

1 VERBATIM TRANSCRIPT  
2  
3 HISTORICAL BLACK COLLEGES AND UNIVERSITY  
4 CAPITAL FINANCING PROGRAM  
5  
6 MEETING OF FRIDAY, APRIL 20, 2007  
7  
8 XAVIER UNIVERSITY CENTER BUILDING  
9  
10 1 DREXEL DRIVE  
11  
12 NEW ORLEANS, LOUISIANA 70125  
13  
14  
15  
16 REPORTED BY:  
17 TERRY L. OWENS, CCR, RPR  
18 CERTIFIED COURT REPORTER  
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25

1 DR. FRANCIS:

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

9 DR. McNEALY:

10 I hear you. Thanks.

11 DR. NORMAN:

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

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

25 But we are happy to have you here.

1 The weather is good. The place looks  
2 good, but we have got a long way to go.  
3 Fortunately, we were able to get back,  
4 both of us, in fact, all of us who were  
5 under water, the three schools, HBCU's  
6 in the city.

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

22 DR. HUGHES:

23 All of the buildings.

24 DR. FRANCIS:

25 All of the buildings just about.

1 DR. HUGHES:

2 All of the buildings.

3 DR. FRANCIS:

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

8 DR. HUGHES:

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

16 DR. FRANCIS:

17 What's your -- the reason I'm  
18 saying is for your protection. We came  
19 through this and people will give you  
20 one date and, you know, next month, next  
21 month, next month. Any firm dates you  
22 have yet for when you will be able to  
23 put together most of what you need on  
24 campus?

25 DR. HUGHES:

1           It will take about two more years  
2           or more because we had three buildings  
3           burn down, remember?

4           DR. FRANCIS:

5           Uh-huh.

6           DR. HUGHES:

7           We had to demolish three  
8           buildings, and all the others were under  
9           water. So everything had to be restored  
10          at Dillard.

11          DR. FRANCIS:

12          Like New Orleans, it's going to be  
13          much longer than people think. We were  
14          somewhat fortunate. We had about 6 feet  
15          everywhere and the first floors of  
16          everything and the mold ran to some  
17          other floors, but where -- what all of  
18          us have learned is, and hopefully it  
19          never happens to any of you, in the time  
20          that it happened in the summertime, if  
21          you had just a little bit of water, mold  
22          runs, just runs, and we did have a  
23          number of buildings where the molds ran  
24          and you had to go past the first floor.  
25          You lose the first floor and you lose

1     what's right behind me, the central  
2     plant, like your heart, and that goes,  
3     everything stops. No lights. No  
4     anything.

5         So as you look around and drive,  
6     if you are -- and have a chance to see  
7     some of the city, it looks good in some  
8     places, other places very devastated.  
9     And I can say with my other hat, people  
10    say, you know, why is it taking so long,  
11    and my crass answer to that is:  
12    Compared to what? You tell me another  
13    event that this happened in the United  
14    States and then I'll be able to give you  
15    a judgment as to whether we are moving  
16    slow or fast. And we are now second --  
17    finishing our second year, and as  
18    Dr. Hughes has said, the city itself and  
19    the coast line, it's going to be an 8-  
20    to 10-year process of getting back  
21    totally. Certainly progress will be  
22    made.

23         And the country doesn't fully  
24    appreciate, I think, what did happen,  
25    and then some people don't think -- some

1 people think there is still water on the  
2 expressway. So you have got a big gap  
3 between an understanding, and part of  
4 what Louisiana and New Orleans is trying  
5 to do is to travel around the country  
6 and explain what happened, and the only  
7 commercial I'll give in a sense is we  
8 are faced with the same problems that  
9 every urban city faces, crime is in  
10 every urban center, but we are a poster  
11 child. So that any time there is crime  
12 of any kind it is highlighted. And so  
13 it's going to have a great impact on  
14 enrollment in all of our schools, I  
15 mean, all of our schools in New Orleans  
16 that were all hit.

17 So I welcome you today with that  
18 in mind, but the bottom line is that all  
19 of our institutions are so important  
20 that we are going to come back and we  
21 are going to come back stronger than we  
22 were. I think all have taken the  
23 position that we paid such a huge price  
24 in what we have lost, it would be  
25 immoral to say we are going to come back

1 just the way we were. We have to come  
2 back better than that because the world  
3 changes and the competition changes in  
4 terms of what is expected of our  
5 youngsters who are in our institution.  
6 So we intend not to come back to where  
7 we were but to come back better than  
8 where we were. And I say this to you  
9 because all of our grandparents and our  
10 mothers and fathers used to say to us,  
11 oh, boy, those good old days. They  
12 don't make shoes like they made them.  
13 They don't make cars like they made  
14 them. Well, not all of the good old  
15 days were good old days and we know that  
16 and that's what we are trying to change.  
17 So with that invocation and  
18 welcome, I'm going to stand up and raise  
19 my right hand so I can be official. Is  
20 that right, Tom?  
21 MR. DAWSON:  
22 That's right.  
23 MS. BASKERVILLE:  
24 Mr. Chairman?  
25 DR. FRANCIS:



1 Yes.

2 MS. BASKERVILLE:

3 Before you do that or at some  
4 appropriate time, I wanted to thank you  
5 for welcoming us here and tell you how  
6 delighted we are to be on your campus.  
7 I want to thank you and President Hughes  
8 for your magnificent, incredible  
9 leadership that resulted in saving two  
10 of our national treasures, and your  
11 indefatigable work, your prayers, your  
12 dogged determination that brought us  
13 back and not only saved the institutions  
14 over which you are serving but  
15 institutions that are so important to  
16 all of us in our nation. And we are  
17 just delighted to be here and stand  
18 ready to assist in any manner or means.  
19 Thank you so very much.

20 DR. FRANCIS:

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

1 Lezli.

2 MS. BASKERVILLE:

3 Thank you.

4 DR. FRANCIS:

5 Good. All right.

6 MR. DAWSON:

7 Without further delay, my name is  
8 Tom Dawson. I'm with the Department.  
9 Jim Manning, who is our assistant  
10 secretary, would typically be here  
11 today. Unfortunately with the Virginia  
12 Tech incident earlier in the week he  
13 wasn't able to make it, so I came in his  
14 stead.

15 Quickly, I wanted to thank all of  
16 you-all for coming, especially to Dr.  
17 Francis for agreeing to chair the board.  
18 I know he has a lot going on so this  
19 is -- both Jim and Secretary Spellings,  
20 as well, appreciate your agreeing to do  
21 this, so that's wonderful.

22 For all of the new members around  
23 the table, if you could stand, as well,  
24 because I'm going to swear all of you in  
25 at once. When I start, immediately

1 after I start, I'll turn it over to you  
2 to state your name and you can all state  
3 it at the same time.

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

6 (Members stated their names.)

7 MR. DAWSON:

8 -- do solemnly swear --

9 MEMBERS:

10 -- do solemnly swear --

11 MR. DAWSON:

12 -- that I will support and defend

13 the Constitution --

14 MEMBERS:

15 -- that I will support and defend

16 the Constitution --

17 MR. DAWSON:

18 -- of the United States --

19 MEMBERS:

20 -- of the United States --

21 MR. DAWSON:

22 -- against all enemies --

23 MEMBERS:

24 -- against all enemies --

25 MR. DAWSON:

1 -- foreign and domestic --

2 MEMBERS:

3 -- foreign and domestic --

4 MR. DAWSON:

5 -- that I will bear true faith and

6 allegiance to the same --

7 MEMBERS:

8 -- that I will bear true faith and

9 allegiance to the same --

10 MR. DAWSON:

11 -- that I take this obligation

12 freely --

13 MEMBERS:

14 -- that I take this obligation

15 freely --

16 MR. DAWSON:

17 -- without any mental reservation

18 or purpose of evasion --

19 MEMBERS:

20 -- without any mental reservation

21 or purpose of evasion --

22 MR. DAWSON:

23 -- and that I will well and

24 faithfully --

25 MEMBERS:

1 -- and that I will well and

2 faithfully --

3 MR. DAWSON:

4 -- discharge the duties --

5 MEMBERS:

6 -- discharge the duties --

7 MR. DAWSON:

8 -- of the office --

9 MEMBERS:

10 -- of the office --

11 MR. DAWSON:

12 -- on which I am about to enter --

13 MEMBERS:

14 -- on which I am about to enter --

15 MR. DAWSON:

16 -- so help me God.

17 MEMBERS:

18 -- so help me God.

19 MR. DAWSON:

20 Congratulations.

21 DR. FRANCIS:

22 Thank you. Last time I did that I

23 got married.

24 (Laughter.)

25 DR. FRANCIS:

1           So we are ready to go. I think  
2           the first item on the agenda, on my  
3           agenda is the roll call of members of  
4           the advisory committee. Ms. Lezli  
5           Baskerville is here. I'm here. Charles  
6           Greene who has been with us for the last  
7           day and a half is here. Happy to have  
8           you. Dr. Marvalene Hughes is here.  
9           Dr. Michael Lomax. Michael, you didn't  
10          get caught in that traffic?

11         DR. LOMAX:

12           No.

13         DR. FRANCIS:

14           They cleaned it up. They knew you  
15          were coming.

16         DR. LOMAX:

17           I know my way around.

18         DR. FRANCIS:

19           Dr. Earnest McNealy. Dr. Carolyn  
20          Myers. Oh, that's right. I beg your  
21          pardon. She is traveling with the  
22          Governor, as I recall. Is that right,  
23          Don?

24         MR. WATSON:

25           Yes.

1 DR. FRANCIS:

2 Dr. Lester Newman? Good. Haywood  
3 Strickland, and, of course, the  
4 executive director, Don Watson is here.  
5 I'm going to ask --

6 DR. STRICKLAND:

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

10 DR. FRANCIS:

11 What did I say?

12 DR. STRICKLAND:

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

15 DR. LOMAX:

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

18 DR. STRICKLAND:

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

21 DR. FRANCIS:

22 I'll ask -- maybe we can get the  
23 introductions of some of the other folks  
24 who will be appearing here this morning,  
25 then we will start.

1 Mr. Hansel, why don't you tell us  
2 what you are doing. I think some of  
3 us -- most of us know.

4 MR. HANSEL:

5 Certainly. Thank you. My name is  
6 Derek Hansel. I'm the president of the  
7 Commerce Capital Access Program  
8 Corporation. We have had the pleasure  
9 of serving the Department and the HBCU  
10 community as the designated bonding  
11 authority for the past several years.

12 The designated bonding authority is a  
13 statutory position where we essentially  
14 act as a conduit lender for the program,  
15 market program administration, loan  
16 facilitation. And so, again, that's  
17 been our great honor and pleasure.

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

21 MR. DAWSON:

22 My name is Tom Dawson, and I'm the  
23 Deputy Assistant Secretary for  
24 Post-Secondary Education at the  
25 Department, which means that I supervise



1 all of our grant programs there,  
2 institutions of higher education  
3 including historically black colleges  
4 and universities, but it would also  
5 include all the international education  
6 we run, the trio programs that we run.

7 As Derek said, we would just like  
8 to thank you for having us here,  
9 Dr. Francis, and I know you are in good  
10 hands with Don. Don and I work very  
11 closely together, and Charlie, as well.  
12 So thanks for having us.

13 DR. FRANCIS:

14 Happy to have you.

15 MR. PRAYELO:

16 Doug Prayelo. Eloise Phillip is  
17 my predecessor.

18 MR. MAYFIELD:

19 With Mr. Hansel, I'm Samuel  
20 Mayfield, also with the Commerce Capital  
21 Access Program. You heard about the  
22 DBA, the bonding authority, so I'll take  
23 my seat at that.

24 DR. FRANCIS:

25 There you go.

1 MR. PRESMAN:

2 I'm Dylan Presman. I'm with the  
3 Department of Education Project Service.

4 MS. EHRGOOD:

5 Julia Ehrgood with the Carmen  
6 Group. We represent Dillard University  
7 in Washington, D.C.

8 MS. WILKINSON:

9 I'm Patty Wilkinson. I'm with the  
10 law firm of Bryant Miller Olive, and we  
11 serve as counsel to the designated  
12 bonding authority. We have worked with  
13 lots of schools over the years and we  
14 are looking forward to working with the  
15 schools in New Orleans.

16 And just by way of background,  
17 I've worked in tax exempt financing for  
18 nearly 20 years with over \$15 billion  
19 and bonds issued for various types of  
20 financings and worked with over 20  
21 different colleges and universities  
22 across the country.

23 DR. FRANCIS:

24 Thank you.

25 MS. LEONA COSBY:

1 My name is Leona Cosby and my  
2 associate is Tamica Williams with the  
3 Department of Treasury Federal Financing  
4 Bank and we provide the funding for the  
5 program.

6 MR. FRANCIS:

7 Good to have you here.

8 She covered you?

9 MS. WILLIAMS:

10 Yes.

11 DR. FRANCIS:

12 Say it for yourself.

13 MS. WILLIAMS:

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

18 DR. FRANCIS:

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

22 Yes, ma'am.

23 MS. BLAIR:

24 I'm Cassandra Blair with the US  
25 Department of Education. I work in the

1 strategic planning staff under Tom.

2 DR. FRANCIS:

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

6 Calvin, tell us who you are.

7 MR. TREGUE:

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

14 DR. FRANCIS:

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

17 MR. BOSTICK:

18 William Bostick, Director of  
19 Internal Audits at Xavier University.

20 MR. PHILLIPS:

21 Edward Phillips, the Chief  
22 Financial Officer.

23 DR. FRANCIS:

24 Very good. Well, we all know each  
25 other and now we can get started.

1 I need an approval of the minutes  
2 of the previous meeting, and I want to  
3 say I spent one night and I read every  
4 word of the October '06 meeting. I  
5 think I remember everybody who spoke  
6 several times, too.

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

11 DR. LOMAX:

12 The transcription? So moved.

13 DR. NEWMAN:

14 Second.

15 DR. FRANCIS:

16 Any questions?

17 Yes, Lezli.

18 MS. BASKERVILLE:

19 I have a question, sir. Is the  
20 summary of the minutes that was  
21 attached, will that become a part of the  
22 record? And if so, I have reservations  
23 about that.

24 DR. FRANCIS:

25 What's been the practice? Who's

1       been one a while? This is my first one,  
2       so I can't answer that. I have to  
3       say --

4       MR. WATSON:

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

12      MS. BASKERVILLE:

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

19      MR. WATSON:

20            Great.

21      DR. FRANCIS:

22            I would appreciate that, Lezli.  
23      The lawyer is coming out. We are always  
24      faced with, well, what did the minutes  
25      say, and let's make sure we get that

1 straight.

2 But what the motion was, is we put  
3 the whole kit and caboodle in.

4 DR. LOMAX:

5 I said the transcript.

6 DR. FRANCIS:

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

11 Any other questions or comments?  
12 Any other adjustments? If not, all  
13 those in favor who were there who can  
14 affirm it please signify by saying aye.

15 MEMBERS:

16 Aye.

17 DR. FRANCIS:

18 Opposed?

19 (No response.)

20 DR. FRANCIS:

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

24 Now, I was advised before we  
25 started by Mr. Watson and I guess

1 Mr. Hansel, and Tom didn't say it, but  
2 we will not have the ethics update but  
3 there is information in our kits, at  
4 least for the new members, on the ethics  
5 requirements and so forth, and I think  
6 we all had to fill out these forms and  
7 then we -- I know I got the call about  
8 what things might, in fact, be a  
9 conflict for me so that I'm aware of  
10 that. And for the rest of you, I hope  
11 the same thing is true.

12 Did any of you here from Mr. Dent?

13 No? I'm the only one?

14 MR. WATSON:

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

21 DR. STRICKLAND:

22 Is it higher or lower?

23 DR. FRANCIS:

24 Greater requirements.

25 MR. WATSON:



1 More requirements.

2 DR. FRANCIS:

3 More scrutiny. More scrutiny.

4 MR. WATSON:

5 Dr. Francis, that's your copy.

6 DR. FRANCIS:

7 That's my copy.

8 MR. WATSON:

9 If you can pass that to your  
10 right.

11 DR. FRANCIS:

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

15 MR. WATSON:

16 Just take one and pass it down.

17 DR. FRANCIS:

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

25 Let me say a few things

1 housekeeping. The restrooms are right  
2 to the left in case any of you have  
3 need.

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

13 And you might remind me if I make  
14 the wrong statement because I'm thinking  
15 I'm still in the Louisiana Authority  
16 meeting. We do that, I just had one  
17 last week, and I thought when folks were  
18 introducing yourself, that you were the  
19 general counsel for this group because I  
20 have three lawyers sitting in the  
21 audience at the Authority and they do  
22 hand signals like telling me "Can't do  
23 this. Can't do that." Can't change the  
24 agenda unless I take a roll call and  
25 have a unanimous vote and the like. So

1 I was told before that that's not as  
2 scrutinizing for this as the advisory,  
3 not the authority. But if I do slip to  
4 the other meeting. We will just keep  
5 going.

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

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

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

16 MR. WATSON:

17 I will.

18 DR. FRANCIS:

19 You will indeed.

20 MR. WATSON:

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

24 I met with Mr. Carl Flamer, who is  
25 the President of Barber-Scotia, and

1 Elisa Hodge, who is the new trustee  
2 chair of Barber-Scotia's board. I went  
3 down to the campus on March 30th to do  
4 an appraisal of the campus with an  
5 appraiser, individuals from the  
6 trustee's office. And so we did an  
7 appraisal of the campus. There is about  
8 another three or four weeks before we  
9 get the results of the appraisal.

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

23 When I was down there on March  
24 30th, they actually provided a document  
25 for eyes only, if you will, and they

1       took the document back before I left the  
2       room but they wanted to let me know they  
3       are working towards a plan and that they  
4       are looking at ways to try to find ways  
5       in which they can make payments on the  
6       debt service, repay the escrow and those  
7       sorts of things. They are trying to  
8       come up with a capital campaign to raise  
9       money for the school to seeking  
10      additional funding, getting it  
11      accredited through TRACS, and later on  
12      to try to regain accreditation again  
13      through SACS. So they are working  
14      towards becoming a viable institution  
15      again. Any questions?

16      MR. GREENE:

17             Yeah. What payments have been  
18      made against that?

19      MR. WATSON:

20             Barber-Scotia has depleted their  
21      escrow and the payments that are being  
22      made out of that now is coming from the  
23      escrow account of the other  
24      institutional borrowers in the program.

25      I believe it's --

1 MR. HANSEL:

2 I can address that. Right now  
3 approximately \$258,000 on a semiannual  
4 basis is being paid out of the combined  
5 escrows of the other participants in the  
6 program every September 1st and March  
7 1st. That's now been going on for two  
8 years. That started in September of  
9 2005 and so now four payments in excess  
10 of a million dollars have been made out  
11 of escrows of the other participating  
12 institutions.

13 DR. NEWMAN:

14 What is the total liability?

15 MR. HANSEL:

16 Total liability is somewhere in  
17 the \$6.7 million range.

18 MR. GREENE:

19 What is the total escrow at this  
20 point?

21 MR. HANSEL:

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

25 MR. GREENE:

1           Just in excess of it?

2       MR. HANSEL:

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

5       DR. FRANCIS:

6           I missed the last part of your  
7       sentence.

8       MR. HANSEL:

9           It's in excess. The escrow would  
10       essentially be fully depleted were there  
11       to be a complete call on the loan. The  
12       way that we have structured it to date  
13       is, as you know, just paying the debt  
14       service of keeping the obligation  
15       current. We have not accelerated the  
16       loan and we have not accelerated the  
17       bond with the Federal Financing Bank.  
18       That's been pursuant to the direction of  
19       the Department as we continue, you know,  
20       the evaluation of a work-out process  
21       with Barber-Scotia. You know, frankly a  
22       lot will be determined by the results of  
23       the appraisal and frankly there will  
24       also be some -- there is a matter of  
25       dispute between the college and the

1 Department as to exactly what the  
2 security on the transaction is and that  
3 may well play into it, as well.

4 DR. FRANCIS:

5 But the escrow account has not  
6 been depleted?

7 MR. HANSEL:

8 The escrow account has been  
9 nowhere near fully depleted on behalf of  
10 all the other participating  
11 institutions. Partly that's because we  
12 have had institutions participate in the  
13 program subsequent to the Barber-Scotia  
14 situation developing, namely Miles  
15 College, Harris-Stowe State University  
16 and South Carolina State University.  
17 You know, those three institutions  
18 combined have made contributions into  
19 the escrow totaling almost \$3 million.

20 DR. FRANCIS:

21 I asked the question because I  
22 know that in the transcript of the  
23 record there was a concern by several of  
24 the presidents who were having  
25 participation in the program about the



1 depletion of the escrow account.

2 MR. HANSEL:

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

11 MR. WATSON:

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

20 DR. FRANCIS:

21 That was a point last meeting. I  
22 did hear something in your report,  
23 Mr. Watson, that at least the  
24 Barber-Scotia is committed to getting  
25 back and anything that we can do as the

1 advisory committee I think would be in  
2 all of our best interests and I would  
3 take it at this point that you and the  
4 rest of the staff working with  
5 Barber-Scotia and the prospects, at  
6 least, are ongoing and hopefully good.

7 MR. WATSON:

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

17 DR. FRANCIS:

18 Any other questions on this?

19 MS. BASKERVILLE:

20 Are you aware of any litigation  
21 that was initiated by the university  
22 attendant to its effort to regain its  
23 accreditation and get back in the  
24 business?

25 MR. WATSON:

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

8           MS. BASKERVILLE:

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

12          MR. WATSON:

13          No.

14          MS. BASKERVILLE:

15          The University's.

16          DR. FRANCIS:

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

20          All right. The next one, if there  
21          are no other questions, is the GAO  
22          audit, much of which will be a matter of  
23          this discussion at this advisory  
24          committee. I think each of you has  
25          received a copy, a three-page copy, and

1 it is the second item, the results of  
2 the GAO audit. Any comments you want to  
3 make starting off, Mr. Watson?

4 MR. WATSON:

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

18 There is a response to everyone  
19 except for the semi-annual payments.  
20 The Department made a decision not to go  
21 with semiannual payments for a couple of  
22 reasons. As I mentioned before, there  
23 is a concern about the escrow, about the  
24 more frequently you make payments on a  
25 loan, the more frequently you get some

1 of your escrow credit back to you, but  
2 there is also issues of when to keep an  
3 individual school in the mind frame of  
4 making payments. When you go  
5 semi-annual payments, it sort of has a  
6 concept of, if you will, institutions  
7 not on a -- in a mind frame of making  
8 those payments every month, it's much  
9 easier to linger off and come in default  
10 and those kind of things. So it's an  
11 avenue, if you will, to sort of keep  
12 everyone steady and mindful that there  
13 is a debt service payment that needs to  
14 be made.

15 DR. FRANCIS:

16 Is there any experience of our, I  
17 guess, consultants in the business  
18 investments regarding that? I mean,  
19 apparently the Department has made a  
20 decision, but as an advisory committee,  
21 we get paid for the weight of what we  
22 have in this advice. But what is the  
23 experience of our semi-annual against  
24 monthly? I know the philosophy that all  
25 of us get a bill for our energy services

1 every month. I'd like to pay mine  
2 semiannual, too, now that those rates  
3 have gone up in New Orleans the way they  
4 have, but is there any experience in  
5 this?

6 MR. HANSEL:

7 Yes. Maybe I can address that  
8 real quickly.

9 DR. FRANCIS:

10 Would you, please?

11 MR. HANSEL:

12 And give you some of the counsel  
13 that we gave to the Department.

14 Part of the issue is setting a  
15 policy that's one size fits all.  
16 Frankly, there are several of our  
17 borrowers who I think would be fine with  
18 semiannual payments. You have got  
19 sophisticated borrowers with  
20 sophisticated staff who, you know, have  
21 been through debt issuances in the past  
22 and have the financial discipline to  
23 manage their finances such that meeting  
24 a semiannual obligation of several  
25 hundred thousand dollars is not an

1 issue.

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

14       It also, frankly, gives us a real  
15 early warning system as to any problems  
16 that are developing. You know, there is  
17 an obligation for us under statute to be  
18 fully funded two months prior to payment  
19 dates that we as the designated bonding  
20 authority make to the Federal Financing  
21 Bank, and, again, that's a statutory  
22 obligation, that's not something that's  
23 coming out of the Department or the  
24 Federal Financing Bank. And the monthly  
25 payments allow us to see if there are

1 any issues in terms of getting to that  
2 and working with the borrowers to  
3 rectify any problems early as opposed to  
4 getting to that date and going, "Hey,  
5 gee, we don't have the money." So from  
6 my perspective, it's been a valuable  
7 tool.

8 MR. FRANCIS:

9 Okay. Any other comments from any  
10 other advisory members?

11 DR. STRICKLAND:

12 I would just observe that the  
13 problem with the small college is not in  
14 the understanding that these payments  
15 are required or the ability to monitor  
16 them, the problem is probably in the  
17 monthly cash flow. So that it's really  
18 easier, it makes more sense from the  
19 small college standpoint, to have it  
20 sent annually when monies are available  
21 such as September and such as perhaps  
22 April because the largest -- the money  
23 comes in those two intervals and this  
24 disbursement over the other months from  
25 that is where the difficulties arise.



1 And so you will still have periods of  
2 difficulty for those colleges in months  
3 of May -- probably April, May, June,  
4 maybe, or maybe December. So that's  
5 just discussion from both sides.

6 MR. WATSON:

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

22 DR. FRANCIS:

23 Mr. Greene.

24 MR. GREENE:

25 Just a possible suggestion. If we

1 set some criteria on loan payments and a  
2 person meets those criteria over a  
3 given period of time, wouldn't it make  
4 sense to move that -- graduate that  
5 person from a month to month to a  
6 semiannual? I have no suggestion as to  
7 how long that would take or what the  
8 criteria would be, but obviously prompt  
9 payment would be one of them, but that's  
10 just a thought.

11 MR. HANSEL:

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

14 MR. WATSON:

15 And I'll take that certainly back  
16 because, again, the Department has to  
17 look at all of this from an equity  
18 standpoint and not all institutions are  
19 going to be able to do that so we have  
20 to find, make sure that guidance is  
21 clear, that everyone understands what  
22 the requirements are and that the  
23 requirements are equitable, you know,  
24 what institutions are available if they  
25 meet those requirements.

1 DR. NEWMAN:

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

7 DR. FRANCIS:

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

22 All right. Any other comments?

23 Okay. You did indicate that there  
24 were -- most of the other issues in the  
25 GAO report we will address partly in

1 this meeting. Are there any others  
2 here? I was just scanning them and the  
3 like. If anybody else finds that there  
4 are several in here that we aren't going  
5 to cover.

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

20 MR. WATSON:

21 Yes. If I will, the statute  
22 itself actually addressed that issue and  
23 said that the board has to meet at least  
24 twice. The Brady Act says you have to  
25 meet at least twice a year. So we can

1 meet more frequently if you like, but we  
2 have to meet at least twice a year.

3 DR. FRANCIS:

4 Okay. But I don't think we were  
5 meeting twice a year in the past, so we  
6 are curing that problem.

7 MR. WATSON:

8 Right.

9 DR. FRANCIS:

10 Then we can take the next one.

11 Good.

12 The other -- there was another in  
13 here that is related to credit  
14 requirements that the GAO made a  
15 recommendation on, change of the times  
16 of the board, make a monthly payment.  
17 We just covered that one. And there is  
18 another one, budgetary cuts.

19 Let's put it this way. During the  
20 course of this meeting, if there are  
21 issues that we need to advise the  
22 department on based on the GAO report as  
23 well as the responses of the government,  
24 I certainly would entertain those  
25 comments. I think the GAO report was

1 quite extensive and obviously the staff  
2 has, through the Department, responded,  
3 and if there is anything in here that we  
4 can help in that -- in those responses,  
5 I think this is an opportunity to do it.

6 Let's leave it as -- we just got  
7 this, so let's leave it as open and I  
8 will certainly entertain it if you see  
9 something and you want to respond with  
10 respect to the response of the  
11 Department, that would be helpful in  
12 making that and giving that advice.

13 MR. WATSON:

14 The objectives of 2007, they also  
15 cover our responses to the GAO and when  
16 we get to that section, we will see that  
17 some of those things are already closed.  
18 Some things will be ongoing like these  
19 meetings, for example, those are ongoing  
20 things, but we met the requirement -- we  
21 have met the requirement by having this  
22 meeting and our fall meeting will also  
23 help to meet that requirement. That's  
24 something that's going to be continuous.  
25 But the item, for instance, of including

1 an FFB fee into our budgetary cost  
2 estimates, that's been completed, and so  
3 transferring of fees to the Department,  
4 I've actually asked the DBA to -- they  
5 started the process but because we have  
6 a deadline for closing the loans for  
7 Katrina-affected schools, I want to ask  
8 them to actually hold off on that until  
9 we get these loans closed and then we  
10 can revisit that again but --

11 DR. FRANCIS:

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

19 MR. WATSON:

20 Yes. The report is just a status  
21 report, give you a status report of  
22 where we are. The report lets you know  
23 that Xavier, Dillard, SUNO and Tougallo  
24 have all expressed interest into the  
25 program. We have looked at decision

1 memorandum down in the process with  
2 preparing documents, closing documents.  
3 I met several times with Dillard. I've  
4 met folks from Tougallo, phone  
5 conversations with Xavier, and so we are  
6 moving forward on these. Tomorrow --  
7 well, this evening I have a meeting with  
8 Dr. Ukpolo to go over some things, but  
9 they are all on schedule to close by the  
10 15th, and it's just a summary of where  
11 we are and the dollar amounts which they  
12 are borrowing.

13 DR. HUGHES:

14 The 15th?

15 MR. WATSON:

16 I'm sorry, the 15th of June.

17 Legislation for the program expires one  
18 year after enacted. In the middle of  
19 June is that date.

20 MR. FRANCIS:

21 That's the sunset.

22 MR. WATSON:

23 Yes, the sunset provision.

24 But in addition to those, there  
25 are non-Katrina loans that are coming



1 into the program, as well, before that  
2 date. If there is no question about the  
3 Katrina loans, then we can move to the  
4 cap. That's where we will talk more  
5 about how those other schools need to  
6 get into the --

7 DR. HUGHES:

8 What is the earliest possibility  
9 of the closing?

10 MR. WATSON:

11 Well, we have a closing scheduled  
12 for May 14th. I don't actually --

13 MR. HANSEL:

14 For Dillard we have got a  
15 tentative date, I think, of June 4th.

16 MR. WATSON:

17 I can pull my Blackberry out and  
18 read it but it's --

19 DR. FRANCIS:

20 Go ahead. Any time you can get  
21 information, the more information you  
22 have, the better you are able to make a  
23 decision. So get as much as you can  
24 from that Blackberry. There is a lot of  
25 vested interest around this table.

1 MR. HANSEL:

2 Yeah. The tentative date for  
3 Dillard is June 4th.

4 MR. FRANCIS:

5 Okay.

6 MR. WATSON:

7 We are most likely to try to do  
8 two closings a week to make sure  
9 everyone gets in Katrina schools and the  
10 non-Katrina schools.

11 DR. FRANCIS:

12 The sunset is the 15th. If there  
13 is anything that comes that is beyond  
14 the control of either the government or  
15 the institution, we call that a force  
16 majeure, for those lawyers here, act of  
17 God. So if an act of God occurs, I  
18 would want and hope that the advisory  
19 committee would advise the Department  
20 that we would go to the Congress and say  
21 you have got to push that June 15th date  
22 back. A good way of saying that if we  
23 have no control of what happens, let's  
24 not let that sunset happen on the 15th.  
25 I don't think we need a motion, but if

1       there is any objection to that, I hope  
2       you would make that comment. I need you  
3       to understand that comment because we  
4       never thought there would be an act of  
5       God on August 29th and there was. And  
6       under the rules of the Spanish, the  
7       French and all the rest, an act of God,  
8       all contracts are null and void. So the  
9       contract we have with the sunset, with  
10      the Congress is null and void if an act  
11      of God occurs and we are going to be  
12      going in and asking for the -- just  
13      putting it on the record. I'm not  
14      suggesting that -- you know, if we had  
15      it in our control and we slept at the  
16      switch, that's another story.

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

21      MR. WATSON:

22           Yes. The program has a statutory  
23      cap of \$375 million and that amount is  
24      broken down between private HBCUs and  
25      public HBCUs. The program has about

1 189, \$190 million that's outstanding at  
2 this point, and the way the statute for  
3 the Katrina-affected schools, it allows  
4 us to exceed the cap for those schools  
5 only. However, if a school came in  
6 after the cap had been exceeded in a  
7 non-Katrina school, then we would not be  
8 able to make loans to those  
9 institutions. So we have Clark Atlanta,  
10 Tom Allen and Tuskegee who all want to  
11 come in before the -- we exceed the cap  
12 because we will exceed the cap with  
13 Katrina loans. We will actually more  
14 than double the cap -- well, go maybe 50  
15 percent over the cap. Katrina's loans  
16 will be around \$400 million. Because  
17 the cap is 375, we will definitely  
18 exceed that cap, but we are going to try  
19 to close all the loans before the money  
20 is exhausted.

21 In order for anything to happen,  
22 there needs to be a changing in the  
23 Congress to change the cap, and not only  
24 change the cap for the program but there  
25 is also a subsidy issue because of the

1 default with Barber-Scotia that needs to  
2 also be addressed by the Congress. So  
3 there is two issues trying to raise the  
4 cap. Not just raise the dollar amount  
5 but also raise the subsidy or address  
6 the subsidy issue in the program.

7 The program was geared as a zero  
8 subsidy program and an expectation, I  
9 believe, there would be no defaults in  
10 the program. And at that point -- so  
11 after June 15th there would be no funds  
12 to make additional loans unless Congress  
13 takes some action.

14 DR. FRANCIS:

15 In the minutes, as I read them,  
16 there was much discussion, I know  
17 President Hawkins and President Newman  
18 and a few others in October discussed  
19 the issue of not -- the possibility of  
20 not having enough money, which is a very  
21 big concern. And I think Dr. Lomax, the  
22 issue started discussion there -- there  
23 were discussions in there how there  
24 might be support to the Congress to  
25 increase funds in this program. And you

1 alluded to or you would say that in our  
2 United Negro College Fund discussions  
3 the membership, and I have two members  
4 in observing the government for  
5 estimating, they discussed it at length,  
6 and in our legislative agenda for this  
7 Congress and the higher education act,  
8 we are recommending an increase in the  
9 cap for the HBCU capital program.

10 And in addition, which we have  
11 just covered, the Government Finance  
12 Committee recommended that cap, that the  
13 monies be increased and tied to the  
14 report of GAO and just given the GAO  
15 report and I think the kinds of things  
16 you responded to were the kinds of  
17 things that we discussed that needed to  
18 be addressed because of the GAO. So I  
19 just wanted to put on the record that  
20 UNCF did discuss this, so it confirms  
21 what you said in the October 6th  
22 meeting, in that we would be in total  
23 support of increasing the cap and the  
24 need that is there for HBCU.

25 Now, later on, Lezli, I noted from

1 here we will talk about a recommendation  
2 where -- and I think we had that  
3 discussion with our other organization  
4 ad nauseam and so forth. So in making  
5 this report, not suggesting that we took  
6 the action, but we did it also with a  
7 number of our legislative recommendation  
8 consultations not deal with the 90 --  
9 1890 schools. So I wanted to put that  
10 for the record, that we do believe in  
11 the programs so strongly, the needs are  
12 so important that as outside  
13 organizations, we would recommend to the  
14 advisory committee that we are standing  
15 by to help wherever that's necessary.

16 MR. WATSON:

17 And I would like to add just to  
18 that, that when I first came to the  
19 program, Sam, Derek and I visited the  
20 institution to sort of get the lending  
21 institution and -- and borrowing from  
22 the program and there is an interest, we  
23 have borrowers who are interested --  
24 still interested in borrowing from the  
25 program, but there is no funding, and it

1 sort of makes no need for us to go out  
2 and solicit more individuals to borrow  
3 from the program if we can't loan money  
4 to them. But there are institutions  
5 that are waiting. Hampton University is  
6 one institution that wants to borrow  
7 from the program. We have Chaney, and  
8 you will see several other institutions  
9 that are interested in borrowing from  
10 the program.

11 MS. BASKERVILLE:

12 Under the charter of this board,  
13 might we not advance those  
14 recommendations to the Secretary and  
15 request that she incorporate them and  
16 she serve as a champion under our -- the  
17 language that suggests that it's our  
18 task to advise on the capital needs of  
19 historical black colleges and  
20 universities and how those needs might  
21 be met through this program? It seems  
22 to me that as a body if we have  
23 consensus we might submit those directly  
24 to the Secretary and ask that she become  
25 our emissary, being as we are her



1 advisors on this subject.

2 DR. FRANCIS:

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

13 MS. BASKERVILLE:

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

21 DR. FRANCIS:

22 I don't see it here. I thought it  
23 was under the joint committee, but the  
24 committee wouldn't meet -- we are  
25 meeting now and it might be instructive

1 for the committee itself. So I would  
2 say as the chair, we should address this  
3 issue with respect to the program,  
4 funding, board -- the GAO and this  
5 report and ask the Secretary to take  
6 that under serious consideration, and  
7 the issue of cross collateralization  
8 that was discussed at the last meeting.  
9 I know there were strong sentiments in  
10 our government, the estimating meeting  
11 that the cross collateralization was an  
12 issue that would be -- that was a  
13 concern and I think it was mentioned in  
14 the minutes of the October meeting, but  
15 it was strongly mentioned in ours.

16 MS. BASKERVILLE:

17 Absolutely.

18 DR. FRANCIS:

19 So the floor is open.

20 MS. BASKERVILLE:

21 I would like to make that motion.

22 So moved.

23 DR. FRANCIS:

24 I'll summarize the motion.

25 DR. NEWMAN:

1 A question.

2 DR. FRANCIS:

3 I'm sorry, is there a question?

4 Yes, Tom.

5 MR. DAWSON:

6 Can I make a suggestion, as well?

7 You might wish to correspond with her

8 directly on this issue, on this whole

9 list of issues, so there is an official

10 document, if you will, in the record

11 that would go to her. And then Dr.

12 Francis, if you wanted to meet with her

13 perhaps personally on the issue --

14 DR. FRANCIS:

15 Sure.

16 MR. DAWSON:

17 -- that might be another way of

18 doing it, as well.

19 DR. FRANCIS:

20 Sure.

21 MR. DAWSON:

22 I think probably both steps would

23 be important.

24 DR. FRANCIS:

25 I'd like to get the sense of the

1 advisory committee and then see if we  
2 could draft and put that in writing as  
3 an official, and I will invite an  
4 interview to talk about the sense of it  
5 as a part of the advisory committee and  
6 the like.

7 MR. DAWSON:

8 Sure.

9 DR. FRANCIS:

10 So what I'm reading is the sense  
11 is number one, that the advisory  
12 committee is recommending to the  
13 Secretary and asks that serious  
14 consideration be given to support an  
15 increase in the funds as we are  
16 recommending to the Congress because the  
17 needs of the program have grown  
18 considerably in the HBCU committee. And  
19 we are totally cognizant of the fact  
20 that in earlier times we had more money  
21 than we had applicants for various  
22 reasons but that time apparently has  
23 changed. And so the first issue is to  
24 raise the amount to be appropriated and  
25 we feel the timing -- and I'm just

1 supporting the reasons for the first  
2 issue -- is important because we haven't  
3 passed the EGA yet in the Congress.

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

15 DR. LOMAX:

16 Right.

17 MS. BASKERVILLE:

18 Right. Right.

19 DR. FRANCIS:

20 -- it to full bloom. So we would  
21 recommend to the Secretary that the  
22 cross collateralization be discussed as  
23 a concept to be changed with due regard  
24 to discussions with the bonding  
25 authorities and the like. I think that

1 would be a natural consequence. You  
2 wouldn't do it on our own but you would  
3 do it as a discussion.

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

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

22 And the third one was more  
23 specifically, and I think we should put  
24 it in here at this point, something we  
25 discussed with the GAO, that the

1 Secretary consider asking the staff to  
2 review the monthly and the semiannual  
3 payments, so that we have three major  
4 issues that this advisory committee  
5 would be advising the Secretary on.

6 Did I leave anything out in terms  
7 of that summary?

8 MR. PRESMAN:

9 Sorry to interrupt. If all that  
10 happens, that the cap was raised, there  
11 still would not be the ability to make  
12 the loans through --

13 DR. FRANCIS:

14 I'm sorry?

15 MR. PRESMAN:

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

23 DR. FRANCIS:

24 Amount of money that the Congress  
25 puts in?

1 MR. PRESMAN:

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

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

19 Number four would be that the  
20 advisory committee would ask the  
21 secretary to review the issue, review  
22 the subsidy as it is and let's put a  
23 brake on being able to accomplish the  
24 goals of increasing the funds available  
25 to the institutions that will apply.



1 DR. LOMAX:

2 This sounds to me that there are  
3 structural constraints that need to be  
4 addressed and I would limit them to the  
5 ones he just reviewed and remove the  
6 structural constraints.

7 DR. FRANCIS:

8 Fine, to the extent that they are  
9 a brake, if you will, on barrier --

10 DR. LOMAX:

11 Barrier to further issuance.

12 DR. FRANCIS:

13 Exactly, that would be the fourth  
14 one, and I don't think any members of  
15 the committee, unless you would have the  
16 correct answer to what that is, but if  
17 the Secretary would ask the staff as we  
18 presidents, don't tell me how I can't do  
19 it. I know how I can't do it. I want  
20 you to tell me how we should do it, and  
21 that's what the staff would be able to  
22 do with their consultants. So we will  
23 add that as the four major items. I  
24 appreciate your bringing that to our  
25 attention.

1 MS. BASKERVILLE:

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

18 DR. FRANCIS:

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

25 MS. BASKERVILLE:

1 Yes.

2 DR. FRANCIS:

3 Okay. Fine. The maker of the  
4 motion has now accepted all of the  
5 amendments and the context with this  
6 addition, and that's why timing is so  
7 important on all of this. Do I hear a  
8 second to that?

9 DR. NEWMAN:

10 Second.

11 DR. FRANCIS:

12 Any other questions? If none, all  
13 those in favor of submitting that as  
14 advice from the advisory committee,  
15 please signify by saying aye.

16 MEMBERS:

17 Aye.

18 DR. FRANCIS:

19 Opposed?

20 (No response.)

21 DR. FRANCIS:

22 Motion is carried, and we will  
23 clean it up once we see the record.

24 MR. WATSON:

25 Yes.

1 DR. FRANCIS:

2 The record from over here.

3 Yes, Mr. Greene.

4 MR. GREENE:

5 I would suggest that a copy of  
6 that letter go to Dr. Sullivan so they  
7 can be on the radar screen for  
8 president's board of advisors.

9 DR. FRANCIS:

10 We take that as not only a  
11 friendly but a very important execution  
12 point of this.

13 All right. Very good. We may  
14 have covered something else down the  
15 line, but Mr. Executive, we are now --  
16 well, saying we seek concurrence on the  
17 2007 program goals. Do we have -- you  
18 are going to comment on that for us?

19 MR. WATSON:

20 Actually, there was one more thing  
21 in the report.

22 DR. FRANCIS:

23 On the GAO report?

24 MR. WATSON:

25 No. There is several things. The

1 GAO report is one thing.

2 DR. FRANCIS:

3 I'm sorry.

4 MR. WATSON:

5 The lending cap is something else.

6 Then there is the program assessment  
7 rating tool, which our program is being  
8 what's called PART, that's an acronym  
9 for Program Assessment Rating Tool. The  
10 PART is designed by OMB to help  
11 government programs become more  
12 efficient and to achieve better results.

13 We have worked with our budget service  
14 office and had discussed on our  
15 priority. We have come up with some  
16 measures -- we have come up with some  
17 measures for that. I listed them as  
18 there.

19 My feeling about the measures is  
20 that the program probably needs to  
21 create its own measures with this  
22 advisory board, with HBCU community.  
23 The measures that I had, that's in my  
24 report are measures that the Department  
25 came up with. We had discussions with

1 our budget service office to put into  
2 the PART. We are trying to actually  
3 have the PART, have the program PART and  
4 next year supposed to have time to get  
5 input from the community on how the  
6 community and how this program should be  
7 rated when it comes to how efficient and  
8 effective we are in running the program.

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

19 The other one is average credit  
20 rating, does the institution's credit  
21 rating actually change because they  
22 participate in this program? If -- we  
23 have some institutions who borrow from  
24 the program and now are even going into  
25 the private market to get better rates

1 than what the program offers. So that's  
2 one thing, we will be looking at those  
3 kinds of things. Estimate the federal  
4 cost per dollar of loan guarantees, and  
5 that sort of -- the subsidy issue and  
6 how we can decrease that subsidy issue.

7 Question, Dr. Francis?

8 DR. FRANCIS:

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

12 MR. WATSON:

13 Similar.

14 DR. FRANCIS:

15 Okay.

16 MR. WATSON:

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

24 Ma'am? That's the last page. You have  
25 got it.

1 MS. BASKERVILLE:

2 Thank you.

3 DR. FRANCIS:

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

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

11 MR. WATSON:

12 Yes, ma'am.

13 MS. BASKERVILLE:

14 Having gone through a number of  
15 these PART reviews on the Upward Bound  
16 Program and on HUD just recently, it  
17 seems to me that we want to keep these  
18 measures as narrowly focused as possible  
19 and as tailored to the goals and the  
20 intent of the program as possible. So  
21 to the extent that some of these, duty  
22 number one, if you say that that really  
23 is something that's not the intent of  
24 the program, I think it would be  
25 ill-advised to add something that would



1 be onerous on our institutions and is  
2 not one of the intended goals of the  
3 program. So I think the approach should  
4 be, be as narrow as possible within the  
5 confines of the intent of the program.

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

18 MR. WATSON:

19 Everything -- there are several  
20 things we are going to have to work  
21 through over time. My report is to let  
22 you -- to make you aware of what's going  
23 on and to have, like what  
24 Ms. Baskerville suggested, that the  
25 advisory board and members of the

1 community work with the program to come  
2 up with our own measures that -- for the  
3 program and that's -- I mean, that's  
4 what we are looking for throughout, your  
5 advice and input from the community  
6 because after all, this program is to  
7 serve historical black colleges and  
8 universities and they need to have input  
9 on what those best measures are or at  
10 least have an idea what we can actually  
11 measure the program on.

12 DR. McNEALY:

13 I'd like to add a bit of emphasis  
14 to that. We had early experiences  
15 relative to using existing tools with  
16 assessing Title 3B, and obviously after  
17 a long period of discussion it was quite  
18 clear that the existing tools did not  
19 actually address the intent of the  
20 program. And while I have read these  
21 things with new eyes, it's certainly  
22 very clear to me that what is set out  
23 here, we've missed the mark with regards  
24 to the intent of the program. And so  
25 it's more than a passing observation,

1 one would certainly get some results  
2 from this process, but it would not  
3 attend whether or not the program is  
4 actually being successful.

5 DR. FRANCIS:

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

20 I mean, just the one that  
21 Dr. Strickland mention earlier, for  
22 years and still today we deal with the  
23 problem of cash flow. You know, we  
24 can't get students to pay us 100 percent  
25 of their money and tuition the day they

1 walk in. A lot of schools can. We  
2 can't. And so we have got to wait until  
3 it comes. And then even if we are able  
4 to get it all, then summertime comes and  
5 there is a big hole in the cash flow.  
6 But it's the people who have got to pay  
7 those bills who see that. So when you  
8 get to see these methods, you start  
9 saying, well, you know, you have missed  
10 that a little. So I think we can be  
11 very helpful in that regard. And if we  
12 get our group together, we can do that.

13 MR. WATSON:

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

16 DR. STRICKLAND:

17 It appears all these measures are  
18 college-related measures. There are two  
19 kinds of measures, I think, due here.  
20 One is this capital finance, project's  
21 ability to deliver on the promise of the  
22 statutes. How well are you doing, is  
23 key one. And how do you measure that?  
24 Do you do your things on time? Do you  
25 make sure colleges understand very

1 clearly what's needed? That's one kind  
2 of outcome that must be measured.

3 Then the second measure then the  
4 outcomes of colleges themselves or their  
5 systemic changes over the time of the  
6 loan, and what does that say for those  
7 colleges to be able to come in?

8 And so I would just say these  
9 are -- none of these address your role  
10 and function in this process, and it has  
11 to be measured because success depends  
12 not on the colleges finally getting the  
13 money but how well you do in seeing that  
14 it's actualized. So that would be a  
15 part of the discussion.

16 DR. FRANCIS:

17 Any other comments? That is a  
18 part of the GAO report, too.

19 All right. I apologize for that.  
20 I did not turn over the page, very  
21 concerned about trees and publishing on  
22 both sides of the paper. Might get that  
23 done in the university, cut out all of  
24 these e-mails I get every morning.

25 Goodness sake.

1 All right. We are now ready to  
2 move on to -- is yours the same as mine?

3 MR. WATSON:

4 Yes, sir, the goals.

5 DR. FRANCIS:

6 Program goals?

7 MR. WATSON:

8 Yes. Tab 7 in your notebooks is  
9 the program goals. As I spoke earlier,  
10 these program goals, most of these goals  
11 actually came out in the GAO report.  
12 The only one that didn't come out in the  
13 GAO report was on the last page, the  
14 second from the bottom, that was one  
15 that we just discussed having  
16 performance measures and me working with  
17 the community to make that happen so we  
18 can develop performance measures for the  
19 program together, regardless of what  
20 happens with the PART program, with the  
21 PART. Because I think it's important  
22 that we as a group develop upon these  
23 measures so that we can actually see how  
24 well the program is doing and address  
25 issues like Ms. Baskerville and

1 Dr. Strickland spoke about as well as

2 Dr. McNealy.

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

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

22 DR. FRANCIS:

23 Why are you in all of these  
24 things? You don't have anybody else to  
25 do some of this?

1 MR. WATSON:

2       Actually, I'm the person  
3 responsible to make it happen. Dylan,  
4 actually, his name is on a couple of  
5 these.

6 DR. FRANCIS:

7       I mean, this is all Don Watson's  
8 responsibility. I was looking for  
9 somebody else to be on there.

10 MR. WATSON:

11       I do believe that because I'm the  
12 executive director that if it doesn't  
13 work then --

14 DR. FRANCIS:

15       It stops at your door?

16 MR. WATSON:

17       It stops at my door.

18 DR. STRICKLAND:

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

24 DR. FRANCIS:

25       Let there be a little turn off the



1 road for a while, right? All right.

2 MR. GREENE:

3 Staff.

4 MR. WATSON:

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

10 DR. FRANCIS:

11 Okay.

12 MR. WATSON:

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

15 DR. FRANCIS:

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

23 MR. WATSON:

24 It's just that I'm the executive  
25 director.

1 DR. FRANCIS:

2 I understand, and I'm the  
3 President of Xavier University, but I  
4 don't have my name in all the boxes.

5 DR. HUGHES:

6 You may not have your name there  
7 but you are.

8 DR. FRANCIS:

9 Ultimately. All right. I got you  
10 off. Go ahead. Any comments on it?  
11 And I'd say I think we have talked about  
12 several of these and you have given us  
13 progress reports on it, but this follows  
14 pretty much, as you said, the GAO  
15 report, right?

16 MR. WATSON:

17 Right. The independent auditor,  
18 I've drafted with the Department, you  
19 may be aware with the Department after,  
20 has made a statement, draft statement of  
21 work, and there are folks in our  
22 contracting office who are going to help  
23 me to make sure that I draft that  
24 correctly so that we can get the audit  
25 done. I just need a time frame. These

1 are a little bit away, but I want to  
2 address these as soon as possible, these  
3 issues on out so we have new goals, new  
4 things to work on. There are some other  
5 things in this that aren't in here but  
6 they are also part of the goals and  
7 hopefully things that you have given us  
8 today will also become part of this, so  
9 we have this list of goals and things to  
10 accomplish.

11 DR. FRANCIS:

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

17 MR. WATSON:

18 8 is different.

19 DR. FRANCIS:

20 8 is different. Okay. Because  
21 they are separate from discussions that  
22 you had in October because you had been  
23 marking them out, long discussion about  
24 that. Do you want to go there now?

25 MR. WATSON:

1        Yes. Marketing outreach, as I  
2        said before, if there is no money to  
3        lend in the program, there is really no  
4        need to market. We sort of just have to  
5        maintain the program at that point. As  
6        I said when I first came onboard, that  
7        was my goal, to visit -- I came from  
8        Federal Student Aid where we have  
9        thousand of schools, more than 30 GAs,  
10       millions of students, and I felt we  
11       touched everyone and I felt this program  
12       with just over 100 HBCUs, we should be  
13       able to touch every HBCU in some  
14       fashion. So that's part of the  
15       marketing that DBA and I have been  
16       doing. And when I first came out, I was  
17       on the road a lot to visit with the  
18       presidents just to introduce myself,  
19       talk about the program personally and  
20       that sort of thing, and our ability to  
21       -- HBCU, stayed a little longer than I  
22       was supposed to. I wanted to make sure  
23       that I visited the president, visited  
24       the college, and I have this thing about  
25       eating in cafeterias on campus, so I

1 make sure I do that, as well.

2 DR. FRANCIS:

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

11 MR. WATSON:

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

21 Again, I think it's important that  
22 we get feedback from the community, not  
23 just how we can improve the program, but  
24 from some the future it has on the  
25 program.

1           Talk about short-term cash flows,  
2           there is issues that, I believe it's the  
3           last page of the survey, it talks about,  
4           asks the question of, oh, would they  
5           like information regarding financial  
6           assessment and things like that, how  
7           would they feel about us offering those  
8           things and not just coming to talk about  
9           the program itself but to actually offer  
10          assessment on which we talk about  
11          short-term financing issues, leasing  
12          options and things like that to help  
13          institutions manage cash flow and those  
14          sort of things.

15          MR. GREENE:

16               Who would conduct those?

17          MR. WATSON:

18               They will be conducted through  
19          DBA. At a point in time there was a --  
20          we had a technical assistance contract  
21          with Designated Bond Authority. We  
22          don't have that today, but there is  
23          still technical assistance that the bond  
24          authority gives and provides to  
25          institutions that are trying to seek

1 loans from the program, but I want to do  
2 this on a more massive thing where we  
3 have conferences and such, we can have  
4 these sort of seminars. NAFEO has  
5 something coming up in July, and also  
6 attend that, and actually make our first  
7 financial seminar there if we can  
8 because they are presidents, CFOs there,  
9 have those discussions.

10 DR. FRANCIS:

11 And to make sure that we just  
12 distinguished it, there is a survey that  
13 does go out audited as GAO 15 days after  
14 a loan is closed.

15 MR. WATSON:

16 That's this survey here. This  
17 survey talks about --

18 DR. FRANCIS:

19 It's just the same?

20 MR. WATSON:

21 Yes, sir.

22 DR. FRANCIS:

23 Okay.

24 MR. WATSON:

25 This is for that. We also want to

1 have a more comprehensive survey for all  
2 HBCUs and will probably be sort of in a  
3 three part, institutions who borrow from  
4 the program, institutions who have not  
5 borrowed from the program, and this  
6 survey would, of course, be a third  
7 survey. We want to see why the  
8 institutions aren't borrowing from the  
9 program. Although we hear that the  
10 escrow is an issue, I need to have some  
11 data for that, talk about the escrow,  
12 these are institutions aren't borrowing  
13 because of their escrow, these are  
14 institutions not borrowing because they  
15 need \$200 million and our program is  
16 \$375 million or issues like that. I  
17 mean, sort of address those issues.  
18 Programs designed for -- to help HBCU  
19 improve that financial situation. Well,  
20 what happens when the institution gets  
21 in a jam? What can they do at that  
22 point? What are their options at that  
23 point? So to get that sort of feedback  
24 and see what you are getting from the  
25 private market if you are not borrowing



1 from this program.

2 MR. HANSEL:

3 Don, if I could interject there,  
4 something that I really appreciate the  
5 counsel of the advisory board on, we  
6 actually did conduct a survey very early  
7 on in our tenure as DBA and I would tell  
8 you that the response rate was less than  
9 stunning. So we would greatly  
10 appreciate any counseling you could  
11 provide to us on how to enhance the  
12 response rate. You know, if -- frankly,  
13 if putting some of your names on this is  
14 suggesting that this is a -- we really  
15 encourage your participation in the  
16 survey and responses would -- if you  
17 think that would be helpful or anything  
18 that you think would be helpful, we  
19 would -- because we really do want this  
20 feedback and who should it be going to,  
21 who is going to be responsive to getting  
22 it and responsive to providing answers.  
23 Because, as I said, the first one that  
24 we sent out several years ago was not  
25 well responded to.

1 DR. FRANCIS:

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

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

16 MR. HANSEL:

17 Right.

18 DR. FRANCIS:

19 And that's why if we were able to  
20 remove it, modulate it or do something,  
21 I think you would get a response because  
22 people feel, to be honest with you, we  
23 never -- we needed to go to cap, we  
24 never did because we found it easier to  
25 go to the private market because we were

1 not in, as you call it in Louisiana, in  
2 solido with everybody else, we want our  
3 own bucket. We thought the rates and  
4 everything else were fine.

5 So once we are able to get it, as  
6 you just described, get the other stuff  
7 out, show what's going on and the fact  
8 we have got money in the pool, because  
9 the last thing you want to do is  
10 encourage someone to come and borrow it  
11 and when they get there, say, "We don't  
12 have anymore money. You have to wait  
13 two years." Well, that kills any survey  
14 you will ever send out again.

15 DR. STRICKLAND:

16 That was my addition, too, Dr.  
17 Francis, and that was the perception  
18 that there was a lack of privacy in your  
19 submitting data for the loan and that it  
20 was being shared with entities that were  
21 not necessarily always in favor of  
22 colleges and in particular was that --  
23 the credit agency, for one. And so a  
24 number of colleges shy'd away from  
25 participating because they actually had

1 reviews shortly after they applied for  
2 this loan. And so, you know, this was  
3 out on the table. This was one of the  
4 reasons. So people didn't even bother  
5 with a survey because they already had  
6 that perception pretty much proven or  
7 demonstrated.

8 MR. WATSON:

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

12 MR. HANSEL:

13 I can tell you that I've heard  
14 that issue. During our tenure I'm not  
15 aware that that's happened. It  
16 certainly hasn't happened from us and we  
17 don't -- we attend SACS and we have been  
18 a presenter and sponsor and an exhibitor  
19 at SACS, but we don't have any  
20 relationships with SACS, SACS staff,  
21 SACS administrators or any of the other  
22 accredited bodies for that information  
23 and we have never -- we have never been  
24 interested in sharing information with  
25 it. We do review accrediting stats and

1 accreditation status, and we are  
2 required under our contract with the  
3 Department to review the accreditation  
4 status of the institutions. But, again,  
5 as far as giving them information that  
6 we have gotten from the institutions,  
7 that's just not happened.

8 DR. FRANCIS:

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

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

22 MR. HANSEL:

23 Absolutely.

24 DR. FRANCIS:

25 Worst thing you can do. So the

1 advice we would be giving is that that's  
2 a critical part of our passing the  
3 message, that as an advisory board we  
4 feel that all parties have to be private  
5 about these issues and that we have the  
6 commitment that that is to happen, and  
7 if it isn't happening, it's our  
8 obligation to call attention to it  
9 because it destroys the program. I am  
10 sorry. I didn't turn fast enough.  
11 Earnest, I'll just go right down the  
12 line.

13 DR. McNEALY:

14 I think, too, there may be a lack  
15 of a clear understanding of what the  
16 program is as it has evolved over time.  
17 I'm in my 10th year and I've had two  
18 separate occasions to deal with the HBCU  
19 capital financing fund. I suppose I was  
20 also in one of the early rounds of  
21 presidents surveyed via telephone.

22 There was a period when there was  
23 a \$15,000 application fee that was  
24 nonrefundable. Then as the program  
25 evolved, that fee was moved into the

1 cost for doing the transaction. And so,  
2 again, the program has evolved over  
3 time, and I'm not certain that everyone  
4 would actually know the real nature of  
5 it.

6 The first time I did not move  
7 forward because I could do better in the  
8 private market. The second time I did  
9 not because there was a cap on the  
10 amount that was being provided. And  
11 clearly in terms of what I have read  
12 since I received your materials, that  
13 cap is no longer that cap.

14 MR. HANSEL:

15 Correct.

16 DR. McNEALY:

17 But how would one know this? And  
18 so for many in the community, they  
19 perceive the capital finance program  
20 would not be a relevant option because  
21 some of the onerous components of it in  
22 the past that may no longer exist.

23 DR. FRANCIS:

24 Go ahead. You want to respond to  
25 that? Go ahead.

1 MR. WATSON:

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

19 We want to talk about branding so  
20 that you will actually see the  
21 provocation or it may be some symbol  
22 or something so you will know this is  
23 the program and this is what the program  
24 is about. So we will to look at things  
25 like that, but I understand that and



1 I've actually seen those -- some of  
2 those things and talked about in some  
3 documents where there is a capital  
4 amount of money you could borrow and  
5 that sort of thing. But that's why we  
6 are all here, to make this a better  
7 program.

8 DR. HUGHES:

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

15 MR. WATSON:

16 When you say released?

17 MR. HANSEL:

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

23 DR. FRANCIS:

24 You are right at it.

25 MR. HANSEL:

1           How do you outreach to the  
2           community and, you know, make people  
3           aware of the changes in the program and  
4           stuff like that?

5           MR. BACOTE:

6           Right. Right. Sure. Samuel  
7           Bacote and with the DBA, and Derek has  
8           talked a lot about the total loan  
9           servicing part, the part of the program,  
10          making sure the program is well  
11          appreciated in the community is and the  
12          community is faced, if you will, on the  
13          program and that's something we also do.  
14          In fact, Don's talked a bit about that,  
15          going out together and putting a face on  
16          the program.

17          If you turn to, for now, to answer  
18          the question, what's behind Tab 4, you  
19          can see some of the activities that we  
20          do that, I think, address that issue.  
21          We do quite a bit of conference  
22          participation and sponsorship. There  
23          are several listed there. Becomes about  
24          SACS, we may have to begin to move away  
25          from SACS. We do go to SACS every year.

1 In fact, that's one of our bigger  
2 events. We have become known now as  
3 sort of -- use the word party, but we  
4 have a great reception at SACS. It's  
5 well attended. I get lots of good  
6 comments back from people about fun and  
7 information that they have received at  
8 the reception. At that time we pass out  
9 our brochure. I have a few copies in my  
10 bag.

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

24 We also, the next bullet,  
25 correspondence with HBCU institutions,

1 e-mails, letters, phone calls. It's all  
2 of us making those phone calls. I send  
3 out periodically letters to mostly  
4 presidents and CFOs and these are form  
5 letters just saying, hey, I'm Sam  
6 Bacote, DBA, here is the program. If  
7 you have any interest give me a call,  
8 presidents, and, again, CFOs. I visit  
9 campuses, stats down there on campus  
10 visits and marketing results. Coverage  
11 has been quite expensive, primarily  
12 between 2002 and 2005. It has somewhat  
13 in the last -- especially this year  
14 given the cap going on between schools,  
15 has not been as aggressive in 2007, but,  
16 I mean, we were aggressively out there  
17 and making visits, talking to presidents  
18 and CFOs.

19 If you turn over, also, to the  
20 next page behind Tab 4, again, it's a  
21 joint effort. I serve the pleasure of  
22 Mr. Watson and the DOE. DOE, and we are  
23 known as CCAP. The DBA appoints a  
24 contact, and it could come from, I've  
25 got it down here, four areas, four

1 categories, direct contact meaning  
2 institutions. Core participants, there  
3 is no better way than those that are in  
4 the program to talk about the program,  
5 talk about others.

6 We have got now -- Tuskegee would  
7 be -- when they close their loan the  
8 third time through, other schools that  
9 have gone through more than once, which  
10 to me says a lot. You have got a school  
11 that's coming back, that it is working  
12 for them. FAs, I think I see one who is  
13 here now in the back of the room who  
14 know about the program, can take the  
15 program sort of in their bag of tricks  
16 or tools, if you will, and talk about  
17 the program and assess whether it makes  
18 sense for that school or not. They  
19 oftentimes will call us, well, either we  
20 outreach to them and find out what they  
21 are -- who they are talking to, and then  
22 developers. The last couple of years  
23 many of the projects have been student  
24 housing related, which will oftentimes  
25 bring a developer who will be behind or

1 with the school in the project, and the  
2 developer's best interest of learning  
3 about the program is I have talked with  
4 them about how the program may work in  
5 their cases.

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

12 If you look behind --

13 MR. WATSON:

14 Kind of wrap up my part.

15 MR. BACOTE:

16 Yes. In fact, Tabs 9, 10, 11 and  
17 12, and I'll wrap up my presentation  
18 right here. Behind Tab 9 is a pipeline,  
19 if you will, of interest in the program.  
20 You will see in gray. We talked about  
21 these already. Those are the three  
22 schools that are non-Katrina related  
23 that will close before -- really before  
24 June 1st, Allen, CAU, Tuskegee, and then  
25 those in green -- the four in green will

1 close before June 15th. Those are the  
2 Katrina schools.

3 But then more importantly, kind of  
4 to help the board here, if you look down  
5 below you will see there is at least  
6 \$100 million in future interest  
7 expressed in the program. You have got  
8 schools that are waiting, I don't want  
9 to say at the door, but they have talked  
10 to me about coming to the program. They  
11 are aware of what's going on now, but  
12 they have projects that are viable, I'm  
13 sorry, because they want to see the  
14 program.

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

24 And, also, you will see down below  
25 in terms of what I've done in the first

1 quarter of 2004 -- first quarter of  
2 2007, two conferences, the NAFEO spring  
3 meeting, attended that, and also the  
4 Thurgood Marshall College Fund  
5 annual meeting.

6 If you look behind, I think it's  
7 behind Tab 10, you will see, for  
8 instance, to answer Dr. Hughes' question  
9 further, you will see a Power Point  
10 presentation that we use to communicate  
11 about the program. Sometimes I will  
12 e-mail this document out but oftentimes  
13 what happens like at Thurgood  
14 Marshall College Fund is we will be  
15 invited to make a presentation, a  
16 break-out session, if you will, and so  
17 I'll have this Power Point presentation  
18 before a group of interested persons who  
19 are coming to a room and we will talk  
20 about the program, they will have  
21 questions, that was at the Thurgood  
22 Marshall, and other conferences, too.  
23 That's, again, behind Tab 10.

24 And then behind Tab 11 one of the  
25 recommendations that came out of the



1 meeting in October was create some sort  
2 of a newsletter about the program, and  
3 that's -- it's a draft behind Tab 11 of  
4 a newsletter. We would appreciate  
5 comments about it. It's a draft. It's  
6 just kind of, you know, stock language.  
7 It's got some things in there to give  
8 you a sense of what it could look like  
9 and the kinds of things we talk about it  
10 in. We would also like to note, back to  
11 the point that Derek made, of who you  
12 think should receive this, this kind of  
13 information, this newsletter. How -- we  
14 propose now that it be a quarterly  
15 newsletter about the program.

16 And then behind Tab 12 is just a  
17 list of all the schools, all the loans  
18 that have been processed by the program  
19 since inception. Look at that and see  
20 all the schools and a few of the sort of  
21 notes about each loan that make them  
22 different or unique are also mentioned.  
23 And I hope that that answers your  
24 question about how we communicate to the  
25 community about the program.

1 Any questions?

2 DR. McNEALY:

3 A comment, actually.

4 MR. BACOTE:

5 Yes.

6 DR. McNEALY:

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

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

22 MR. HANSEL:

23 I think that's a great idea.

24 DR. McNEALY:

25 Because, again, until I saw these

1 materials, if you were to send me a  
2 survey, I would not have responded  
3 because I had dealt with it twice and it  
4 wasn't able to meet the needs that I  
5 had.

6 MR. HANSEL:

7 Right.

8 DR. McNEALY:

9 But clearly it has moved beyond  
10 where it was when I tried to deal with  
11 it last. And so having a \$20 million  
12 cap when you want to do 35 --

13 MR. HANSEL:

14 Right. If we did a panel  
15 presentation with Don, us as the DBA and  
16 a couple of borrowers, do you think that  
17 would -- you know, combined we could  
18 explode some those myths? Do you think  
19 that would be a useful and well-attended  
20 session?

21 DR. McNEALY:

22 Could be. But I do think it's  
23 critically important in addition to the  
24 general marketing information, that you  
25 address these concerns that you have

1 heard, I mentioned.

2 MR. HANSEL:

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

9 DR. FRANCIS:

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

22 DR. STRICKLAND:

23 I don't think this should happen  
24 until after the Secretary makes some  
25 determination about these five issues

1 because there is no sense in sending  
2 anything out and saying we don't have  
3 the money. This is what we do, but we  
4 don't have the money. So all of this  
5 public relations part --

6 DR. FRANCIS:

7 We are anticipating --

8 MR. HANSEL:

9 We are anticipating good news.

10 You are right.

11 DR. STRICKLAND:

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

15 DR. FRANCIS:

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

24 MR. WATSON:

25 And not to say that we are going

1 to wait for approval of the cap to --

2 DR. STRICKLAND:

3 No. I think you ought to start  
4 working on materials and all that.

5 MR. WATSON:

6 Some of the things I'll actually  
7 do that when I meet presidents, and the  
8 story I like to tell is a story of  
9 Dr. Ivy Nelson at Lincoln. Heard it's  
10 going to be a bad visit. He said he  
11 wasn't even going to --

12 MR. BACOTE:

13 He didn't know who you were.

14 MR. WATSON:

15 Right. He didn't know who I was.

16 MR. BACOTE:

17 He thought you were someone else.  
18 That's why he had you in the office.

19 MR. WATSON:

20 Sam was walking in behind me and  
21 he said, "Oh, man." When he said that,  
22 we sat down and talked. I let him talk  
23 about his issue with the program. Then  
24 similar to what I've given you, I said,  
25 these are things I'm planning for the

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

14 DR. FRANCIS:

15 Go ahead, Mr. Greene.

16 MR. GREENE:

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

23 MR. BACOTE:

24 DBA.

25 MR. GREENE:

1           DBA. I would like for you to take  
2 note of that.

3 DR. FRANCIS:

4           Where are we?

5 MR. WATSON:

6           Let me address that for you, sir.

7 MR. GREENE:

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

11 DR. FRANCIS:

12           And you are not there.

13 MR. GREENE:

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

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

23 MR. WATSON:

24           Yes. I have a note here to  
25 actually follow-up on the privacy issue



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

18 DR. STRICKLAND:

19 It's not just me. I think McNealy  
20 has that.

21 DR. McNEALY:

22 Certainly the Department has an  
23 obligation to disclose to SACS relative  
24 to student financial aid. It is the  
25 watch dog, if you will, for the

1 Department, but nothing else.

2 MR. WATSON:

3 Right.

4 DR. McNEALY:

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

11 DR. FRANCIS:

12 See if we can get something on the  
13 application.

14 DR. STRICKLAND:

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

17 MR. WATSON:

18 Because, again, in the student  
19 loan industry it seems like there is  
20 more disclosure and things than what we  
21 do here and there is a privacy act  
22 disclosure. Maybe we need to add that  
23 to the website, but I will have to work  
24 with our privacy act attorneys. If they  
25 can't be disclosed, they are going to

1 let me know it can't be disclosed. I've  
2 worked with them for years. They are  
3 pretty good about telling me where I  
4 can't disclose.

5 DR. FRANCIS:

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

20 DR. NEWMAN:

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

24 MR. HANSEL:

25 You want to talk about that a

1 little bit?

2 MR. DAWSON:

3 I'm going to give you the famous  
4 wishy-washy answer. It depends. It  
5 really depends upon the credit quality  
6 of the borrower and the nature of the  
7 project being financed. For the top --  
8 let me just stop for a second. The  
9 borrowing cost for the program is the  
10 federal Treasury's borrowing rate plus  
11 22 and a half basis points. That is  
12 more expensive than top tier credits,  
13 top tier college and university credits  
14 can borrow on a tax exempt basis if they  
15 qualify for Triple A bond insurance.  
16 When you combine -- on an all end cost  
17 basis, and it's materially higher. It  
18 is then -- so we take a step down. Then  
19 there are those institutions who might  
20 not qualify for Triple A bond insurance  
21 but may qualify for a letter of credit  
22 to support a tax exempt variable rate  
23 bond issue, which would then be swapped  
24 into a fixed rate through an interest  
25 rate swap. The break even analysis

1       there is going to depend upon the cost  
2       of that credit enhancement. I've seen  
3       letters of credit come in the 35 to  
4       40 basis point range. I've seen letters  
5       of credit come into the 150 to 200 basis  
6       point range. When they are in that 45  
7       to 50 basis point range, they are going  
8       to beat us in terms of rate. When they  
9       are in the 150 to 200 basis point range,  
10      we are going to beat them in terms of  
11      rate. So it's going to depend heavily  
12      on that.

13             The final thing that factors into  
14      that analysis is not only the absolute  
15      cost but what is the term of the  
16      obligation. So, for instance, in the  
17      case of Harris-Stowe State University,  
18      they could have actually borrowed in the  
19      private sector probably at a rate that  
20      was marginally less expensive than the  
21      rate offered by the program for new  
22      student housing project. However, the  
23      lender who was going to be providing the  
24      letter of credit and would have required  
25      the amortization of their obligation

1 over a 20-year period. We are able to  
2 structure our obligations over a 30-year  
3 period, and we were able to defer some  
4 degree of debt service which for a  
5 student housing project where it's kind  
6 of ramping up its debt service coverage  
7 levels, really provides a lot of ability  
8 for them to kind of grow into the  
9 financing. That was ultimately the  
10 decision -- that was ultimately the  
11 deciding factor for Harris-Stowe that  
12 led them to come through the program  
13 rather than pursue in the private sector  
14 financing. So I'd say it's a  
15 complicated analysis but it's -- there  
16 are going to be some borrowers for whom  
17 taxing and financing is just a cheaper  
18 alternative.

19 MR. WATSON:

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

1 that comparison.

2 DR. FRANCIS:

3 Okay. Moving along.

4 MS. WILKINSON:

5 If I can make one comment. Sam,  
6 when you were discussing the Barkley  
7 presentation, talked about the fact that  
8 a lot of colleges have asked about off  
9 balance sheet financing, and the program  
10 is not flexible currently enough to  
11 provide that as an option for colleges.

12 It's a product that's going to continue.

13 And I don't know what the board's  
14 approach is going to be for the  
15 legislation that's in draft form, but  
16 that may be an additional issue that you  
17 might want to put on the table to make  
18 the program flexible enough.

19 DR. FRANCIS:

20 Be off balance?

21 MS. WILKINSON:

22 Yes.

23 DR. FRANCIS:

24 Still got to pay it back.

25 MS. WILKINSON:

1 Still have to pay it back.

2 MR. GREENE:

3 Dr. Francis?

4 DR. FRANCIS:

5 Yes.

6 MR. GREENE:

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

21 MR. HANSEL:

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

25 MR. BACOTE:



1           Yes, we go through the analysis.  
2           We go through the analysis in, I would  
3           say, every case. In fact, we show the  
4           Department. It's important for us to  
5           prove to the Department that the loan  
6           package is one that is a benefit to the  
7           institution. By showing that if they  
8           were to borrow from some other source  
9           some other way, it would cost XYZ.  
10          Borrowing through us costs X. And  
11          it's -- in fact, we also had an analysis  
12          given the Barber-Scotia addition. In  
13          furtherance of that, we will factor into  
14          the interest costs a complete depletion  
15          of your escrow. Now, it drives your  
16          interest rate. If you were to lose it,  
17          we explain to the school, it drives your  
18          interest rate about 50 basis points, to  
19          again show them that if there is another  
20          option out there, this still may be a  
21          better approach we can take. So we go  
22          through that analysis completely.  
23          MR. GREENE:  
24          The non-financial type is probably  
25          going to say what is the interest rate.

1 As I hear, there are other aspects that  
2 are important --

3 MR. HANSEL:

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

8 MR. WATSON:

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

18 MR. HANSEL:

19 So your effective cost --

20 MR. WATSON:

21 Cost of borrowing is 5.5 percent,  
22 which isn't -- say 5 percent and a half  
23 percent, those are two different -- two  
24 largely different numbers and someone  
25 looking like they are losing 5 percent

1 of their money other than looking at .5  
2 percent, a cost of .5, that's two  
3 totally different things. That's how I  
4 explain the escrow when I go out, more  
5 from effective rate rather than 5  
6 percent.

7 MR. HANSEL:

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

12 DR. FRANCIS:

13 Lincoln, Oakwood.

14 MR. HANSEL:

15 Lincoln.

16 MR. BACOTE:

17 In fact, if you use the program as  
18 leverage, you don't have to use this  
19 word, but kind of bully up other lenders  
20 out there, say, hey, I can get this rate  
21 for the program. Can you beat it? If  
22 they say Oakwood, the banks were  
23 offering them initially the first round  
24 a higher rate, initially the banks, the  
25 HBCU rate, and they said, you know what?

1 We don't want to lose your business. So  
2 we have lots of ways that we are  
3 effective out there.

4 MR. WATSON:

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

18 MR. HANSEL:

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

21 MR. WATSON:

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

24 DR. FRANCIS:

25 Again, it helps the institution

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

9 All right. I'm moving along. We  
10 have already handled that. And you say  
11 what the board expects to accomplish in  
12 2007? We have been talking about it all  
13 morning.

14 MS. BASKERVILLE:

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

24 MR. WATSON:

25 We haven't discussed that yet. I

1 first want to do the audit, get the  
2 audit done and get those things done and  
3 then we will look at -- look at that,  
4 submit an RFP, that type of thing.

5 MS. BASKERVILLE:

6 Okay.

7 DR. FRANCIS:

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

17 MS. BASKERVILLE:

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

24 DR. FRANCIS:

25 And, of course, you as the

1 executive, you have some goals that you  
2 mentioned, that I would say we would  
3 envelope in our, you know, thing that  
4 has been sitting on your shelf that you  
5 look at every day to remind you. I  
6 think that's important as fast as you  
7 can get that done. Got it in mind,  
8 heard it from the community, and that  
9 certainly would be a goal that I would  
10 put here, and I'm sure you have 2007 but  
11 that would be in 2007.

12 MR. WATSON:

13 After June 15th my schedule will  
14 switch back.

15 DR. FRANCIS:

16 Okay. Very good. Take care of us  
17 and get rid of us.

18 DR. STRICKLAND:

19 Make sure you develop a plan of  
20 your own. These objectives are really  
21 reactions to GAO report. They are just  
22 responsive. I wouldn't make those  
23 objectives. I know you are not making  
24 them your actual program manager  
25 objectives, but you have to address the

1 GAO set, as well.

2 MR. WATSON:

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

10 DR. STRICKLAND:

11 You know, another nasty word to,  
12 let's talk about colleges and  
13 university, is technical assistance, and  
14 I say that advisedly because it appears  
15 all we are getting out of any of the  
16 agencies are so-called technical  
17 assistance workshops and very little  
18 substance when the technical assistance  
19 is done. So if you are doing technical  
20 assistance, you have got to frame it in  
21 some kind of way that some real outcomes  
22 of benefit to the college. Believe me,  
23 have someone come in and sit down and  
24 tell you how to do your books, how you  
25 think you ought to get a loan, that's



1 not -- it's not substantive technical  
2 assistance.

3 MR. WATSON:

4 Now --

5 DR. STRICKLAND:

6 That's just a caution.

7 MR. WATSON:

8 If you want to -- we are planning  
9 on doing that to give the ordinary  
10 technical assistance, if you will, you  
11 know, and give you some pointers, but  
12 the program itself by statute, these  
13 things that we are talking about come to  
14 this assistance aren't provided from a  
15 statute. These are things that I think  
16 will help HBCUs to be in a better place  
17 and ready to borrow from this program or  
18 even when they are ready to borrow from  
19 private market. So those things will  
20 actually be on hand if they want to take  
21 advantage of those services or anything  
22 else or go somewhere else and seek those  
23 services. That's all fine. But these  
24 are things that the Department is  
25 changing from statute. We can't do --

1 these are things in addition that I  
2 think will help HBCUs in their borrowing  
3 and that sort of thing, and so it will  
4 manage the day-to-day cash flow because  
5 there are things that some institutions  
6 are doing to actually manage that cash  
7 flow and those sort of things and I've  
8 told Tom and Mr. Manning that one day  
9 I'll work myself out of a job. I didn't  
10 mean deplete the escrow, but the  
11 program. I didn't mean it by that, but  
12 that's what I'm looking for. I'm  
13 looking so HBCUs out there, this will be  
14 an option, really an option, looking at  
15 it as an option. It's not the only  
16 choice.

17 DR. FRANCIS:

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

21 MR. WATSON:

22 Yes.

23 DR. FRANCIS:

24 What's the experience? You know,  
25 October is education meeting month.

1 Every day there is a meeting in October  
2 but it seems like y'all pulled one off  
3 last October. Did y'all piggyback on  
4 something else?

5 MR. WATSON:

6 Actually, no, I wasn't involved in  
7 setting up that meeting date but I think  
8 the --

9 MR. GREENE:

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

18 MR. HANSEL:

19 It's around mid September?

20 MR. GREENE:

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

24 DR. FRANCIS:

25 I'm still trying to find out how I

1 can get out of where I am.

2 MR. GREENE:

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

5 MR. WATSON:

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

25 DR. HUGHES:

1 Will you visit other campuses this  
2 afternoon?

3 MR. WATSON:

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

10 MR. GREENE:

11 Tomorrow is Saturday.

12 MR. WATSON:

13 I know.

14 DR. HUGHES:

15 We have a board meeting tomorrow  
16 so --

17 MR. GREENE:

18 Don't put that on the record.

19 DR. HUGHES:

20 He's coming at a good time.

21 DR. FRANCIS:

22 Let me ask you, as it happens at  
23 all of our meeting schedules, would you  
24 pick a date that might be a good timing  
25 for you and the problem, what have you,

1 or several and let us -- survey us? We  
2 go through this all the time and  
3 sometimes you get lucky and say we are  
4 going to meet on such and such a date.  
5 That's it. And you get lucky and you  
6 get more than a quorum. But I know my  
7 schedule is wild, but don't guard it by  
8 me. But the Authority now fits the  
9 schedule according to my schedule. So  
10 if you want to start with mine, that  
11 would be good.

12 MR. WATSON:

13 What I've actually -- and I can  
14 call Kay on that?

15 DR. FRANCIS:

16 Yes. Yes, indeed.

17 MR. WATSON:

18 Any particular place, institution?

19 You can get --

20 MS. BASKERVILLE:

21 Virgin Islands.

22 MR. WATSON:

23 It's funny you said that.

24 MR. GREENE:

25 There is an HBCU in the Virgin

1 Islands.

2 MR. HANSEL:

3 We talked to them several years  
4 ago.

5 DR. HUGHES:

6 I'm not going on that one.

7 MR. WATSON:

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

13 MR. HANSEL:

14 We won't tell Tom.

15 MR. WATSON:

16 It's not just Tom. The lawyer is  
17 going to have a lot to say.

18 MR. GREENE:

19 There is precedent.

20 DR. FRANCIS:

21 You might look at the institutions  
22 that I see applying and so forth and  
23 pick one that most of us could get a  
24 non-stop flight to.

25 MS. BASKERVILLE:

1 Thank you.

2 DR. NEWMAN:

3 There is no such thing as a

4 non-stop flight from Itta Bena,

5 Mississippi.

6 DR. FRANCIS:

7 Wait a minute, now.

8 MR. HANSEL:

9 Atlanta.

10 DR FRANCIS:

11 They've got a couple of new

12 airlines.

13 DR. STRICKLAND:

14 Jackson or Memphis at this point.

15 DR. NEWMAN:

16 Take a cropduster.

17 MR. WATSON:

18 If we are going to make a decision

19 now for the fall meeting, is that okay

20 with everyone to go to Jackson?

21 DR. STRICKLAND:

22 No. I'm just kidding. Yeah,

23 that's fine with me.

24 MR. WATSON:

25 Well, I mean, if that's okay,



1 then, can we host it at your  
2 institution?

3 DR. NEWMAN:

4 Well, I'm in Itta Bena.

5 MR. WATSON:

6 I mean, you-all don't want to  
7 drive?

8 DR. NEWMAN:

9 We would love to have you.

10 DR. FRANCIS:

11 My schedule is not going to let me  
12 get to Itta Bena. You have got to be  
13 going to Itta Bena.

14 DR. NEWMAN:

15 Yeah, but you are in God's  
16 territory.

17 MR. WATSON:

18 I'll get the institution along  
19 with the dates and send them out to you.  
20 I want to push it out, not just for '07  
21 but also for '08 so it's in your  
22 calendars well in advance.

23 DR. FRANCIS:

24 Good. I haven't been there since  
25 Jerry Rice played.

1 DR. NEWMAN:

2 It has changed quite a bit.

3 DR. FRANCIS:

4 I gave the inaugural for Boykins.

5 I don't know how long ago that was,

6 about three years?

7 DR. NEWMAN:

8 Yeah, probably.

9 DR. FRANCIS:

10 Yeah. He was president three

11 years.

12 You are going to check my schedule

13 and then you are going to see about some

14 non-stop flights to good places. It

15 makes a difference, it really does,

16 because if you have got to give two days

17 to get somewhere it starts --

18 DR. STRICKLAND:

19 We can do Atlanta.

20 MR. HANSEL:

21 We can talk to Dr. Broadneck.

22 DR. FRANCIS:

23 Dallas, that sort of thing. My

24 travel seems to always be more than one

25 day no matter where I go but --

1           Let's deal with the one that is  
2 the last one unless we have some other  
3 things.

4           The joint committee. I like that  
5 one. Have you started any work on that  
6 and so forth?

7 MR. WATSON:

8           No, sir. That discussion came up  
9 during the White House -- White House  
10 initiative on HBCU, their board meeting,  
11 and at that meeting they committed to  
12 work with the program to look at  
13 legislation and to make some  
14 recommendations to the Secretary based  
15 on that. But also as we sit here, it  
16 seems like work is already being done  
17 because I was going to actually -- so it  
18 could be all inclusive and there could  
19 be a precedent from this board as well  
20 as NAFEO and UNCF to work with those  
21 other presidents of institutions so we  
22 have a concrete, it's not just a  
23 one-sided issue. It's all inclusive,  
24 not just from this side, from the  
25 Secretary's advisory board, but also

1 from the President's board, as well.

2 MR. GREENE:

3 I would suggest that you change it

4 from the White House Initiative to the

5 President's Board of Advisors.

6 DR. FRANCIS:

7 Okay. But I think you get much

8 bigger bang for our buck by getting some

9 of that input in that way, and then I

10 think we would be greatly persuaded to

11 move faster and more intelligently when

12 it comes to us, and two meetings a year

13 might work. That's what I was promised

14 when I accepted this.

15 Okay. What else might there be

16 important to come before the house,

17 either from our executive or anybody on

18 the advisory committee? Because I in a

19 minute will be going to public comments.

20 MS. BASKERVILLE:

21 Do we anticipate adding another

22 public president to the board so we will

23 have the statutory two publics?

24 MR. WATSON:

25 To which board, this board?

1 MS. BASKERVILLE:

2 Uh-huh.

3 MR. WATSON:

4 I'm sorry. Carolyn Myers isn't

5 here, but, I'm sorry, but --

6 MS. BASKERVILLE:

7 She's on it?

8 MR. WATSON:

9 She's on this board. She's

10 just -- she's out of the country with

11 the Governor today.

12 MS. BASKERVILLE:

13 Thank you.

14 MR. WATSON:

15 We have a full operating board.

16 DR. FRANCIS:

17 Good. If there are no other

18 questions, anybody from the public? Not

19 too many public folks in here. Just my

20 staff is public. Private school.

21 DR. STRICKLAND:

22 Privately public.

23 DR. FRANCIS:

24 Privately public. No public

25 comments? Well --

1 MR. BACOTE:

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

9 MR. FISHER:

10 Well, thank you for putting me on  
11 the spot, first of all, Sam.

12 One thing that I would suggest as  
13 we are starting to talk about some of  
14 the other initiatives that you see, and  
15 there was a brief discussion about off  
16 balance sheet financing.

17 DR. FRANCIS:

18 Right.

19 MR. FISHER:

20 And I would just like to add why  
21 that is a critical tool, particularly  
22 for State institutions. Because as you  
23 all know, higher education funds in a  
24 State's budget is the only really  
25 discretionary funds that they have and

1 any time there is any kind of fiscal  
2 pressure from the State, they cut higher  
3 education. And there is also this  
4 notion that you shouldn't be allowed,  
5 you being the institution, should not be  
6 allowed to make money off of the  
7 auxiliary enterprises. So any time you  
8 have shown a surplus in auxiliary  
9 enterprises, it has always been offset  
10 by your appropriation. So what has been  
11 imperative for a lot of schools is to  
12 utilize that mechanism simply to go and  
13 create additional cash flow to fund  
14 other mandates that the State has yet to  
15 decide worthy of funding. So there is  
16 nothing, you know, that is magical about  
17 accounting. It's just quite honestly a  
18 necessity to go and just further the  
19 mission.

20 One institution, we won't name  
21 names, but their new president is, you  
22 know, a new board members here. That's  
23 exactly how the research foundation is  
24 being funded and they are advancing that  
25 mission through privatized student

1 housing projects that they have  
2 completed. So I would ask you to go  
3 ahead and consider that and just be  
4 mindful of the progression of the  
5 program in terms of like -- because I  
6 also kind of hold myself out to be the  
7 historian of the program in that you  
8 started out with that cross  
9 collateralized debt service reserve fund  
10 that now it's 5 percent, but when it  
11 initially started it was 10 percent, and  
12 there were a lot of issues as to how the  
13 program has to be structured in order to  
14 seek a certain scoring from O and B.  
15 But now those things which -- and  
16 technical assistance aspect wasn't even  
17 contemplated initially. These are  
18 things that happen with reauthorization.  
19 So at this point of reauthorization  
20 let's go -- we have it anecdotally and  
21 imperially all of their information as  
22 to why the program worked, why it's not  
23 working as well as we had all hoped  
24 initially, and let's try to work for  
25 those changes in the reauthorization.



1 DR. FRANCIS:

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

20 Well, we have made this as a part  
21 of when we start looking at our advice,  
22 that that will be a part of it, as well.

23 We thank you for it.

24 Any other comments? We said we  
25 were going to end at what time? 12:30,

1 12:45 for lunch, somewhere? I've got my  
2 own here. Mine said -- see what my  
3 written one said? 12:15. And yours  
4 said 12:45, but our dining service,  
5 which is the same dining service we have  
6 at Dillard's and Tulane and Loyola, they  
7 have got a monopoly in New Orleans, they  
8 like to keep the food warm. I see they  
9 have gotten a head count already. Did I  
10 see that? See, I see everything sitting  
11 at this chair, got a little button under  
12 here. When did they say they were going  
13 to be ready? When did they say they  
14 were going to be ready?

15 MR. WATSON:

16 I told them 12:30 we will be  
17 downstairs.

18 DR. FRANCIS:

19 That's fine. You will be able to  
20 freshen up and all of those good things.  
21 We are not adjourned yet. I'm going to  
22 follow the rules. We are going to have  
23 lunch, and then if somebody has some  
24 thoughts about things while they have  
25 their dinner, we will entertain that and

1 after we eat, we will adjourn and  
2 anybody wants to take a tour, we will  
3 take a tour. Following the law, we have  
4 got our public comments in there and  
5 everything else. Anybody else? Yes,  
6 Sam.

7 MR. BACOTE:

8 I just want to say that CCAP and  
9 the Department provided the letter  
10 binders you have that you -- hope to be  
11 holding onto. I make the comment  
12 holding onto it.

13 MS. BASKERVILLE:

14 Only if they spell the name right.

15 MR. BACOTE:

16 I know Dr. Strickland, is your  
17 name spelled correctly? Is it Haywood  
18 or Hayward on your binder? Is yours  
19 correct?

20 MR. BACOTE:

21 I mean, the binder is correct.

22 MR. STRICKLAND:

23 You are always correct.

24 MR. GREENE:

25 I'm learning to live with that.

1 MR. BACOTE:

2 We got you wrong, too?

3 MR. GREENE:

4 No E.

5 MR. BACOTE:

6 There should be an E.

7 MR. GREENE:

8 Should be an E.

9 MR. BACOTE:

10 All right. Hold onto those  
11 binders and bring them with you.

12 MR. HANSEL:

13 Or alternatively, I know Dr. Lomax  
14 left his and he asked us to bring it to  
15 the next meeting --

16 MR. BACOTE:

17 Okay.

18 MR. HANSEL:

19 -- with the materials. So if you  
20 need us to shepherd them for you, I know  
21 you guys have a ton of stuff, so if you  
22 need us to shepherd them for you, we  
23 will be happy to do that.

24 MR. BACOTE:

25 What's about the -- for everyone?

1 MR. HANSEL:

2 Either way.

3 DR. FRANCIS:

4 Since I'm not traveling, I'll keep

5 mine.

6 MR. WATSON:

7 I sent you most of the stuff on

8 the e-mail.

9 MR. BACOTE:

10 If you want --

11 DR. HUGHES:

12 It's cumbersome to travel.

13 MR. HANSEL:

14 We will take it and cope with it

15 and just leave them here and we will

16 take care of it.

17 DR. FRANCIS:

18 I tell you what. I'm going to

19 take --

20 MR. WATSON:

21 You have most of this.

22 DR. STRICKLAND:

23 Thanks for e-mailing it because I

24 was about to read it at home. I like to

25 leave any notebook -- continue to

1 e-mail, it if you would.

2 MR. BACOTE:

3 Clamp the contents.

4 DR. FRANCIS:

5 I need that. I like to have a

6 sense of history when I chair.

7 MR. BACOTE:

8 Anyone taking the contents with

9 them want to clamp the contents? If you

10 are, just see me, I'll give you a clamp.

11 MR. WATSON:

12 Would it be possible to send them

13 these documents in an e-mail, and that

14 way, I see they are taking stuff out of

15 the books, and that way we will have a

16 complete book. Do you know what I mean?

17 Can we send them a document?

18 DR. NEWMAN:

19 Yes.

20 MR. HANSEL:

21 We can do that.

22 DR. FRANCIS:

23 Not to whole bunch. Just send

24 them electronically. That way they will

25 keep the notebooks intact.

1 MR. HANSEL:

2 You have got all of the e-mail  
3 addresses, don't you?

4 MR. WATSON:

5 Keep the e-mail.

6 MR. HANSEL:

7 We will bring these back.

8 DR. STRICKLAND:

9 The e-mail was great.

10 MR. WATSON:

11 So just leave the stuff in your  
12 notebook. We will send all this to you  
13 electronically.

14 MR. BACOTE:

15 Unless you want -- unless you want  
16 them in color.

17 DR. FRANCIS:

18 We will be eating downstairs.

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

21 MR. BACOTE:

22 Not to my knowledge. Still on the  
23 first floor, 117.

24 DR. FRANCIS:

25 Well, thank you for being here and

1     you will be right on schedule, I promise

2     you.

3             I'll adjourn the meeting, and then

4     we will have informal discussions at

5     lunch.

6             (Whereupon the meeting was

7     adjourned.)

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1 REPORTER'S CERTIFICATE

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4

5 I, Terry L. Owens, CCR, RPR,

6 Certified Court Reporter in and for the State

7 of Louisiana, do hereby certify that the

8 above-named witness, after having been first

9 duly sworn by me to testify to the truth, did

10 testify as hereinabove set forth;

11 That the testimony was reported by me

12 in shorthand and transcribed under my personal

13 direction and supervision, and is a true and

14 correct transcript, to the best of my ability

15 and understanding;

16 That I am not of counsel, not related

17 to counsel or parties hereto, and not in any

18 way interested in the outcome of this matter.

19

20

21

22

23

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

25