

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

December 4, 2009

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on December 4, 2009 at 10:00 am from the HESAA offices in Hamilton.

PRESENT: Mr. Michael Angulo, Esq.; Mr. Richard Garcia; Dr. Joann LaPerla-Morales; Mr. Julio Marengo, Esq.; Ms. Rossy Matos-Miranda; Mr. Jonathan Nycz; Mr. Warren Smith; Ms. Nancy Style, Treasurer's Designee; Ron Subramaniam; Ms. Maria Torres members.

Also participating via teleconference were Cheryl Clark DAG; Jacqueline Pruiti, Office of Management and Budget; and Mr. Robert Polakowski, Association of Independent Colleges and Universities in New Jersey.

Participating in person were Leah Sandbank, Bond Counsel, McManimon and Scotland; Joseph Santoro, Senior Manager, Bank of America/Merrill Lynch; Tim Carden, Financial Advisor, Scott Balice Strategies; Jeanne Stiefel, Esq. , Parker and McCay, Underwriters Counsel and Cliff Rones, DAG.

ABSENT: Mr. Edward Graham; Dr. Harvey Kesselman; Ms. M. Wilma Harris; and Ms. Jean McDonald Rash.

CALL TO ORDER

Chair Torres called the meeting to order at 10:03 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Torres welcomed the Board members.

Ms. Torres asked the Board Secretary to call the roll.

Roseann Sorrentino called the roll.

RESOLUTION 13:09 – RESOLUTION AUTHORIZING THE OFFER TO BONDHOLDERS TO SELL STUDENT LOAN REVENUE BONDS AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF AN INVITATION TO OFFER TO SELL BONDS, A DEALER MANAGER AGREEMENT AND AN INFORMATION AND TENDER AGENT AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH AND AUTHORIZING THE SALE AND ISSUANCE OF STUDENT LOAN REVENUE REFUNDING BONDS AND AUTHORIZING AND APPROVING AN INDENTURE OF TRUST BY AND BETWEEN THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY AND WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE, A FIRST SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND

PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH.

Mr. Eugene Hutchins, Chief Financial Officer, presented the resolution.

Enclosed is the proposed resolution relating to Refunding Bond Issue Series 2009-1 together with drafts of the various bond documents referenced in the resolution that are required to carry out the intent of the resolution. As described in the cover memorandum, these documents include an invitation to the Holders of the Authority's 2004-2007 Auction Rate Security Bonds to Tender or sell back their bonds to the Authority as well as various other documents related to the offer to sell new bonds. The 2004 to 2007 bonds were issued under the 1998 Master Trust, and as we have previously informed you, the auctions of these bonds began failing in February of 2008 and have continued to fail, which has resulted in a loss of liquidity for such bonds and the imposition of a failed auction rate of 175% of SIFMA (a short-term interest rate index). Although currently the interest rates on these bonds are low, there is a significant risk that interest rates will increase in the near future. For example, if SIFMA were to increase to 4%, the Authority's cost of capital would increase to 7%. This refunding issue represents the latest step the Authority is taking to mitigate this risk.

The total of the auction bonds that remain outstanding from the 2004 through 2007 series is \$906.550 million (approximately 70% of the remaining auction bonds outstanding), which directly corresponds to the amount of the refunding bond issuance authorization included in the attached bond resolution.

Any 2004 through 2007 Bonds that are tendered to the Authority would be eligible for refunding on a tax-exempt non-AMT basis, which means a much lower borrowing cost to the Authority since the interest to the investor would be fully deductible from income without regard to Alternative Minimum Tax.

This is a complex transaction involving several steps:

The first step involves the issuance of a tender offer to all holders of 2004 through 2007 bonds which gives them the formal legal opportunity to offer their bonds for sale at a price of between \$750 and \$850 per \$1,000 of bonds held. This price range will provide sufficient funds to both retire the bonds and associated variable to fixed interest rate swap agreements which have termination costs. No bondholder is obligated to offer their bonds for sale nor is the Authority obligated to purchase any or all of the bonds offered for sale. The tender period is expected to range over the next three weeks to offer investors adequate time to consider the offer over the holiday period. The Preliminary Official Statement for the refunding bonds will be issued at the same time as the tender offer.

The second step of the transaction involves an evaluation of the tender offers and the final structuring of the refunding bonds that will be offered to the marketplace. Since the majority of the holders of the failed auction bonds are the large investment banks that served as broker/dealers on the bonds and are looking to liquidate their positions, we are expecting that a large number of the bonds will be tendered.

The final step will be the marketing and sale of the refunding bonds. The final size of the bond issue will be determined by investor demand for the refunding bonds. Following the sale of the refunding bonds, investors who have tendered their bonds will be notified that their tender offer has been accepted. Immediately following closing on the refunding bonds, the tenders will be funded and the associated bonds and underlying swaps will be retired.

It should also be noted the bond issuance will also include \$38 million in new bonds for NJCLASS Consolidation Loans for which the Treasurer has allocated tax-exempt private activity volume cap.

In summary, the transaction will benefit the Authority by reducing our interest rate exposure on the failed auction bonds and investors who will have the opportunity to regain their capital and invest it elsewhere.

I will now have Leah Sandbank, Bond Counsel, brief you on the Bond resolution.

Leah Sandbank made the following presentation:

Resolution 13:09 before you today sets forth the authorizations for the two related transactions being discussed today, the tender offer and the bond sale. The resolution first authorizes the Authority to provide an offer to current bondholders of Student Loan Revenue Bonds Series 2004-2007 to sell their bonds back to the Authority. In connection with this offer, Bank of America Merrill Lynch acting through Merrill Lynch Pierce Fenner & Smith is appointed as dealer manager for a fee not to exceed 50 basis points. The Resolution also authorizes the publication of the necessary tender documents including an invitation to offer to sell bonds and a Q&A sheet which set forth the terms and conditions of the offer. Also in connection with the tender, Wells Fargo who acts as Trustee, is appointed Information and Tender Agent for a fee of \$69,000. Authorization is given to the Chairperson, Vice Chair, Secretary-Treasurer, Executive Director and Chief Financial Officer to execute documents and take actions necessary to effect the Offer.

Second, the resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds. The Bonds are authorized in an amount not to exceed \$906,550,000 (which is the full amount of outstanding bonds issued in 2004-2007), with a final maturity not later than 2041 and a stated interest rate not exceeding 7% per annum. The Underwriter appointed for the bonds is Bank of America Merrill Lynch acting through Merrill Lynch Pierce Fenner & Smith for an underwriter's fee of .9% of the principal amount thereof pursuant to a bond purchase contract, the form of which is authorized therein. The issuance amount includes an amount of refunding bonds needed to retire at a discount the prior auction rate bonds issued under the 1998 indenture, provide for any necessary reserves, provide funds to amend or terminate associated swap agreements and to provide an additional \$38,000,000 in consolidation loans. As the consolidation loans are originated, the amounts applied to pay off the original loans will be further applied to retire auction rate bonds at a discount. This resolution further authorizes the Authority to enter into a new indenture of trust with Wells Fargo Bank serving as trustee and a first supplemental indenture, preliminary official statement, continuing disclosure agreement and servicing acknowledgement in the forms attached to the resolution, which are all customary forms. Authorization is given to the Chairperson, Vice Chair, Secretary-Treasurer, Executive

Director and Chief Financial Officer to execute documents and take actions necessary to effect the sale and issuance of the Bonds.

Lastly, the resolution authorizes the Authority to amend or terminate the various swap agreements associated with the 2004-2007 bonds in connection with the tender and purchase of such bonds.

Motion to approve the resolution was made by Jonathan Nycz and seconded by Rossy Matos. There was no discussion and the motion was adopted unanimously by roll call.

ADJOURNMENT

Chair Torres announced the next HESAA Board meeting will be held on Tuesday, January 26, 2010 at 10:00 am. A motion to adjourn was made by Richard Garcia and seconded by Nancy Style.

The meeting adjourned at 10:18 pm.