

BOARD OF TRUSTEES FOR ALABAMA STATE UNIVERSITY
SPECIAL CALLED MEETING
JANUARY 22, 2002

The Board of Trustees was convened in a special called meeting on January 22, 2002 in the Board Room of the Joe L. Reed Acadome at Alabama State University. The meeting was called to order at 9:15 a.m. by Chairlady Catherine W. Wright—Agenda Item I Call to Order. In attendance were Trustees B. Maxine Coley, James C. Cox, Toreatha M. Johnson, Bobby M. Junkins, and Joe L. Reed.

Invocation—Agenda Item II was given by Trustee Coley

Chairlady Wright called for **Agenda III—Adoption of the Agenda**. On motion by Trustee Junkins, second by Trustee Jolmson and carried by unanimous vote, the agenda was adopted.

Chairlady Wright noted that there was only one business agenda item, **Approval of Recommendation to Issue Bonds to Refinance Current Bonds—Agenda Item IV**, as indicated in Governor Siegelman's letter. She stated that the Finance Committee had met and the report of that meeting would be given by Trustee Reed, committee chair. Trustee Reed offered a motion to adopt the Finance Committee report. Following action on his motion, he stated that he would speak to the motion. He expressed appreciation to the Board Chair, the President, the Vice President for Fiscal Affairs, members of the Finance Committee and to Blount and Parrish Investment Bankers. He noted that things are getting back on track and that this could not have happened without the cooperation of the Board Chair and everyone involved. Trustee Reed reported that the Finance Committee met with a quorum present; that a report from the firm of Blount and Parrish was received; that Blount and Parrish representatives were in attendance and would be prepared to answer any questions or make any comments concerning the bond issue and what it does. He stated that if there were no discussion or questions, he moved the adoption of the report. On motion by Trustee Jolmson, second by Trustee Coley, and carried by unanimous vote, the report of the Finance Committee was adopted.

The meeting was adjourned at 9:20 a.m.

Trustee Johnson asked for a brief summary from Blount and Parrish of the summary the firm provided to the Trustees. By consensus the Board agreed to hear the report. Mr. Rush Rice introduced himself, Bill Blount, chairman of the firm, Albert Nelson, a staff member and former ASU intern. Mr. Rice gave information regarding proration effects on all of education in the State of Alabama last year. He stated that at that time Alabama State had a number of capital projects on-going as well as commitments; that the proration cuts were substantial percentage cuts and forced education in Alabama to absorb the cuts in the second half of the fiscal year; that it caught Alabama State and everyone else at a time when tuition and fees had already been paid resulting in institutions not having the funds expected that would carry them through the fall semester. He further explained that Alabama State did two bond issues in the summer of 2001 that were stop-gapped, defensive-type

bond issues to help ASU get through the effects of proration, finish the capital projects that were on-going and finish the year in a solvent sound position; that the issues with the big balloon payments were not a good long-term capital structure; that the firm put together a financing with a taxable piece and a tax-exempt piece; that the taxable piece was put together because a portion of the 1993 bonds could not be done with the tax-exempt issue; that there is an A Series and a B Series and that there is one short-term taxable piece; that on February 5, 2003 the non-qualifying part of the 1993 bonds will convert to tax exempt bonds; that the effects of this innovative approach would allow refinancing of essentially all of the University's debts (the 1993, 1995, the first and second 2001 bonds) into a one 20-year issue at a 5.15% interest rate. He explained that the firm would not be refinancing the 1965, 1965B, 1969 and 1982 revenue bonds which are very small amounts when put together and with interest rates between 3% and 3.75 % going out long term that the firm does not want to bother. Mr. Rice informed the Trustees that in 1993 his firm was able to get the U.S. Department of Education to subordinate those issues which enables the firm to get the previously mentioned bonds insured, rated AAA and get the new rates; that the effects are savings in excess of 7.4% on the refunding element; that monies in reserves are freed up; that Municipal Bond Insurance Association (MBIA) is allowing the new issues to be done without reserves which enables the University to get the monies back; that all hazards are taken out and a strong capital base for the future is being built; that the debt service on the issue would be approximately \$2.7 million a year. He indicated that the financing allows for future borrowing; that the rating agencies and insurers are happy with the manner in which Alabama State has handled its responsibilities in light of proration. He expressed his and his firm's appreciation for being allowed to take part in the refinancing of the bonds.

Mr. Bill Blount, chairman of the firm, stated that when MBIA decides to insure bonds this results in an automatic AAA rating; that MBIA has been insuring ASU bonds since 1993; that MBIA quoted the premium on the insurance policy lower than what was quoted for University of Alabama at Huntsville (UAH); that MBIA was very pleased with the financial package that ASU put together. Mr. Blount expressed appreciation to Trustee Reed for his insight and the things he had done since 1992 to assist ASU in achieving its current level. He noted that the closing would take place at the offices of Haskell and Slaughter in Birmingham on January 23, 2002; that any Board members who desired to attend, the firm would try to make those arrangements; that the only true signatories needed would be President Lee and Vice President Gallot. He indicated that since Chairlady Wright would not be attending the closing, he had documents for her to sign after the meeting. He stated that the firm is very honored to have been serving ASU as investment bankers since 1993 and that they look forward to serving the University for another nine or ten years.

Chairlady Wright thanked Messrs. Rice and Blount for their report.

President Lee announced an invitation to Trustees from the Chair of the Student Affairs Committee, Trustee Patsy Parker, to tour some of the buildings as requested by students at 10 a.m.

Trustee Johnson inquired whether the cash would be available following the closing. Mr. Rice informed the Board that the bond number is slightly over \$4.4 million which includes \$4.244

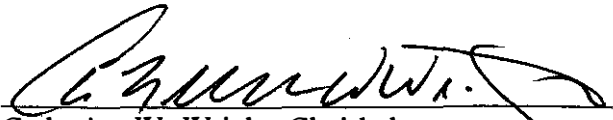
from the refinancing and another \$170,000 from an investment agreement.

Trustee Reed thanked the Chairlady and Board members and noted that the transaction did not require a financial advisor as had been used in previous years at a rate of \$40,000. Chairlady Wright thanked Trustee Reed for all of his efforts.

It was noted that the Academic Affairs Committee will meet at 10:30 a.m. and the Student Affairs Committee will meet at 3:00 p.m.

Joe A. Lee, President of the University and
Secretary to the Board of Trustees

APPROVED:



Catherine W. Wright, Chairlady
Board of Trustees for Alabama State University