

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

February 24, 2012

The Higher Education Student Assistance Authority (HESAA) Board held a special meeting by conference call on February 24, 2012 at 11:30 am from the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden, Ms. Gabrielle Charette, Esq.; Mr. Anthony Falcone; Mr. George Garcia; Mr. Richard Garcia; Dr. Harvey Kesselman; Mr. Christopher McDonough, Treasurer's Designee; Ms. Kristy Van Horn; Members.

Also participating via teleconference were Melissa Dutton, Esq., DAG and Dr. Jon Larson.

ABSENT: Ms. Liscet Duran; Ms. Betsy Garlatti, Secretary of Higher Education Designee; Mr. Julio Marengo; Ms. Jean McDonald Rash; Ms. Elaine Papas-Varas; Ms. Maria Torres and Mr. Wilmot Wilson.

CALL TO ORDER

Chair Garcia called the meeting to order at 11:31 am and stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Garcia welcomed the Board members.

Mr. Garcia welcomed Melissa Dutton, Esq., Deputy Attorney General and Dr. Jon Larson, President Ocean County College.

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

Roseann Sorrentino called the roll.

RESOLUTION 05:12 APPOINTMENT OF A SENIOR MANAGER FOR AUTHORITY BOND ISSUES

Mr. Robert Clark, Controller, presented the resolution.

In addition to the Chief Financial Officer who, under the Authority's procedures, chairs the RFP Evaluation Committee, the Executive Director designated the Director of Legal & Governmental Affairs, and the Controller, to participate in this review process. As Controller, I have been designated to communicate the results to the board. The recommendation is made under the established Authority procedures for the selection of Senior Managers. Nine firms submitted proposals to serve as HESAA's Senior Manager. Of these, eight were deemed to be responsive to the RFP and were evaluated and ranked by the committee.

Of these firms, Bank of America Merrill Lynch's proposal outlined a set of services that most closely matches the Authority's needs. Bank of America Merrill Lynch, also known as BAML,

proposed to work closely with Authority staff in the continued development of financing structures tailored to match program delivery objectives. The firm has a proven track record of bringing bond issues to market in an effective and efficient manner. Additionally, of all the bidders, BAML's proposal best illustrated the depth of experience of assigned staff and the firm's strong commitment to help the Authority obtain the best possible financing structure in the current difficult market conditions, as well as strong support of the Authority's after bond sale needs, including evaluation of alternatives in resolving issues involving the Authority's remaining \$132 million in failed auction rate bonds, which are those issued between 2001 and 2007, and related interest rate swaps as well as ongoing reviews by rating agencies of HESAA's existing bond trusts.

As documented in its proposal, BAML demonstrated its effectiveness as an underwriter during its previous appointments as the Authority's underwriter, covering the years 2009 through 2011, when the firm structured transactions which refunded over \$1.36 billion in failed auction rate securities, also resulting in the termination of over \$700 million related interest rate swap notional amounts and provided funding for nearly \$920 million in new NJCLASS loans.

The proposed fee to BAML, inclusive of management fees, expenses, and 'takedown' (which is the commission rate paid to the bond salespeople) was \$6.79 per thousand dollars of bonds issued for fixed rate bonds, which is a decrease of 11 cents (\$0.11) per thousand from the Authority's most recent bond issue, the 2011-1 Bonds. These fees are based on an estimated \$300 million dollar bond sale. After the evaluation committee met and issued the Board materials, BAML agreed to lower the fee to \$6.25 per thousand dollars of bonds.

It is recommended that the Board approve the attached resolution 5:12, which approves the appointment of Bank of America Merrill Lynch as the Authority's Senior Manager.

Motion to approve the resolution was made by Michael Braden and seconded by Harvey Kesselman. James Allen abstained because his son is an Executive Vice President for the Bank of America. The motion was passed unanimously.

ADJOURNMENT

Chair Garcia announced the next HESAA Board meeting will be held on Wednesday April 25, 2012 at 10:00 am. A motion to adjourn was made by Harvey Kesselman and seconded by James Allen.

The meeting adjourned at 11:42 am.

RESOLUTION 05:12

APPOINTING A SENIOR MANAGER FOR AUTHORITY BOND ISSUES (revised)

Moved by: Michael Braden
Seconded by: Harvey Kesselman

WHEREAS: There is a need for the Higher Education Student Assistance Authority (the “Authority”) to appoint a Senior Manager in connection with its Student Loan Revenue Bonds; and

WHEREAS: The Authority has established procedures for the methods of procurement of advisory services related to the issuance of bonds; and

WHEREAS: These procedures have been appropriately applied through the circulation of an RFP to 48 underwriting firms; and

WHEREAS: An Evaluation Committee comprised of the Authority’s Chief Financial Officer, Controller and Director of Legal Affairs reviewed all of the proposals.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves a 2- year appointment of Bank of America Merrill Lynch as the Senior Manager at a cost of \$6.25 per thousand of fixed rate bonds based on a \$300 Million bond issue.

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