that. The summary, I wasn't sure if you wanted to go through all 400 pages or so, so I actually took the liberty of making a synopsis but also attached the full transcript, and the full transcript is the official minutes of the meeting.

MS. BASKERVILLE:

I would have reservations about including the synopsis in any public document in its current form, but I would be pleased to work with anyone in trying to get it into some shape because I think a synopsis would be helpful.

MR. WATSON:

Great.

DR. FRANCIS:

I would appreciate that, Lezli.

The lawyer is coming out. We are always faced with, well, what did the minutes say, and let's make sure we get that
But what the motion was, is we put the whole kit and caboodle in.

DR. LOMAX:

I said the transcript.

DR. FRANCIS:

You did. You did, indeed. Put the whole thing in. That means we can then summarize it to reflect what did happen.

Any other questions or comments?

Any other adjustments? If not, all those in favor who were there who can affirm it please signify by saying aye.

MEMBERS:

Aye.

DR. FRANCIS:

Opposed?

(No response.)

DR. FRANCIS:

Motion is carried, so ordered, and we thank you, Lezli, for that help that we will have.

Now, I was advised before we started by Mr. Watson and I guess
Mr. Hansel, and Tom didn't say it, but
we will not have the ethics update but
there is information in our kits, at
least for the new members, on the ethics
requirements and so forth, and I think
we all had to fill out these forms and
then we -- I know I got the call about
what things might, in fact, be a
conflict for me so that I'm aware of
that. And for the rest of you, I hope
the same thing is true.

Did any of you here from Mr. Dent?

No? I'm the only one?

MR. WATSON:

I can sort of -- he asked me to
pass some things out. Because Dr.
Francis is the chair, he's a quasi
federal employee, so his ethics is a
little different from your ethics as a
board member.

DR. STRICKLAND:

Is it higher or lower?

DR. FRANCIS:

Greater requirements.

MR. WATSON:
More requirements.

DR. FRANCIS:

More scrutiny. More scrutiny.

MR. WATSON:

Dr. Francis, that's your copy.

DR. FRANCIS:

That's my copy.

MR. WATSON:

If you can pass that to your right.

DR. FRANCIS:

Who else needs one? I would suspect Dr. Strickland needs one and Dr. Hughes.

MR. WATSON:

Just take one and pass it down.

DR. FRANCIS:

Very good. Well, I can assure you that we just saved 20 minutes. If any of you have ever had the ethics pieces taken, it takes about 20 minutes. We now have gained back our time on the agenda, and we will go to our program update.

Let me say a few things
housekeeping. The restrooms are right
to the left in case any of you have
need.

Number two, several of the folks
around the table who serve on the
government finance committee, you and
staff know that I do not take breaks in
meetings. You take your own break, and
don't stay out too long. We may find
you in the meantime. But at your
pleasure to make your phone calls or
ty other things you need to do.

And you might remind me if I make
the wrong statement because I'm thinking
I'm still in the Louisiana Authority
meeting. We do that, I just had one
last week, and I thought when folks were
introducing yourself, that you were the
general counsel for this group because I
have three lawyers sitting in the
audience at the Authority and they do
hand signals like telling me "Can't do
this. Can't do that." Can't change the
agenda unless I take a roll call and
have a unanimous vote and the like. So
I was told before that that's not as scrutinizing for this as the advisory, not the authority. But if I do slip to the other meeting. We will just keep going.

We will start with the overview of the program, and that includes four things.

The Barber-Scotia update that you covered in part last October, of course, the GAO audit and the update on the loans with Katrina-affected schools and the reaching the program lending cap.

Mr. Watson, who is going to handle all of those things?

I will.

You will indeed.

I prepared a report. I prepared a report for the board since it's my first report to the board.

I met with Mr. Carl Flamer, who is the President of Barber-Scotia, and
Elisa Hodge, who is the new trustee chair of Barber-Scotia's board. I went down to the campus on March 30th to do an appraisal of the campus with an appraiser, individuals from the trustee's office. And so we did an appraisal of the campus. There is about another three or four weeks before we get the results of the appraisal.

Barber-Scotia is intending to come back. They are working diligently towards a comprehensive plan to provide to the Department. I've met prior to March 30th, I've met several times with DBA and I have went down to Barber-Scotia and I've also, there has been an exchange of e-mails and ideas in trying to help them come back as a viable school. But they are working diligently and hopefully they will have a comprehensive plan to the Department very shortly.

When I was down there on March 30th, they actually provided a document for eyes only, if you will, and they
took the document back before I left the
room but they wanted to let me know they
are working towards a plan and that they
are looking at ways to try to find ways
in which they can make payments on the
debt service, repay the escrow and those
sorts of things. They are trying to
come up with a capital campaign to raise
money for the school to seeking
additional funding, getting it
accredited through TRACS, and later on
to try to regain accreditation again
through SACS. So they are working
towards becoming a viable institution
again. Any questions?

MR. GREENE:
Yeah. What payments have been
made against that?

MR. WATSON:
Barber-Scotia has depleted their
escrow and the payments that are being
made out of that now is coming from the
escrow account of the other
institutional borrowers in the program.

I believe it's --
MR. HANSEL:

I can address that. Right now approximately $258,000 on a semiannual basis is being paid out of the combined escrows of the other participants in the program every September 1st and March 1st. That's now been going on for two years. That started in September of 2005 and so now four payments in excess of a million dollars have been made out of escrows of the other participating institutions.

DR. NEWMAN:

What is the total liability?

MR. HANSEL:

Total liability is somewhere in the $6.7 million range.

MR. GREENE:

What is the total escrow at this point?

MR. HANSEL:

I'd have to take a look at that figure, but it's going to be in excess of the 7 million.

MR. GREENE:
Just in excess of it?

MR. HANSEL:

I'm sorry. It's -- yes, not greatly in excess, but it's in excess.

DR. FRANCIS:

I missed the last part of your sentence.

MR. HANSEL:

It's in excess. The escrow would essentially be fully depleted were there to be a complete call on the loan. The way that we have structured it to date is, as you know, just paying the debt service of keeping the obligation current. We have not accelerated the loan and we have not accelerated the bond with the Federal Financing Bank. That's been pursuant to the direction of the Department as we continue, you know, the evaluation of a work-out process with Barber-Scotia. You know, frankly a lot will be determined by the results of the appraisal and frankly there will also be some -- there is a matter of dispute between the college and the
Department as to exactly what the
security on the transaction is and that
may well play into it, as well.

DR. FRANCIS:

But the escrow account has not
been depleted?

MR. HANSEL:

The escrow account has been
nowhere near fully depleted on behalf of
all the other participating
institutions. Partly that's because we
have had institutions participate in the
program subsequent to the Barber-Scotia
situation developing, namely Miles
College, Harris-Stowe State University
and South Carolina State University.

You know, those three institutions
combined have made contributions into
the escrow totaling almost $3 million.

DR. FRANCIS:

I asked the question because I
know that in the transcript of the
record there was a concern by several of
the presidents who were having
participation in the program about the
depletion of the escrow account.

MR. HANSEL:

Right. Absolutely. And that's particularly, I know, on the board at the last advisory board meeting was a former borrower in the program, the president of Shaw University, and they are frankly still owed some money, you know, out of this to the extent that we are able to recover those funds.

MR. WATSON:

The other thing about the escrow, the escrow, as an institution makes payments on their loan, the escrow is sort of given back, a portion of the escrow is sort of credited back to them, so it's not as if the institution will lose everything they put into the escrow.

DR. FRANCIS:

That was a point last meeting. I did hear something in your report, Mr. Watson, that at least the Barber-Scotia is committed to getting back and anything that we can do as the
advisory committee I think would be in all of our best interests and I would take it at this point that you and the rest of the staff working with Barber-Scotia and the prospects, at least, are ongoing and hopefully good.

MR. WATSON:
Yes. I'm in constant communication with Ms. Hodge. Ms. Hodge and I communicate mostly through e-mail because she is actually at St. Thomas. Everybody who works at Barber-Scotia now is on a volunteer basis including the entire Board and the president, so they are committed to turning the university around.

DR. FRANCIS:
Any other questions on this?

MS. BASKERVILLE:
Are you aware of any litigation that was initiated by the university attendant to its effort to regain its accreditation and get back in the business?

MR. WATSON:
No. When I spoke to Ms. Hodge about that she said there was an opportunity for them to -- very early on to file suit with a group of other schools in regards to their accreditation but Barber-Scotia did not pursue that route.

MS. BASKERVILLE:

Okay. I'm not talking about the suit relative to accreditation, but relative to its individual situation.

MR. WATSON:

No.

MS. BASKERVILLE:

The University's.

DR. FRANCIS:

Any other questions? We wish everybody well on this one. We can't afford to lose anybody.

All right. The next one, if there are no other questions, is the GAO audit, much of which will be a matter of this discussion at this advisory committee. I think each of you has received a copy, a three-page copy, and
it is the second item, the results of
the GAO audit. Any comments you want to
make starting off, Mr. Watson?

MR. WATSON:

As most of you may know, GAO
audited the program last year and I
summarized their findings and our
response to their findings, most of
which, as I've gone through the program,
I see some things that may have not been
fully understood by GAO. So -- but we
are working through those things. I was
brought in after the fact to sort of
help the program along. Sam has also
been very instrumental in helping us get
and address most of those issues and the
GAO report.

There is a response to everyone
except for the semi-annual payments.
The Department made a decision not to go
with semiannual payments for a couple of
reasons. As I mentioned before, there
is a concern about the escrow, about the
more frequently you make payments on a
loan, the more frequently you get some
of your escrow credit back to you, but
there is also issues of when to keep an
individual school in the mind frame of
making payments. When you go
semi-annual payments, it sort of has a
concept of, if you will, institutions
not on a -- in a mind frame of making
those payments every month, it's much
easier to linger off and come in default
and those kind of things. So it's an
avenue, if you will, to sort of keep
everyone steady and mindful that there
is a debt service payment that needs to
be made.

DR. FRANCIS:

Is there any experience of our, I
guess, consultants in the business
investments regarding that? I mean,
apparently the Department has made a
decision, but as an advisory committee,
we get paid for the weight of what we
have in this advice. But what is the
experience of our semi-annual against
monthly? I know the philosophy that all
of us get a bill for our energy services
every month. I'd like to pay mine semiannual, too, now that those rates have gone up in New Orleans the way they have, but is there any experience in this?

MR. HANSEL:

Yes. Maybe I can address that real quickly.

DR. FRANCIS:

Would you, please?

MR. HANSEL:

And give you some of the counsel that we gave to the Department. Part of the issue is setting a policy that's one size fits all. Frankly, there are several of our borrowers who I think would be fine with semiannual payments. You have got sophisticated borrowers with sophisticated staff who, you know, have been through debt issuances in the past and have the financial discipline to manage their finances such that meeting a semiannual obligation of several hundred thousand dollars is not an
issue.

You have got other borrowers in the program frankly who are smaller institutions, this may be the first significant capital borrowing that they have ever done. You have got staff who this may be the first significant capital borrowing that they have ever done, and there is a degree to which that monthly payment does frankly give a kind of discipline that allows -- that I think more easily affords their meeting their obligation.

It also, frankly, gives us a real early warning system as to any problems that are developing. You know, there is an obligation for us under statute to be fully funded two months prior to payment dates that we as the designated bonding authority make to the Federal Financing Bank, and, again, that's a statutory obligation, that's not something that's coming out of the Department or the Federal Financing Bank. And the monthly payments allow us to see if there are
any issues in terms of getting to that
and working with the borrowers to
rectify any problems early as opposed to
getting to that date and going, "Hey,
gee, we don't have the money." So from
my perspective, it's been a valuable
tool.

MR. FRANCIS:
Okay. Any other comments from any
other advisory members?

DR. STRICKLAND:
I would just observe that the
problem with the small college is not in
the understanding that these payments
are required or the ability to monitor
them, the problem is probably in the
monthly cash flow. So that it's really
easier, it makes more sense from the
small college standpoint, to have it
sent annually when monies are available
such as September and such as perhaps
April because the largest -- the money
comes in those two intervals and this
disbursement over the other months from
that is where the difficulties arise.
And so you will still have periods of difficulty for those colleges in months of May -- probably April, May, June, maybe, or maybe December. So that's just discussion from both sides.

MR. WATSON:
We have had discussion about that, DBA and I, as well as others folks at Commerce Capital to talk about those kind of issues because we know there is cash flow issues at small colleges from month to month. So we are talking about offering technical assistance to those universities so they will be able to make those month-to-month obligations and find other ways in which they can to that, not so dependent on the money that comes in the fall and the spring. So we are looking at ways of actually helping them understand that process a little more.

DR. FRANCIS:
Mr. Greene.

MR. GREENE:
Just a possible suggestion. If we
set some criteria on loan payments and a 
person meets those criteria over a 
given period of time, wouldn't it make 
sense to move that -- graduate that 
person from a month to month to a 
semiannual? I have no suggestion as to 
how long that would take or what the 
criteria would be, but obviously prompt 
payment would be one of them, but that's 
just a thought.

MR. HANSEL:

I'd certainly be willing to 
explore that with the Department.

MR. WATSON:

And I'll take that certainly back 
because, again, the Department has to 
look at all of this from an equity 
standpoint and not all institutions are 
going to be able to do that so we have 
to find, make sure that guidance is 
clear, that everyone understands what 
the requirements are and that the 
requirements are equitable, you know, 
what institutions are available if they 
meet those requirements.
DR. NEWMAN:

I would imagine that there are some schools that would probably not even consider the program because of that requirement, so it may be helpful to some schools.

DR. FRANCIS:

I would think, then, that this would be one area that we would like to revisit maybe from time to time and, in fact, if, in fact, there were schools that would make their request and a policy or procedure that would allow a review of their past record, that they would be given an opportunity under the policy in general. I don't think we can solve it today, but I think it's an issue -- it is an issue with small schools and I think you are quite correct, it's the cash flow issue, and there are some blind spots in the year.

All right. Any other comments?

Okay. You did indicate that there were -- most of the other issues in the GAO report we will address partly in
this meeting. Are there any others here? I was just scanning them and the like. If anybody else finds that there are several in here that we aren't going to cover.

One is meeting more often, and I think that twice a year has been sort of agreed upon. We will talk about that later on in the meeting as to what those dates are. I take it that in the past, the statement of the president of UNCF mentioned that it would have been nice to have more meetings, and I think that was the reason the GAO made the recommendation of that being established twice a year rather than maybe one year, some years none and that sort of stuff. So it being regularized, if you will, and we are going to confirm that.

MR. WATSON:

Yes. If I will, the statute itself actually addressed that issue and said that the board has to meet at least twice. The Brady Act says you have to meet at least twice a year. So we can
meet more frequently if you like, but we
have to meet at least twice a year.

DR. FRANCIS:
Okay. But I don't think we were
meeting twice a year in the past, so we
are curing that problem.

MR. WATSON:
Right.

DR. FRANCIS:
Then we can take the next one.
Good.

The other -- there was another in
here that is related to credit
requirements that the GAO made a
recommendation on, change of the times
of the board, make a monthly payment.
We just covered that one. And there is
another one, budgetary cuts.
Let's put it this way. During the
course of this meeting, if there are
issues that we need to advise the
department on based on the GAO report as
well as the responses of the government,
I certainly would entertain those
comments. I think the GAO report was
quite extensive and obviously the staff
has, through the Department, responded,
and if there is anything in here that we
can help in that -- in those responses,
I think this is an opportunity to do it.
Let's leave it as -- we just got
this, so let's leave it as open and I
will certainly entertain it if you see
something and you want to respond with
respect to the response of the
Department, that would be helpful in
making that and giving that advice.

MR. WATSON:
The objectives of 2007, they also
cover our responses to the GAO and when
we get to that section, we will see that
some of those things are already closed.
Some things will be ongoing like these
meetings, for example, those are ongoing
things, but we met the requirement -- we
have met the requirement by having this
meeting and our fall meeting will also
help to meet that requirement. That's
something that's going to be continuous.
But the item, for instance, of including
an FFB fee into our budgetary cost estimates, that's been completed, and so transferring of fees to the Department, I've actually asked the DBA to -- they started the process but because we have a deadline for closing the loans for Katrina-affected schools, I want to ask them to actually hold off on that until we get these loans closed and then we can revisit that again but --

DR. FRANCIS:

Any other comments you want to make about the GAO report? Anybody else? If not, let's go to the next item, which is the update on the loans for the Katrina-affected schools. Who is making the report on that one? You are?

MR. WATSON:

Yes. The report is just a status report, give you a status report of where we are. The report lets you know that Xavier, Dillard, SUNO and Tougallo have all expressed interest into the program. We have looked at decision
memorandum down in the process with
preparing documents, closing documents.
I met several times with Dillard. I've
met folks from Tougallo, phone
conversations with Xavier, and so we are
moving forward on these. Tomorrow --
well, this evening I have a meeting with
Dr. Ukpolo to go over some things, but
they are all on schedule to close by the
15th, and it's just a summary of where
we are and the dollar amounts which they
are borrowing.

DR. HUGHES:
The 15th?

MR. WATSON:
I'm sorry, the 15th of June.
Legislation for the program expires one
year after enacted. In the middle of
June is that date.

MR. FRANCIS:
That's the sunset.

MR. WATSON:
Yes, the sunset provision.
But in addition to those, there
are non-Katrina loans that are coming
into the program, as well, before that
date. If there is no question about the
Katrina loans, then we can move to the
cap. That's where we will talk more
about how those other schools need to
get into the --

DR. HUGHES:
What is the earliest possibility
of the closing?

MR. WATSON:
Well, we have a closing scheduled
for May 14th. I don't actually --

MR. HANSEL:
For Dillard we have got a
tentative date, I think, of June 4th.

MR. WATSON:
I can pull my Blackberry out and
read it but it's --

DR. FRANCIS:
Go ahead. Any time you can get
information, the more information you
have, the better you are able to make a
decision. So get as much as you can
from that Blackberry. There is a lot of
vested interest around this table.
MR. HANSEL: 
Yeah. The tentative date for 
Dillard is June 4th.

MR. FRANCIS: 
Okay.

MR. WATSON: 
We are most likely to try to do 
two closings a week to make sure 
everyone gets in Katrina schools and the 
non-Katrina schools.

DR. FRANCIS: 
The sunset is the 15th. If there 
is anything that comes that is beyond 
the control of either the government or 
the institution, we call that a force 
majeure, for those lawyers here, act of 
God. So if an act of God occurs, I 
would want and hope that the advisory 
committee would advise the Department 
that we would go to the Congress and say 
you have got to push that June 15th date 
back. A good way of saying that if we 
have no control of what happens, let's 
not let that sunset happen on the 15th. 
I don't think we need a motion, but if
there is any objection to that, I hope
you would make that comment. I need you
to understand that comment because we
never thought there would be an act of
God on August 29th and there was. And
under the rules of the Spanish, the
French and all the rest, an act of God,
all contracts are null and void. So the
contract we have with the sunset, with
the Congress is null and void if an act
of God occurs and we are going to be
going in and asking for the -- just
putting it on the record. I'm not
suggesting that -- you know, if we had
it in our control and we slept at the
switch, that's another story.

All right. We want to move, now,
to the program lending cap, which is
also important. I read that in the
minutes last time.

MR. WATSON:
Yes. The program has a statutory
cap of $375 million and that amount is
broken down between private HBCUs and
public HBCUs. The program has about
189, $190 million that's outstanding at
this point, and the way the statute for
the Katrina-affected schools, it allows
us to exceed the cap for those schools
only. However, if a school came in
after the cap had been exceeded in a
non-Katrina school, then we would not be
able to make loans to those
institutions. So we have Clark Atlanta,
Tom Allen and Tuskegee who all want to
come in before the -- we exceed the cap
because we will exceed the cap with
Katrina loans. We will actually more
than double the cap -- well, go maybe 50
percent over the cap. Katrina's loans
will be around $400 million. Because
the cap is 375, we will definitely
exceed that cap, but we are going to try
to close all the loans before the money
is exhausted.
In order for anything to happen,
there needs to be a changing in the
Congress to change the cap, and not only
change the cap for the program but there
is also a subsidy issue because of the
default with Barber-Scotia that needs to
also be addressed by the Congress. So
there is two issues trying to raise the
cap. Not just raise the dollar amount
but also raise the subsidy or address
the subsidy issue in the program.
The program was geared as a zero
subsidy program and an expectation, I
believe, there would be no defaults in
the program. And at that point -- so
after June 15th there would be no funds
to make additional loans unless Congress
takes some action.

DR. FRANCIS:
In the minutes, as I read them,
there was much discussion, I know
President Hawkins and President Newman
and a few others in October discussed
the issue of not -- the possibility of
not having enough money, which is a very
big concern. And I think Dr. Lomax, the
issue started discussion there -- there
were discussions in there how there
might be support to the Congress to
increase funds in this program. And you
alluded to or you would say that in our
United Negro College Fund discussions
the membership, and I have two members
in observing the government for
estimating, they discussed it at length,
and in our legislative agenda for this
Congress and the higher education act,
we are recommending an increase in the
cap for the HBCU capital program.
And in addition, which we have
just covered, the Government Finance
Committee recommended that cap, that the
monies be increased and tied to the
report of GAO and just given the GAO
report and I think the kinds of things
you responded to were the kinds of
things that we discussed that needed to
be addressed because of the GAO. So I
just wanted to put on the record that
UNCF did discuss this, so it confirms
what you said in the October 6th
meeting, in that we would be in total
support of increasing the cap and the
need that is there for HBCU.
Now, later on, Lezli, I noted from
here we will talk about a recommendation
where -- and I think we had that
discussion with our other organization
ad nauseam and so forth. So in making
this report, not suggesting that we took
the action, but we did it also with a
number of our legislative recommendation
consultations not deal with the 90 --
1890 schools. So I wanted to put that
for the record, that we do believe in
the programs so strongly, the needs are
so important that as outside
organizations, we would recommend to the
advisory committee that we are standing
by to help wherever that's necessary.

MR. WATSON:
And I would like to add just to
that, that when I first came to the
program, Sam, Derek and I visited the
institution to sort of get the lending
institution and -- and borrowing from
the program and there is an interest, we
have borrowers who are interested --
still interested in borrowing from the
program, but there is no funding, and it
sort of makes no need for us to go out
and solicit more individuals to borrow
from the program if we can't loan money
to them. But there are institutions
that are waiting. Hampton University is
one institution that wants to borrow
from the program. We have Chaney, and
you will see several other institutions
that are interested in borrowing from
the program.

MS. BASKERVILLE:

Under the charter of this board,
might we not advance those
recommendations to the Secretary and
request that she incorporate them and
she serve as a champion under our -- the
language that suggests that it's our
task to advise on the capital needs of
historical black colleges and
universities and how those needs might
be met through this program? It seems
to me that as a body if we have
consensus we might submit those directly
to the Secretary and ask that she become
our emissary, being as we are her
advisors on this subject.

DR. FRANCIS:

I want to say that later on I'll say something else we said in our United Negro College Fund meeting, that we would want to bring to -- because they asked us to bring that, I think you remember when we discussed it, bring it. So if you wish to make that as a part of the record now with respect to the increasing the cap, I think that would be totally appropriate.

MS. BASKERVILLE:

Okay, but is there some other opportunity in the agenda where we might do it relative to the increasing the cap and also adjusting language in the enabling legislation that we also have as a part of the joint legislative agenda?

DR. FRANCIS:

I don't see it here. I thought it was under the joint committee, but the committee wouldn't meet -- we are meeting now and it might be instructive
for the committee itself. So I would
say as the chair, we should address this
issue with respect to the program,
funding, board -- the GAO and this
report and ask the Secretary to take
that under serious consideration, and
the issue of cross collateralization
that was discussed at the last meeting.
I know there were strong sentiments in
our government, the estimating meeting
that the cross collateralization was an
issue that would be -- that was a
concern and I think it was mentioned in
the minutes of the October meeting, but
it was strongly mentioned in ours.

MS. BASKERVILLE:
Absolutely.

DR. FRANCIS:
So the floor is open.

MS. BASKERVILLE:
I would like to make that motion.

So moved.

DR. FRANCIS:
I'll summarize the motion.
A question.

DR. FRANCIS:

I'm sorry, is there a question?

Yes, Tom.

MR. DAWSON:

Can I make a suggestion, as well?

You might wish to correspond with her directly on this issue, on this whole list of issues, so there is an official document, if you will, in the record that would go to her. And then Dr. Francis, if you wanted to meet with her perhaps personally on the issue --

DR. FRANCIS:

Sure.

MR. DAWSON:

-- that might be another way of doing it, as well.

DR. FRANCIS:

Sure.

MR. DAWSON:

I think probably both steps would be important.

DR. FRANCIS:

I'd like to get the sense of the
advisory committee and then see if we
could draft and put that in writing as
an official, and I will invite an
interview to talk about the sense of it
as a part of the advisory committee and
the like.

MR. DAWSON:
Sure.

DR. FRANCIS:
So what I'm reading is the sense
is number one, that the advisory
commitee is recommending to the
Secretary and asks that serious
consideration be given to support an
increase in the funds as we are
recommending to the Congress because the
needs of the program have grown
considerably in the HBCU committee. And
we are totally cognizant of the fact
that in earlier times we had more money
than we had applicants for various
reasons but that time apparently has
changed. And so the first issue is to
raise the amount to be appropriated and
we feel the timing -- and I'm just
supporting the reasons for the first
issue -- is important because we haven't
passed the EGA yet in the Congress.

Number two, since there has been
much discussion in this advisory
committee as well as in organizations to
which we belong, and I think it would be
ture for those of us sitting around the
table, both United Negro College Fund
and I feel, that many institutions in
the community, HBCU financing, have
indicated great concern about cross
collateralization and I think the
Barber-Scotia case brought --

DR. LOMAX:
Right.

MS. BASKERVILLE:
Right. Right.

DR. FRANCIS:
-- it to full bloom. So we would
recommend to the Secretary that the
cross collateralization be discussed as
a concept to be changed with due regard
to discussions with the bonding
authorities and the like. I think that
would be a natural consequence. You wouldn't do it on our own but you would do it as a discussion.

And, thirdly, the recommendation includes considering the kinds of flexibility that have been given to the Katrina institutions to which way some of those might be applicable to the community as a whole, as a whole.

And I'm not going to enumerate all of those, but I think the Secretary, we are asking the Secretary to look at what flexibility that Congress gave her for Katrina victims to see how they might apply to the community as a whole. And that does include cross collateralization, President Baskerville. I don't know how far it will go with respect to the interest rate, but we leave that to discussion of the Secretary.

And the third one was more specifically, and I think we should put it in here at this point, something we discussed with the GAO, that the
Secretary consider asking the staff to
review the monthly and the semiannual
payments, so that we have three major
issues that this advisory committee
would be advising the Secretary on.
Did I leave anything out in terms
of that summary?

MR. PRESMAN:
Sorry to interrupt. If all that
happens, that the cap was raised, there
still would not be the ability to make
the loans through --

DR. FRANCIS:
I'm sorry?

MR. PRESMAN:
If all that happens, that the cap
was raised, still wouldn't be able to
make new loans through the program. Two
issues restraining the program to making
additional loans after June 15th. One
is the cap and the other is, as Don
mentioned, the issue of the subsidy.

DR. FRANCIS:
Amount of money that the Congress
puts in?
MR. PRESMAN:

Currently estimates for the escrow account is at 5 percent so the escrow payments, 5 percent of each loan and the estimates, default estimates just a little bit over 9 percent. So given that the program is designed to be a zero subsidy program, the program can't make loans unless something is done to address that gap between 5 and approximately 10 percent, a little bit under 10 percent.

So if in order to make additional loans you would need to -- Congress would need to do something about either increasing the escrow account or additional fees or some methodology to fit to bridge that gap.

Number four would be that the advisory committee would ask the secretary to review the issue, review the subsidy as it is and let's put a brake on being able to accomplish the goals of increasing the funds available to the institutions that will apply.
DR. LOMAX:
This sounds to me that there are structural constraints that need to be addressed and I would limit them to the ones he just reviewed and remove the structural constraints.

DR. FRANCIS:
Fine, to the extent that they are a brake, if you will, on barrier --

DR. LOMAX:
Barrier to further issuance.

DR. FRANCIS:
Exactly, that would be the fourth one, and I don't think any members of the committee, unless you would have the correct answer to what that is, but if the Secretary would ask the staff as we presidents, don't tell me how I can't do it. I know how I can't do it. I want you to tell me how we should do it, and that's what the staff would be able to do with their consultants. So we will add that as the four major items. I appreciate your bringing that to our attention.
MS. BASKERVILLE:

Mr. Chairman, in order to consider a friendly modification, I embrace the four points. I think you well captured the spirit of what I was suggesting. But in addition to that, in the interest of time and because we anticipate that the higher act is going to hinge on the Senate side, in short order might we ask the Secretary to consider embracing the language that the joint legislative committee, the UNCF non-legislative committee has already adopted so there is unanimity around the language and the manner in which it's to be inserted into the legislation, so we would like her to consider that, as well.

DR. FRANCIS:

Okay. Meaning by that if the committee does make recommendations regarding how we might approach it for the language that would be put in the congressional action, is that what you are saying?

MS. BASKERVILLE:
Yes.

DR. FRANCIS:
Okay. Fine. The maker of the motion has now accepted all of the amendments and the context with this addition, and that's why timing is so important on all of this. Do I hear a second to that?

DR. NEWMAN:
Second.

DR. FRANCIS:
Any other questions? If none, all those in favor of submitting that as advice from the advisory committee, please signify by saying aye.

MEMBERS:
Aye.

DR. FRANCIS:
Opposed?
(No response.)

DR. FRANCIS:
Motion is carried, and we will clean it up once we see the record.

MR. WATSON:
Yes.
DR. FRANCIS:
The record from over here.

Yes, Mr. Greene.

MR. GREENE:
I would suggest that a copy of that letter go to Dr. Sullivan so they can be on the radar screen for president's board of advisors.

DR. FRANCIS:
We take that as not only a friendly but a very important execution point of this.

All right. Very good. We may have covered something else down the line, but Mr. Executive, we are now -- well, saying we seek concurrence on the 2007 program goals. Do we have -- you are going to comment on that for us?

MR. WATSON:
Actually, there was one more thing in the report.

DR. FRANCIS:
On the GAO report?

MR. WATSON:
No. There is several things. The
GAO report is one thing.

DR. FRANCIS:
I'm sorry.

MR. WATSON:

The lending cap is something else.

Then there is the program assessment rating tool, which our program is being what's called PART, that's an acronym for Program Assessment Rating Tool. The PART is designed by OMB to help government programs become more efficient and to achieve better results. We have worked with our budget service office and had discussed on our priority. We have come up with some measures -- we have come up with some measures for that. I listed them as there.

My feeling about the measures is that the program probably needs to create its own measures with this advisory board, with HBCU community.

The measures that I had, that's in my report are measures that the Department came up with. We had discussions with
our budget service office to put into the PART. We are trying to actually have the PART, have the program PART and next year supposed to have time to get input from the community on how the community and how this program should be rated when it comes to how efficient and effective we are in running the program.

As you see here, we have -- we have four measures listed, year-to-date change in institution, total revenues and investment returns. This program doesn't necessarily -- wouldn't necessarily have impact on those things, although we could actually mark these and probably make some segue into how we, as a program, contribute to an institution increasing of revenues.

The other one is average credit rating, does the institution's credit rating actually change because they participate in this program? If -- we have some institutions who borrow from the program and now are even going into the private market to get better rates
than what the program offers. So that's one thing, we will be looking at those kinds of things. Estimate the federal cost per dollar of loan guarantees, and that sort of -- the subsidy issue and how we can decrease that subsidy issue.

Question, Dr. Francis?

DR. FRANCIS:

No. I was saying that's a comment we made earlier, about the subsidies, right?

MR. WATSON:

Similar.

DR. FRANCIS:

Okay.

MR. WATSON:

And the percent of loan received in a 60-day period, so sort of like an on-time payment thing which as a loan program we want to make sure our borrowers are paying on time and that sort of thing. Those are important measures that we put in our report.

Ma'am? That's the last page. You have got it.
MS. BASKERVILLE:

Thank you.

DR. FRANCIS:

I apologize. I didn't turn the page over. I did not see the others.

Let's open this up for whatever discussions we have on these. Are there any others that one would recommend and are there any questions about those that have been recommended?

MR. WATSON:

Yes, ma'am.

MS. BASKERVILLE:

Having gone through a number of these PART reviews on the Upward Bound Program and on HUD just recently, it seems to me that we want to keep these measures as narrowly focused as possible and as tailored to the goals and the intent of the program as possible. So to the extent that some of these, duty number one, if you say that that really is something that's not the intent of the program, I think it would be ill-advised to add something that would
be onerous on our institutions and is not one of the intended goals of the program. So I think the approach should be, be as narrow as possible within the confines of the intent of the program.

And I know there are people around this table and others would be happy to sit down and thoughtfully work through that, unless that's part of the agenda today, we need to do that, but I would, just having seen this for the first time, have that general concern, and I'd be pleased to work with the team here or whoever is the appropriate group to come up with some narrow measures that are directly in line with the intent of the program.

MR. WATSON:

Everything -- there are several things we are going to have to work through over time. My report is to let you -- to make you aware of what's going on and to have, like what Ms. Baskerville suggested, that the advisory board and members of the
community work with the program to come up with our own measures that -- for the program and that's -- I mean, that's what we are looking for throughout, your advice and input from the community because after all, this program is to serve historical black colleges and universities and they need to have input on what those best measures are or at least have an idea what we can actually measure the program on.

DR. McNEALY:

I'd like to add a bit of emphasis to that. We had early experiences relative to using existing tools with assessing Title 3B, and obviously after a long period of discussion it was quite clear that the existing tools did not actually address the intent of the program. And while I have read these things with new eyes, it's certainly very clear to me that what is set out here, we've missed the mark with regards to the intent of the program. And so it's more than a passing observation,
one would certainly get some results
from this process, but it would not
attend whether or not the program is
actually being successful.

DR. FRANCIS:

I would take it from the comments,
Mr. Watson, that when we are able to sit
quietly and look at that, we would send
you what our comments would be. But,
again, it would seem to me if we could
get our committees, NAFEO, UNCF, the
staff together, we could give, as I say,
a more -- not just narrow, but so often
for those of us who are on the ground
level, there are things that we meet and
see every day that you are trying to
look at it from this area, which is very
helpful. Our input becomes very
important.

I mean, just the one that
Dr. Strickland mention earlier, for
years and still today we deal with the
problem of cash flow. You know, we
can't get students to pay us 100 percent
of their money and tuition the day they
walk in. A lot of schools can. We can't. And so we have got to wait until it comes. And then even if we are able to get it all, then summertime comes and there is a big hole in the cash flow.

But it's the people who have got to pay those bills who see that. So when you get to see these methods, you start saying, well, you know, you have missed that a little. So I think we can be very helpful in that regard. And if we get our group together, we can do that.

MR. WATSON:

Again, of course, I'm willing to work with you-all to make that happen.

DR. STRICKLAND:

It appears all these measures are college-related measures. There are two kinds of measures, I think, due here. One is this capital finance, project's ability to deliver on the promise of the statutes. How well are you doing, is key one. And how do you measure that? Do you do your things on time? Do you make sure colleges understand very
clearly what's needed? That's one kind
of outcome that must be measured.
Then the second measure then the
outcomes of colleges themselves or their
systemic changes over the time of the
loan, and what does that say for those
colleges to be able to come in?
And so I would just say these
are -- none of these address your role
and function in this process, and it has
to be measured because success depends
not on the colleges finally getting the
money but how well you do in seeing that
it's actualized. So that would be a
part of the discussion.
DR. FRANCIS:
Any other comments? That is a
part of the GAO report, too.
All right. I apologize for that.
I did not turn over the page, very
concerned about trees and publishing on
both sides of the paper. Might get that
done in the university, cut out all of
these e-mails I get every morning.
Goodness sake.
All right. We are now ready to move on to -- is yours the same as mine?

MR. WATSON:

Yes, sir, the goals.

DR. FRANCIS:

Program goals?

MR. WATSON:

Yes. Tab 7 in your notebooks is the program goals. As I spoke earlier, these program goals, most of these goals actually came out in the GAO report. The only one that didn't come out in the GAO report was on the last page, the second from the bottom, that was one that we just discussed having performance measures and me working with the community to make that happen so we can develop performance measures for the program together, regardless of what happens with the PART program, with the PART. Because I think it's important that we as a group develop upon these measures so that we can actually see how well the program is doing and address issues like Ms. Baskerville and
Dr. Strickland spoke about as well as Dr. McNealy.

So I had that in mind prior to us being party, but I think it takes a joint effort and, of course, it makes things easier, not just for the Department, but for everyone if we have a joint effort and joint communication process, we can say this will work, we all agree on what works. Sort of, if you will, like negotiate a rule making, we always -- consensus you come out with a better product than if I was to do it by myself or you were to do it by yourself and that kind of thing.

Like I said, these are things that -- the full blocks are things that have been accomplished. The partial blocks mean that we are partially through with it and the other blocks are things that have not yet been addressed.

DR. FRANCIS:

Why are you in all of these things? You don't have anybody else to do some of this?
MR. WATSON:
Actually, I'm the person responsible to make it happen. Dylan, actually, his name is on a couple of these.

DR. FRANCIS:
I mean, this is all Don Watson's responsibility. I was looking for somebody else to be on there.

MR. WATSON:
I do believe that because I'm the executive director that if it doesn't work then --

DR. FRANCIS:
It stops at your door?

MR. WATSON:
It stops at my door.

DR. STRICKLAND:
You know, well, I wouldn't assign everything to me. I let it stop at my door, but somebody has going to do something for it to stop, to get there, I can tell you that.

DR. FRANCIS:
Let there be a little turn off the
road for a while, right? All right.

MR. GREENE:

Staff.

MR. WATSON:

No. Well, yes and no. The staff is Derek, Sam, Patty, DBA, that's the staff. They are not full time. They are available. They are contractors from a Department standpoint.

DR. FRANCIS:

Okay.

MR. WATSON:

Not technically, because Charlie's office has been very helpful.

DR. FRANCIS:

We are going to be measuring your performance and the committee, so we may have to make some recommendations in the future. So I was just struck by you just had your name in every one of these boxes. That's okay. We will deal with that later.

MR. WATSON:

It's just that I'm the executive director.
I understand, and I'm the President of Xavier University, but I don't have my name in all the boxes.

You may not have your name there but you are.

Ultimately. All right. I got you off. Go ahead. Any comments on it?

And I'd say I think we have talked about several of these and you have given us progress reports on it, but this follows pretty much, as you said, the GAO report, right?

Right. The independent auditor, I've drafted with the Department, you may be aware with the Department after, has made a statement, draft statement of work, and there are folks in our contracting office who are going to help me to make sure that I draft that correctly so that we can get the audit done. I just need a time frame. These
are a little bit away, but I want to
address these as soon as possible, these
issues on out so we have new goals, new
things to work on. There are some other
things in this that aren't in here but
they are also part of the goals and
hopefully things that you have given us
today will also become part of this, so
we have this list of goals and things to
accomplish.

DR. FRANCIS:

Where are we now? I see -- I'm
trying to get these two together. I see
at your -- the last part of what your --
yeah, the survey side. Here. Is this
also --

MR. WATSON:

8 is different.

DR. FRANCIS:

8 is different. Okay. Because
they are separate from discussions that
you had in October because you had been
marking them out, long discussion about
that. Do you want to go there now?

MR. WATSON:
Yes. Marketing outreach, as I said before, if there is no money to lend in the program, there is really no need to market. We sort of just have to maintain the program at that point. As I said when I first came onboard, that was my goal, to visit -- I came from Federal Student Aid where we have thousand of schools, more than 30 GAs, millions of students, and I felt we touched everyone and I felt this program with just over 100 HBCUs, we should be able to touch every HBCU in some fashion. So that's part of the marketing that DBA and I have been doing. And when I first came out, I was on the road a lot to visit with the presidents just to introduce myself, talk about the program personally and that sort of thing, and our ability to -- HBCU, stayed a little longer than I was supposed to. I wanted to make sure that I visited the president, visited the college, and I have this thing about eating in cafeterias on campus, so I
make sure I do that, as well.

DR. FRANCIS:

Keep a check list for us, send us it. Tell us what you think so I can use that when people start complaining to me how good the food is. I'll say, well, I've got an expert that travels around and here is what he tells me, so and so is doing this, that doesn't meet what you have got here. Go ahead.

MR. WATSON:

But the marketing outreach piece, as you will see, there is a draft survey in there that will go out about 15 days after we close on each loan, sort of get the feedback on how we did on the loan. There is also something in there for the president or for individuals at the college to give us feedback on performance measures.

Again, I think it's important that we get feedback from the community, not just how we can improve the program, but from some the future it has on the program.
Talk about short-term cash flows, there is issues that, I believe it's the last page of the survey, it talks about, asks the question of, oh, would they like information regarding financial assessment and things like that, how would they feel about us offering those things and not just coming to talk about the program itself but to actually offer assessment on which we talk about short-term financing issues, leasing options and things like that to help institutions manage cash flow and those sort of things.

MR. GREENE:
Who would conduct those?

MR. WATSON:
They will be conducted through DBA. At a point in time there was a -- we had a technical assistance contract with Designated Bond Authority. We don't have that today, but there is still technical assistance that the bond authority gives and provides to institutions that are trying to seek
loans from the program, but I want to do
this on a more massive thing where we
have conferences and such, we can have
these sort of seminars. NAFEO has
something coming up in July, and also
attend that, and actually make our first
financial seminar there if we can
because they are presidents, CFOs there,
have those discussions.

DR. FRANCIS:
And to make sure that we just
distinguished it, there is a survey that
does go out audited as GAO 15 days after
a loan is closed.

MR. WATSON:
That's this survey here. This
survey talks about --

DR. FRANCIS:
It's just the same?

MR. WATSON:
Yes, sir.

DR. FRANCIS:
Okay.

MR. WATSON:
This is for that. We also want to
have a more comprehensive survey for all HBCUs and will probably be sort of in a three part, institutions who borrow from the program, institutions who have not borrowed from the program, and this survey would, of course, be a third survey. We want to see why the institutions aren't borrowing from the program. Although we hear that the escrow is an issue, I need to have some data for that, talk about the escrow, these are institutions aren't borrowing because of their escrow, these are institutions not borrowing because they need $200 million and our program is $375 million or issues like that. I mean, sort of address those issues. Programs designed for -- to help HBCU improve that financial situation. Well, what happens when the institution gets in a jam? What can they do at that point? What are their options at that point? So to get that sort of feedback and see what you are getting from the private market if you are not borrowing
from this program.

MR. HANSEL:

Don, if I could interject there,
something that I really appreciate the
counsel of the advisory board on, we
actually did conduct a survey very early
on in our tenure as DBA and I would tell
you that the response rate was less than
stunning. So we would greatly
appreciate any counseling you could
provide to us on how to enhance the
response rate. You know, if -- frankly,
if putting some of your names on this is
suggesting that this is a -- we really
courage your participation in the
survey and responses would -- if you
think that would be helpful or anything
that you think would be helpful, we
would -- because we really do want this
feedback and who should it be going to,
who is going to be responsive to getting
it and responsive to providing answers.
Because, as I said, the first one that
we sent out several years ago was not
well responded to.
DR. FRANCIS:

And one of the -- obviously there are two parts of that. The comment Mr. Watson made a minute ago prevails in a community as small as ours. If you don't have any money in the program and you are not likely to get any, you are not going -- likely to fill out a survey.

But the other was when you had -- and we all had this experience, people saying, well, wow, you mean to tell me I'm tied to you and you and you and you? No. So the cross collateralization was a big part of that, believe me.

MR. HANSEL:

Right.

DR. FRANCIS:

And that's why if we were able to remove it, modulate it or do something, I think you would get a response because people feel, to be honest with you, we never -- we needed to go to cap, we never did because we found it easier to go to the private market because we were
not in, as you call it in Louisiana, in
solido with everybody else, we want our
own bucket. We thought the rates and
everything else were fine.
So once we are able to get it, as
you just described, get the other stuff
out, show what's going on and the fact
we have got money in the pool, because
the last thing you want to do is
encourage someone to come and borrow it
and when they get there, say, "We don't
have anymore money. You have to wait
two years." Well, that kills any survey
you will ever send out again.
DR. STRICKLAND:
That was my addition, too, Dr.
Francis, and that was the perception
that there was a lack of privacy in your
submitting data for the loan and that it
was being shared with entities that were
not necessarily always in favor of
colleges and in particular was that --
the credit agency, for one. And so a
number of colleges shy'd away from
participating because they actually had
reviews shortly after they applied for
this loan. And so, you know, this was
out on the table. This was one of the
reasons. So people didn't even bother
with a survey because they already had
that perception pretty much proven or
demonstrated.

MR. WATSON:

Okay. That's good to know because
actually that's the first time I've ever
heard of that but --

MR. HANSEL:

I can tell you that I've heard
that issue. During our tenure I'm not
aware that that's happened. It
certainly hasn't happened from us and we
don't -- we attend SACS and we have been
a presenter and sponsor and an exhibitor
at SACS, but we don't have any
relationships with SACS, SACS staff,
SACS administrators or any of the other
accredited bodies for that information
and we have never -- we have never been
interested in sharing information with
it. We do review accrediting stats and
accreditation status, and we are
required under our contract with the
Department to review the accreditation
status of the institutions. But, again,
as far as giving them information that
we have gotten from the institutions,
that's just not happened.

DR. FRANCIS:

And, you know, and I'm glad that
Dr. Strickland raise that. It was the
prevalent reason, because there were
instances where information got to be a
part of an accreditation review decision
that could not have been gotten, they
thought, from any other way than this
program.

And let me just say, it may sound
anecdotally, but I heard it enough, that
it gave great pause to it and the
privacy side was compromised, many felt,
and that's the worst thing you can do.

MR. HANSEL:

Absolutely.

DR. FRANCIS:

Worst thing you can do. So the
advice we would be giving is that that's
a critical part of our passing the
message, that as an advisory board we
feel that all parties have to be private
about these issues and that we have the
commitment that that is to happen, and
if it isn't happening, it's our
obligation to call attention to it
because it destroys the program. I am
sorry. I didn't turn fast enough.
Earnest, I'll just go right down the
line.

DR. McNEALY:
I think, too, there may be a lack
of a clear understanding of what the
program is as it has evolved over time.
I'm in my 10th year and I've had two
separate occasions to deal with the HBCU
capital financing fund. I suppose I was
also in one of the early rounds of
presidents surveyed via telephone.
There was a period when there was
a $15,000 application fee that was
nonrefundable. Then as the program
evolved, that fee was moved into the
cost for doing the transaction. And so,
again, the program has evolved over
time, and I'm not certain that everyone
would actually know the real nature of
it.
The first time I did not move
forward because I could do better in the
private market. The second time I did
not because there was a cap on the
amount that was being provided. And
clearly in terms of what I have read
since I received your materials, that
cap is no longer that cap.
MR. HANSEL:
Correct.
DR. McNEALY:
But how would one know this? And
so for many in the community, they
perceive the capital finance program
would not be a relevant option because
some of the onerous components of it in
the past that may no longer exist.
DR. FRANCIS:
Go ahead. You want to respond to
that? Go ahead.
MR. WATSON:

Yes. I understand that and I've heard that. Actually, during my first visit, something very similar when I visited Lincoln University, Dr. Nelson at the University. When I got back to my office I started to create a document, sort of like what students get that you have a plain language disclosure that gives you the terms up front as to what, that sort of document. It's in draft because other things actually have actually pushed that back, but it's actually sitting on my desk, I have a clean desktop, it's sitting on my desktop so that it stays in my mind, turn my computer on. The program is evolving.

We want to talk about branding so that you will actually see the provisication or it may be some symbol or something so you will know this is the program and this is what the program is about. So we will to look at things like that, but I understand that and
I've actually seen those -- some of those things and talked about in some documents where there is a capital amount of money you could borrow and that sort of thing. But that's why we are all here, to make this a better program.

DR. HUGHES:

The question becomes, how is information released? Is it done so in a timely fashion? Is it explicit? I think that's just very important, and if inaccurate information is out, you would expect that kind of response.

MR. WATSON:

When you say released?

MR. HANSEL:

To the community? I might ask Sam to kind of address his marketing efforts, and I know we are probably a little off the agenda, but, Sam, if you could talk about it.

DR. FRANCIS:

You are right at it.

MR. HANSEL:
How do you outreach to the community and, you know, make people aware of the changes in the program and stuff like that?

MR. BACOTE:

Right. Right. Sure. Samuel Bacote and with the DBA, and Derek has talked a lot about the total loan servicing part, the part of the program, making sure the program is well appreciated in the community is and the community is faced, if you will, on the program and that's something we also do.

In fact, Don's talked a bit about that, going out together and putting a face on the program.

If you turn to, for now, to answer the question, what's behind Tab 4, you can see some of the activities that we do that, I think, address that issue.

We do quite a bit of conference participation and sponsorship. There are several listed there. Becomes about SACS, we may have to begin to move away from SACS. We do go to SACS every year.
In fact, that's one of our bigger events. We have become known now as sort of -- use the word party, but we have a great reception at SACS. It's well attended. I get lots of good comments back from people about fun and information that they have received at the reception. At that time we pass out our brochure. I have a few copies in my bag.

But to answer your question, brochures are passed out at events. Look here, also, this is the -- we call it our exhibition booth that we use at all of our shows, all the conferences when we register as a sponsor. It's in the exhibition hall typically. I'm usually there, and I have got brochures and business cards out. I'm going to Oklahoma City, in fact, next when I leave here so I brought it to show you while I'm here. It's going with me now to Oklahoma City.

We also, the next bullet, correspondence with HBCU institutions,
e-mails, letters, phone calls. It's all
of us making those phone calls. I send
out periodically letters to mostly
presidents and CFOs and these are form
letters just saying, hey, I'm Sam
Bacote, DBA, here is the program. If
you have any interest give me a call,
presidents, and, again, CFOs. I visit
campuses, stats down there on campus
visits and marketing results. Coverage
has been quite expensive, primarily
between 2002 and 2005. It has somewhat
in the last -- especially this year
given the cap going on between schools,
has not been as aggressive in 2007, but,
I mean, we were aggressively out there
and making visits, talking to presidents
and CFOs.

If you turn over, also, to the
next page behind Tab 4, again, it's a
joint effort. I serve the pleasure of
Mr. Watson and the DOE. DOE, and we are
known as CCAP. The DBA appoints a
contact, and it could come from, I've
got it down here, four areas, four
categories, direct contact meaning
institutions. Core participants, there
is no better way than those that are in
the program to talk about the program,
talk about others.

We have got now -- Tuskegee would
be -- when they close their loan the
third time through, other schools that
have gone through more than once, which
to me says a lot. You have got a school
that's coming back, that it is working
for them. FAs, I think I see one who is
here now in the back of the room who
know about the program, can take the
program sort of in their bag of tricks
or tools, if you will, and talk about
the program and assess whether it makes
sense for that school or not. They
oftentimes will call us, well, either we
outreach to them and find out what they
are -- who they are talking to, and then
developers. The last couple of years
many of the projects have been student
housing related, which will oftentimes
bring a developer who will be behind or
with the school in the project, and the
developer's best interest of learning
about the program is I have talked with
them about how the program may work in
their cases.

One thing about the program we
can't do, developers often do all
balance sheet transactions. These
projects are on balance sheet. These
are the schools' projects where they
have engaged a developer to assist.

If you look behind --

MR. WATSON:

Kind of wrap up my part.

MR. BACOTE:

Yes. In fact, Tabs 9, 10, 11 and
12, and I'll wrap up my presentation
right here. Behind Tab 9 is a pipeline,
if you will, of interest in the program.
You will see in gray. We talked about
these already. Those are the three
schools that are non-Katrina related
that will close before -- really before
June 1st, Allen, CAU, Tuskegee, and then
those in green -- the four in green will
close before June 15th. Those are the
Katrina schools.

But then more importantly, kind of
to help the board here, if you look down
below you will see there is at least
$100 million in future interest
expressed in the program. You have got
schools that are waiting, I don't want
to say at the door, but they have talked
to me about coming to the program. They
are aware of what's going on now, but
ey they have projects that are viable, I'm
sorry, because they want to see the
program.

And on that next page, you will
just see some marketing contacts in the
first quarter of this year that have
been made and a marketing contact has
either called to me about the program or
I've made a call back. There's actually
a project going on at that institution
where the project could the -- the
program could work.

And, also, you will see down below
in terms of what I've done in the first
quarter of 2004 -- first quarter of 2007, two conferences, the NAFEO spring meeting, attended that, and also the Thurgood Marshall College Fund annual meeting.

If you look behind, I think it's behind Tab 10, you will see, for instance, to answer Dr. Hughes' question further, you will see a Power Point presentation that we use to communicate about the program. Sometimes I will e-mail this document out but oftentimes what happens like at Thurgood Marshall College Fund is we will be invited to make a presentation, a break-out session, if you will, and so I'll have this Power Point presentation before a group of interested persons who are coming to a room and we will talk about the program, they will have questions, that was at the Thurgood Marshall, and other conferences, too. That's, again, behind Tab 10. And then behind Tab 11 one of the recommendations that came out of the
meeting in October was create some sort
of a newsletter about the program, and
that's -- it's a draft behind Tab 11 of
a newsletter. We would appreciate
comments about it. It's a draft. It's
just kind of, you know, stock language.
It's got some things in there to give
you a sense of what it could look like
and the kinds of things we talk about it
in. We would also like to note, back to
the point that Derek made, of who you
think should receive this, this kind of
information, this newsletter. How -- we
propose now that it be a quarterly
newsletter about the program.
And then behind Tab 12 is just a
list of all the schools, all the loans
that have been processed by the program
since inception. Look at that and see
all the schools and a few of the sort of
notes about each loan that make them
different or unique are also mentioned.
And I hope that that answers your
question about how we communicate to the
community about the program.
Any questions?

DR. McNEALY:

A comment, actually.

MR. BACOTE:

Yes.

DR. McNEALY:

I would certainly say that your presence and the awareness that you bring is commendable. I should also add that you should continue to attend SACS, the largest meeting, higher education meeting in the 11 states of the old south.

I do think, however, the information as you presented it here doesn't really get at what may now be missed about the program negative-wise. It would seem to me that you might want to prepare a presentation, if you will, at someplace like SACS debunking the myths.

MR. HANSEL:

I think that's a great idea.

DR. McNEALY:

Because, again, until I saw these
materials, if you were to send me a
survey, I would not have responded
because I had dealt with it twice and it
wasn't able to meet the needs that I
had.

MR. HANSEL:
Right.

DR. McNEALY:
But clearly it has moved beyond
where it was when I tried to deal with
it last. And so having a $20 million
cap when you want to do 35 --

MR. HANSEL:
Right. If we did a panel
presentation with Don, us as the DBA and
a couple of borrowers, do you think that
would -- you know, combined we could
explode some those myths? Do you think
that would be a useful and well-attended
session?

DR. McNEALY:
Could be. But I do think it's
critically important in addition to the
general marketing information, that you
address these concerns that you have
heard, I mentioned.

MR. HANSEL:

Maybe we can do that in the first newsletter, as well, do a frequently-asked question section which might blow up some of the myths, you know, is there a cap, is there an application fee, things like that.

DR. FRANCIS:

I thought I would offer this and the lawyers do it, tell the jury, "Let me tell you what I'm going to prove." They may not be able to do it, but they tell you they are going to prove it and at the end they say I proved it. I think we ought to start by saying here are the myths that are no longer -- were never and they are not here now, one, two, three, four, five. You get attention right off the bat because you address them.

DR. STRICKLAND:

I don't think this should happen until after the Secretary makes some determination about these five issues
because there is no sense in sending anything out and saying we don't have the money. This is what we do, but we don't have the money. So all of this public relations part --

DR. FRANCIS:

We are anticipating --

MR. HANSEL:

We are anticipating good news.

You are right.

DR. STRICKLAND:

You know, get it through and then you are able to give us accurate information.

DR. FRANCIS:

Obviously, pre-eminent. The money starts to flow or it's out there. But you will not get somebody to answer a survey until -- it's still there. It's just the fact their privacy issue here, are their caps still in, all of those. If you address that right off the bat, then the person starts to read.

MR. WATSON:

And not to say that we are going
to wait for approval of the cap to --

DR. STRICKLAND:

No. I think you ought to start

working on materials and all that.

MR. WATSON:

Some of the things I'll actually
do that when I meet presidents, and the

story I like to tell is a story of

Dr. Ivy Nelson at Lincoln. Heard it's
going to be a bad visit. He said he

wasn't even going to --

MR. BACOTE:

He didn't know who you were.

MR. WATSON:

Right. He didn't know who I was.

MR. BACOTE:

He thought you were someone else.

That's why he had you in the office.

MR. WATSON:

Sam was walking in behind me and

he said, "Oh, man." When he said that,

we sat down and talked. I let him talk

about his issue with the program. Then

similar to what I've given you, I said,

these are things I'm planning for the
program. At the end of the conversation he said I may be able to get some more money. Can I come back through the program? Sure. Welcome. And folks didn't think he would ever come back to the program. Just for him to make that statement. I just saw him at Charlie's board meeting and, you know, it was great, but I think that's how I like to be demystify, as well, not just showing individuals on a piece of paper but making it happen. So I'm looking forward to that.

DR. FRANCIS:
Go ahead, Mr. Greene.

MR. GREENE:

Two angles. One is a little petty, but I find it with interest that the White House Initiative Conference in September is not listed under these conferences, that there is some sponsorship from our DBA -- is it DBA?

MR. BACOTE:

DBA.

MR. GREENE:
DBA. I would like for you to take note of that.

DR. FRANCIS:

Where are we?

MR. WATSON:

Let me address that for you, sir.

MR. GREENE:

All I'm saying is I see all of these conferences that they sponsor and --

DR. FRANCIS:

And you are not there.

MR. GREENE:

And I'm not there. So that's my first petty point.

The other really real point is I know that the federal government has exempted itself from some of its rules, but as a lender wouldn't we have some responsibility to provide a privacy statement to either lenders or potential lenders?

MR. WATSON:

Yes. I have a note here to actually follow-up on the privacy issue
because for the privacy issue, and I can only speak from privacy issue of student loans and disclosing schools and universities, the credit agencies are a part of that disclosure list. So my note here is to actually follow-up with a contact disclosure and what -- if we limit -- it will from providing. But to my knowledge, what you see on page 12 is what we provide to everyone. It's on the web site. It's everywhere. But I -- so -- and I probably need to talk with you, Dr. Strickland, about what those words, you know, what the exact words. But, like, financials and things like that, we don't do those for students so I can't see --

DR. STRICKLAND:
It's not just me. I think McNealy has that.

DR. McNEALY:
Certainly the Department has an obligation to disclose to SACS relative to student financial aid. It is the watch dog, if you will, for the
Department, but nothing else.

MR. WATSON:

Right.

DR. McNEALY:

So someone at the Department may
well have been just a bit, you know,
overly zealous in their work. I will
follow up with attorneys, see exactly
what we can disclose and what we cannot
disclose.

DR. FRANCIS:

See if we can get something on the
application.

DR. STRICKLAND:

So it's going to be all right. I
was just making an observation on that.

MR. WATSON:

Because, again, in the student
loan industry it seems like there is
more disclosure and things than what we
do here and there is a privacy act
disclosure. Maybe we need to add that
to the website, but I will have to work
with our privacy act attorneys. If they
can't be disclosed, they are going to
let me know it can't be disclosed. I've worked with them for years. They are pretty good about telling me where I can't disclose.

DR. FRANCIS:

Good. And one of the things we are trying to address because these things do get passed down, as you know, and new presidents, if they hear it, they have got a number of other things on their mind, they put this one aside not knowing that could be a big help for them. And I think the presentation you have and you do is very good and what we are trying to do is to erase those perceptions that are out there. Now, there will be other things that we will have to address, but that's why we are here, to help you do that.

DR. NEWMAN:

Let me ask this question just out of curiosity. How competitive are the interest rates for the private sector?

MR. HANSEL:

You want to talk about that a
little bit?

MR. DAWSON:

I'm going to give you the famous wishy-washy answer. It depends. It really depends upon the credit quality of the borrower and the nature of the project being financed. For the top -- let me just stop for a second. The borrowing cost for the program is the federal Treasury's borrowing rate plus 22 and a half basis points. That is more expensive than top tear credits, top tear college and university credits can borrow on a tax exempt basis if they qualify for Triple A bond insurance. When you combine -- on an all end cost basis, and it's materially higher. It is then -- so we take a step down. Then there are those institutions who might not qualify for Triple A bond insurance but may qualify for a letter of credit to support a tax exempt variable rate bond issue, which would then be swapped into a fixed rate through an interest rate swap. The break even analysis
there is going to depend upon the cost
of that credit enhancement. I've seen
letters of credit come in the 35 to
40 basis point range. I've seen letters
of credit come into the 150 to 200 basis
point range. When they are in that 45
to 50 basis point range, they are going
to beat us in terms of rate. When they
are in the 150 to 200 basis point range,
we are going to beat them in terms of
rate. So it's going to depend heavily
on that.

The final thing that factors into
that analysis is not only the absolute
cost but what is the term of the
obligation. So, for instance, in the
case of Harris-Stowe State University,
they could have actually borrowed in the
private sector probably at a rate that
was marginally less expensive than the
rate offered by the program for new
student housing project. However, the
lender who was going to be providing the
letter of credit and would have required
the amortization of their obligation
over a 20-year period. We are able to structure our obligations over a 30-year period, and we were able to defer some degree of debt service which for a student housing project where it's kind of ramping up its debt service coverage levels, really provides a lot of ability for them to kind of grow into the financing. That was ultimately the decision -- that was ultimately the deciding factor for Harris-Stowe that led them to come through the program rather than pursue in the private sector financing. So I'd say it's a complicated analysis but it's -- there are going to be some borrowers for whom taxing and financing is just a cheaper alternative.

MR. WATSON:

Sam and I actually presented at an HBCU trustee board meeting. I had a slide where there was a comparison of the three financing options and compared those things. If you like, I could send that out to the board so you can see
DR. FRANCIS:

Okay. Moving along.

MS. WILKINSON:

If I can make one comment. Sam, when you were discussing the Barkley presentation, talked about the fact that a lot of colleges have asked about off balance sheet financing, and the program is not flexible currently enough to provide that as an option for colleges. It's a product that's going to continue. And I don't know what the board's approach is going to be for the legislation that's in draft form, but that may be an additional issue that you might want to put on the table to make the program flexible enough.

DR. FRANCIS:

Be off balance?

MS. WILKINSON:

Yes.

DR. FRANCIS:

Still got to pay it back.

MS. WILKINSON:
Still have to pay it back.

MR. GREENE:

Dr. Francis?

DR. FRANCIS:

Yes.

MR. GREENE:

I think I had heard previously discussion about the viability of going through our process to determine precisely what was reviewed to us. I mean, it's an aid to the institution to see all the alternatives including the HBCU financing program because it helps them in their decision-making. So to the extent that -- I don't know how you process that, but to the extent that we can at least demonstrate to this community that here is a possible option that you can compare to other options, I think that works.

MR. HANSEL:

I can tell you that that happens quite frequently. Sam, maybe you can address both Lincoln and --

MR. BACOTE:
Yes, we go through the analysis.

We go through the analysis in, I would say, every case. In fact, we show the Department. It's important for us to prove to the Department that the loan package is one that is a benefit to the institution. By showing that if they were to borrow from some other source some other way, it would cost XYZ.

Borrowing through us costs X. And it's -- in fact, we also had an analysis given the Barber-Scotia addition. In furtherance of that, we will factor into the interest costs a complete depletion of your escrow. Now, it drives your interest rate. If you were to lose it, we explain to the school, it drives your interest rate about 50 basis points, to again show them that if there is another option out there, this still may be a better approach we can take. So we go through that analysis completely.

MR. GREENE:

The non-financial type is probably going to say what is the interest rate.
As I hear, there are other aspects that are important --

MR. HANSEL:

So what we try to do is break it down into a debt service cost basis, say here is what the real dollars and cents look like.

MR. WATSON:

And that's what the Power Point slide would actually show, it will show the real debt service amount, and that's something I actually explained and we explained with institutions like Sam was saying that. If you are borrowing treasury rate, for instance, you are borrowing at 5 percent and the escrow is fully depleted, then that's 5.5 percent.

MR. HANSEL:

So your effective cost --

MR. WATSON:

Cost of borrowing is 5.5 percent, which isn't -- say 5 percent and a half percent, those are two different -- two largely different numbers and someone looking like they are losing 5 percent
of their money other than looking at .5 percent, a cost of .5, that's two totally different things. That's how I explain the escrow when I go out, more from effective rate rather than 5 percent.

MR. HANSEL:

To address your point, we have worked with several institutions who have decided otherwise. I mean, they have -- Lincoln University in Missouri.

DR. FRANCIS:

Lincoln, Oakwood.

MR. HANSEL:

Lincoln.

MR. BACOTE:

In fact, if you use the program as leverage, you don't have to use this word, but kind of bully up other lenders out there, say, hey, I can get this rate for the program. Can you beat it? If they say Oakwood, the banks were offering them initially the first round a higher rate, initially the banks, the HBCU rate, and they said, you know what?
We don't want to lose your business. So we have lots of ways that we are effective out there.

MR. WATSON:

This is very different from them because we are government, and I've heard that feedback from other individuals. For instance, the president of Oakwood College said you-all could have had our loan but you were truthful and said, hey, if you have got a better rate, go get the better rate. So, I mean, that's -- I don't know if that's inherent because of the government and government has to be truthful like that or -- that's just how it is.

MR. HANSEL:

It's because Sam is an honorable man. Come on.

MR. WATSON:

That's something that we actually do and they appreciate that.

DR. FRANCIS:

Again, it helps the institution
because you come in as a competitor and your local banks want to, you know, be a part of the community and they want to get those community customer points or CRAs. So your being there helps the institution. That's what this program is all about, whether it's direct or indirect.

All right. I'm moving along. We have already handled that. And you say what the board expects to accomplish in 2007? We have been talking about it all morning.

MS. BASKERVILLE:

I have one question. Following the findings that the current DBA is handling the loan funds as they should, which we know that we will fund, does that mean that we won't do the resolicitation that we expect to do after June 2007? They will just be carried on or will we nonetheless do the RFP that is anticipated after June 2007?

MR. WATSON:

We haven't discussed that yet. I
first want to do the audit, get the
audit done and get those things done and
then we will look at -- look at that,
submit an RFP, that type of thing.

MS. BASKERVILLE:

Okay.

DR. FRANCIS:
The question was what the board
expects to accomplish in 2007. If
several of the things that we recommend
it comes to the fore, that certainly is
going to be at least a good start on
some goals. Are there any other things
that we haven't discussed that could
very well be a part of the goals that we
would want to accomplish is 2007?

MS. BASKERVILLE:
I don't know if they are
independent, but I think as we
accomplish all of them, I'd like us to
have a report on how we are fairing on
our Section 347 minority business
utilization goals.

DR. FRANCIS:
And, of course, you as the
executive, you have some goals that you
mentioned, that I would say we would
envelope in our, you know, thing that
has been sitting on your shelf that you
look at every day to remind you. I
think that's important as fast as you
can get that done. Got it in mind,
heard it from the community, and that
certainly would be a goal that I would
put here, and I'm sure you have 2007 but
that would be in 2007.

MR. WATSON:
After June 15th my schedule will
switch back.

DR. FRANCIS:
Okay. Very good. Take care of us
and get rid of us.

DR. STRICKLAND:
Make sure you develop a plan of
your own. These objectives are really
reactions to GAO report. They are just
responsive. I wouldn't make those
objectives. I know you are not making
them your actual program manager
objectives, but you have to address the
GAO set, as well.

MR. WATSON:

Those are, like, for instance, creating the loan document that gives you disclosures up front, creating programs for technical assistance to the DBA and commerce, things like that. So we are looking at those kinds of things, as well.

DR. STRICKLAND:

You know, another nasty word to, let's talk about colleges and university, is technical assistance, and I say that advisedly because it appears all we are getting out of any of the agencies are so-called technical assistance workshops and very little substance when the technical assistance is done. So if you are doing technical assistance, you have got to frame it in some kind of way that some real outcomes of benefit to the college. Believe me, have someone come in and sit down and tell you how to do your books, how you think you ought to get a loan, that's
not -- it's not substantive technical assistance.

MR. WATSON:

Now --

DR. STRICKLAND:

That's just a caution.

MR. WATSON:

If you want to -- we are planning on doing that to give the ordinary technical assistance, if you will, you know, and give you some pointers, but the program itself by statute, these things that we are talking about come to this assistance aren't provided from a statute. These are things that I think will help HBCUs to be in a better place and ready to borrow from this program or even when they are ready to borrow from private market. So those things will actually be on hand if they want to take advantage of those services or anything else or go somewhere else and seek those services. That's all fine. But these are things that the Department is changing from statute. We can't do --
these are things in addition that I think will help HBCUs in their borrowing and that sort of thing, and so it will manage the day-to-day cash flow because there are things that some institutions are doing to actually manage that cash flow and those sort of things and I've told Tom and Mr. Manning that one day I'll work myself out of a job. I didn't mean deplete the escrow, but the program. I didn't mean it by that, but that's what I'm looking for. I'm looking so HBCUs out there, this will be an option, really an option, looking at it as an option. It's not the only choice.

DR. FRANCIS:

Any other comments on this? Fall and spring meeting dates, I think you have.

MR. WATSON:

Yes.

DR. FRANCIS:

What's the experience? You know, October is education meeting month.
Every day there is a meeting in October but it seems like y'all pulled one off last October. Did y'all piggyback on something else?

MR. WATSON:
Actually, no, I wasn't involved in setting up that meeting date but I think the --

MR. GREENE:
Yeah. I mean, the President's Board of Advisors has their meeting at the end of the -- of our conference every year. The last day is really their meeting day. I know Dr. Strickland is always there and you could conceivably do it around that. I mean, people are in town.

MR. HANSEL:
It's around mid September?

MR. GREENE:
This year it's like the 8th or 9th through the 13th. But, for instance, we definitely have invited you so --

DR. FRANCIS:
I'm still trying to find out how I
can get out of where I am.

MR. GREENE:

Okay. But it may be a convenient way of doing it.

MR. WATSON:

If I could share with the board, the idea of having it here at Xavier is not just because we are in New Orleans but think it's great for the board to -- and that's why I see on the agenda there is a tour of the campus. I think it's great for us to see institutions borrowing from the program, institutions that have the opportunity to borrow from the program, what they are doing so we can put a face onto the program itself, not just what I see when I go out but I think you-all need to see, as well, these institutions and the work that the program is doing. So that was one of the reasons we had it here, and I was hoping that that will be an idea throughout, that we have meetings at different historical black colleges.

DR. HUGHES:
Will you visit other campuses this afternoon?

MR. WATSON:

Yes, ma'am, either today or tomorrow. I'm not leaving until tomorrow. This evening I have -- as I said I have a meeting with Dr. Ukpolo and tomorrow I'll be at Dillard and so --

MR. GREENE:

Tomorrow is Saturday.

MR. WATSON:

I know.

DR. HUGHES:

We have a board meeting tomorrow so --

MR. GREENE:

Don't put that on the record.

DR. HUGHES:

He's coming at a good time.

DR. FRANCIS:

Let me ask you, as it happens at all of our meeting schedules, would you pick a date that might be a good timing for you and the problem, what have you,
or several and let us -- survey us? We

go through this all the time and

sometimes you get lucky and say we are

going to meet on such and such a date.

That's it. And you get lucky and you

get more than a quorum. But I know my

schedule is wild, but don't guard it by

me. But the Authority now fits the

schedule according to my schedule. So

if you want to start with mine, that

would be good.

MR. WATSON:

What I've actually -- and I can

call Kay on that?

DR. FRANCIS:

Yes. Yes, indeed.

MR. WATSON:

Any particular place, institution?

You can get --

MS. BASKERVILLE:

Virgin Islands.

MR. WATSON:

It's funny you said that.

MR. GREENE:

There is an HBCU in the Virgin
Islands.

MR. HANSEL:
We talked to them several years ago.

DR. HUGHES:
I'm not going on that one.

MR. WATSON:
I'm not sure how that will pan out. I'll have to -- I'll have to talk to some ethics folks, a whole lot of stuff going around if it goes to the Virgin Islands.

MR. HANSEL:
We won't tell Tom.

MR. WATSON:
It's not just Tom. The lawyer is going to have a lot to say.

MR. GREENE:
There is precedent.

DR. FRANCIS:
You might look at the institutions that I see applying and so forth and pick one that most of us could get a non-stop flight to.

MS. BASKERVILLE:
Thank you.

DR. NEWMAN:
There is no such thing as a non-stop flight from Itta Bena, Mississippi.

DR. FRANCIS:
Wait a minute, now.

MR. HANSEL:
Atlanta.

DR. FRANCIS:
They've got a couple of new airlines.

DR. STRICKLAND:
Jackson or Memphis at this point.

DR. NEWMAN:
Take a cropduster.

MR. WATSON:
If we are going to make a decision now for the fall meeting, is that okay with everyone to go to Jackson?

DR. STRICKLAND:
No. I'm just kidding. Yeah, that's fine with me.

MR. WATSON:
Well, I mean, if that's okay,
then, can we host it at your
institution?

DR. NEWMAN:
Well, I'm in Itta Bena.

MR. WATSON:
I mean, you-all don't want to
drive?

DR. NEWMAN:
We would love to have you.

DR. FRANCIS:
My schedule is not going to let me
get to Itta Bena. You have got to be
going to Itta Bena.

DR. NEWMAN:
Yeah, but you are in God's
territory.

MR. WATSON:
I'll get the institution along
with the dates and send them out to you.

I want to push it out, not just for '07
but also for '08 so it's in your
calendars well in advance.

DR. FRANCIS:
Good. I haven't been there since
Jerry Rice played.
DR. NEWMAN:
It has changed quite a bit.

DR. FRANCIS:
I gave the inaugural for Boykins.
I don't know how long ago that was,
about three years?

DR. NEWMAN:
Yeah, probably.

DR. FRANCIS:
Yeah. He was president three
years.

You are going to check my schedule
and then you are going to see about some
non-stop flights to good places. It
makes a difference, it really does,
because if you have got to give two days
to get somewhere it starts --

DR. STRICKLAND:
We can do Atlanta.

MR. HANSEL:
We can talk to Dr. Broadneck.

DR. FRANCIS:
Dallas, that sort of thing. My
travel seems to always be more than one
day no matter where I go but --
Let's deal with the one that is
the last one unless we have some other
things.
The joint committee. I like that
one. Have you started any work on that
and so forth?
MR. WATSON:
No, sir. That discussion came up
during the White House -- White House
initiative on HBCU, their board meeting,
and at that meeting they committed to
work with the program to look at
legislation and to make some
recommendations to the Secretary based
on that. But also as we sit here, it
seems like work is already being done
because I was going to actually -- so it
could be all inclusive and there could
be a precedent from this board as well
as NAFEO and UNCF to work with those
other presidents of institutions so we
have a concrete, it's not just a
one-sided issue. It's all inclusive,
not just from this side, from the
Secretary's advisory board, but also
from the President's board, as well.

MR. GREENE:

I would suggest that you change it
from the White House Initiative to the
President's Board of Advisors.

DR. FRANCIS:

Okay. But I think you get much
bigger bang for our buck by getting some
of that input in that way, and then I
think we would be greatly persuaded to
move faster and more intelligently when
it comes to us, and two meetings a year
might work. That's what I was promised
when I accepted this.

Okay. What else might there be
important to come before the house,
either from our executive or anybody on
the advisory committee? Because I in a
minute will be going to public comments.

MS. BASKERVILLE:

Do we anticipate adding another
public president to the board so we will
have the statutory two publics?

MR. WATSON:

To which board, this board?
MS. BASKERVILLE:

Uh-huh.

MR. WATSON:

I'm sorry. Carolyn Myers isn't here, but, I'm sorry, but --

MS. BASKERVILLE:

She's on it?

MR. WATSON:

She's on this board. She's just -- she's out of the country with the Governor today.

MS. BASKERVILLE:

Thank you.

MR. WATSON:

We have a full operating board.

DR. FRANCIS:

Good. If there are no other questions, anybody from the public? Not too many public folks in here. Just my staff is public. Private school.

DR. STRICKLAND:

Privately public.

DR. FRANCIS:

Privately public. No public comments? Well --
MR. BACOTE:

One of our industry, if you will, colleagues, financial advisors, Will Fisher came in who is the head of financial advisor at Tuskegee, and as you know, he's worked in the past program. He's always got insight, valuable insight about the program.

MR. FISHER:

Well, thank you for putting me on the spot, first of all, Sam. One thing that I would suggest as we are starting to talk about some of the other initiatives that you see, and there was a brief discussion about off balance sheet financing.

DR. FRANCIS:

Right.

MR. FISHER:

And I would just like to add why that is a critical tool, particularly for State institutions. Because as you all know, higher education funds in a State's budget is the only really discretionary funds that they have and
any time there is any kind of fiscal
pressure from the State, they cut higher
education. And there is also this
notion that you shouldn't be allowed,
you being the institution, should not be
allowed to make money off of the
auxiliary enterprises. So any time you
have shown a surplus in auxiliary
enterprises, it has always been offset
by your appropriation. So what has been
imperative for a lot of schools is to
utilize that mechanism simply to go and
create additional cash flow to fund
other mandates that the State has yet to
decide worthy of funding. So there is
nothing, you know, that is magical about
accounting. It's just quite honestly a
necessity to go and just further the
mission.

One institution, we won't name
names, but their new president is, you
know, a new board members here. That's
exactly how the research foundation is
being funded and they are advancing that
mission through privatized student
housing projects that they have completed. So I would ask you to go ahead and consider that and just be mindful of the progression of the program in terms of like -- because I also kind of hold myself out to be the historian of the program in that you started out with that cross collateralized debt service reserve fund that now it's 5 percent, but when it initially started it was 10 percent, and there were a lot of issues as to how the program has to be structured in order to seek a certain scoring from O and B.

But now those things which -- and technical assistance aspect wasn't even contemplated initially. These are things that happen with reauthorization. So at this point of reauthorization let's go -- we have it anecdotally and imperially all of their information as to why the program worked, why it's not working as well as we had all hoped initially, and let's try to work for those changes in the reauthorization.
DR. FRANCIS:

That's part of our plan, and, you know, cities are using the off balance sheet in some of the agencies. My introduction to it was, well, the New Orleans airport, Louis Armstrong Airport. We built a $44 million garage off the balance sheet of the airport and it's a five member board that I chaired that we own that public parking garage. Doing well. Paying all of our debt service. And it works, it does work. And I can see the parallel between what's happening in cities with these kinds of agencies and public state schools. I've heard this from the presidents where the legislature doesn't start looking and they scoop up that sort of stuff.

Well, we have made this as a part of when we start looking at our advice, that that will be a part of it, as well. We thank you for it.

Any other comments? We said we were going to end at what time? 12:30,
12:45 for lunch, somewhere? I've got my
own here. Mine said -- see what my
written one said? 12:15. And yours
said 12:45, but our dining service,
which is the same dining service we have
at Dillard's and Tulane and Loyola, they
have got a monopoly in New Orleans, they
like to keep the food warm. I see they
have gotten a head count already. Did I
see that? See, I see everything sitting
at this chair, got a little button under
here. When did they say they were going
to be ready? When did they say they
were going to be ready?

MR. WATSON:
I told them 12:30 we will be
downstairs.

DR. FRANCIS:
That's fine. You will be able to
freshen up and all of those good things.
We are not adjourned yet. I'm going to
follow the rules. We are going to have
lunch, and then if somebody has some
thoughts about things while they have
their dinner, we will entertain that and
after we eat, we will adjourn and
anybody wants to take a tour, we will
take a tour. Following the law, we have
got our public comments in there and
everything else. Anybody else? Yes,
Sam.
MR. BACOTE:
I just want to say that CCAP and
the Department provided the letter
binders you have that you -- hope to be
holding onto. I make the comment
holding onto it.
MS. BASKERVILLE:
Only if they spell the name right.
MR. BACOTE:
I know Dr. Strickland, is your
name spelled correctly? Is it Haywood
or Hayward on your binder? Is yours
correct?
MR. BACOTE:
I mean, the binder is correct.
MR. STRICKLAND:
You are always correct.
MR. GREENE:
I'm learning to live with that.
MR. BACOTE:
We got you wrong, too?

MR. GREENE:
No E.

MR. BACOTE:
There should be an E.

MR. GREENE:
Should be an E.

MR. BACOTE:
All right. Hold onto those binders and bring them with you.

MR. HANSEL:
Or alternatively, I know Dr. Lomax left his and he asked us to bring it to the next meeting --

MR. BACOTE:
Okay.

MR. HANSEL:
-- with the materials. So if you need us to shepherd them for you, I know you guys have a ton of stuff, so if you need us to shepherd them for you, we will be happy to do that.

MR. BACOTE:
What's about the -- for everyone?
Either way.

Since I'm not traveling, I'll keep mine.

I sent you most of the stuff on the e-mail.

If you want --

It's cumbersome to travel.

We will take it and cope with it and just leave them here and we will take care of it.

I tell you what. I'm going to take --

You have most of this.

Thanks for e-mailing it because I was about to read it at home. I like to leave any notebook -- continue to
e-mail, it if you would.

MR. BACOTE:
Clamp the contents.

DR. FRANCIS:
I need that. I like to have a
sense of history when I chair.

MR. BACOTE:
Anyone taking the contents with
them want to clamp the contents? If you
are, just see me, I'll give you a clamp.

MR. WATSON:
Would it be possible to send them
these documents in an e-mail, and that
way, I see they are taking stuff out of
the books, and that way we will have a
complete book. Do you know what I mean?
Can we send them a document?

DR. NEWMAN:
Yes.

MR. HANSEL:
We can do that.

DR. FRANCIS:
Not to whole bunch. Just send
them electronically. That way they will
keep the notebooks intact.
MR. HANSEL:
You have got all of the e-mail addresses, don't you?

MR. WATSON:
Keep the e-mail.

MR. HANSEL:
We will bring these back.

DR. STRICKLAND:
The e-mail was great.

MR. WATSON:
So just leave the stuff in your notebook. We will send all this to you electronically.

MR. BACOTE:
Unless you want -- unless you want them in color.

DR. FRANCIS:
We will be eating downstairs.

Calvin, y'all -- did they shift the meeting place? No?

MR. BACOTE:
Not to my knowledge. Still on the first floor, 117.

DR. FRANCIS:
Well, thank you for being here and
you will be right on schedule, I promise you.

I'll adjourn the meeting, and then we will have informal discussions at lunch.

(Whereupon the meeting was adjourned.)
REPORTER'S CERTIFICATE

I, Terry L. Owens, CCR, RPR, Certified Court Reporter in and for the State of Louisiana, do hereby certify that the above-named witness, after having been first duly sworn by me to testify to the truth, did testify as hereinabove set forth;

That the testimony was reported by me in shorthand and transcribed under my personal direction and supervision, and is a true and correct transcript, to the best of my ability and understanding;

That I am not of counsel, not related to counsel or parties hereto, and not in any way interested in the outcome of this matter.

Terry L. Owens, CCR, RPR
Certified Court Reporter
State of Louisiana