

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

December 17, 2012

The Higher Education Student Assistance Authority (HESAA) Board held a special meeting by conference call on December 17, 2012 at 2:00 pm from the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Mr. Gregg Edwards, Secretary of Higher Education Designee; Mr. Anthony Falcone; Mr. George Garcia, Esq.; Mr. Richard Garcia; Dr. Harvey Kesselman; Dr. Jon Larson; Mr. Julio Marengo; Ms. Jean McDonald Rash; Mr. Christopher McDonough Treasurer's Designee; Ms. Elaine Pappas-Varas; Mr. David Reeth; Ms. Maria Torres and Ms. Christy Van Horn, Members.

ABSENT: Michelle Petrucelli.

Also participating were Melissa Dutton, DAG; Brett Tanzman, Esq., Governor's Authorities Unit; Joe Santoro, Bank of America/Merrill Lynch; and Leah Sandbank of McManimon, Scotland and Baumann, LLC.

CALL TO ORDER

Richard Garcia called the meeting to order at 2:03 pm. Richard Garcia 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, DAG and Brett Tanzman, Esq., Governor's Authorities Unit.

Mr. Garcia advised that no members of the public registered to speak.

Mr. Garcia asked Roseann Sorrentino to call the roll.

RESOLUTION 22:12 APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN EDUCATIONAL RECEIVABLES FILES

Marnie B. Grodman, Esq. presented Resolution 22:12 to the Board.

HESAA's current term for the placement of new collections files with outside attorneys is set to expire at the end of this year. Accordingly, on October 26, 2012 HESAA issued a Request for Qualifications seeking proposals from qualified law firms to create a new list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection. Additionally, the firms on the list will represent HESAA in contesting the dischargeability of a debtor from bankruptcy, in Administrative Wage Garnishment hearings and

collection related appellate work. The term of the appointment for the placement of new files will be two years.

HESAA mailed the RFQ to the law firms currently providing these services to HESAA and other entities that reached out to HESAA, posted the RFQ on HESAA's website and advertised the RFQ in the Trenton Times, Star Ledger, Courier News, and Home News.

HESAA received proposals from six law firms, all of which currently represent HESAA. One of the proposals was deemed non-responsive as it did not provide a contingency fee rate for NJCLASS collections.

Selection Process

An evaluation committee made up of HESAA's Controller, Associate Director of Default/Collections, Defaults/Collections Program Officer, Director of Audits and Quality Assurance and Director of Legal and Governmental Affairs met and reviewed each of the responsive proposals.

The selection criteria used for reviewing the proposals were:

- Knowledge and experience of attorneys and firm in educational receivables collections, bankruptcy, and Administrative hearings and appellate work;
- The firm's recovery performance;
- Average time it takes the firm to liquidate debt;
- Resources of the firm;
- Approach to communication with HESAA; and
- Past experience of HESAA with the firm and/or attorneys.

The committee determined that a firm must achieve a minimum score of 2500, meaning that it was deemed "fair" in all of these categories, to be recommended for placement on the list. The committee also agreed that for administration and auditing purposes no more than four firms would be selected. All of the potential bidders were advised that the list was limited to four firms via HESAA's website on November 16, 2012.

Based on the reviews, one firm did not meet the minimum threshold for appointment. The committee recommends that the remaining four firms, Russell P. Goldman P.C., Richard W. Krieg, LLC, Schachter Portnoy, LLC and Solomon & Solomon PC be placed on the list.

Once firms are placed on the list, HESAA staff will assign files to the firms based on the following criteria, as was specified in the RFQ:

- The background, qualifications, skills, and experience of the firm and its staff with specific reference to educational receivables collections practice;
- The firm's degree of expertise in all facets of providing legal services relating to educational receivables collections;
- HESAA's prior experiences with the firm, if applicable;
- The firm's recovery performance;

- The average time it takes the firm to liquidate debt;
- The firm's handling of customer service issues;
- The firm's familiarity with the work, requirements, and systems of New Jersey State Authorities and those of the Higher Education Student Assistance Authority;
- Geographical location of the firm's offices; and
- With respect to educational receivable files, their contingency rate.

A motion to approve Resolution 22:12 was made by Mr. James Allen and seconded by Mr. George Garcia.

Fr. Braden questioned whether the evaluation committee took into account how the firms treat HESAA's customers.

Ms. Grodman explained that the proposals described how the firms communicate with HESAA. HESAA further looks at how the firms handle customer service issues when determining whether to place files with the firms. Gabrielle Charette assured Fr. Braden that HESAA does not engage collection agencies only law firms.

Christy Van Horn and Julio Marengo asked additional questions regarding how the law firms communicate with customers. Marnie Grodman explained that HESAA does the initial collection work in house both calling and sending letters to the borrowers. David Gillespie, Associate Director of Servicing and Collections explained once the attorneys are assigned a matter they send a letter to debtors giving them 30 days to contact the firm and work out a payment plan. Staff assured the Board that HESAA conducts management reviews and visits of all engaged law firms.

Christy Van Horn requested that staff provide the board with a copy of the initial letter sent from each of the firms. HESAA agreed to provide same.

The motion was passed unanimously.

RESOLUTION 23:12 AUTHORIZING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (THE "AUTHORITY") TO DIRECT THE AUCTION AGENT TO APPOINT MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED DOING BUSINESS AS BANK OF AMERICA MERRILL LYNCH AS SUCCESSOR BROKER-DEALER FOR OUTSTANDING AUCTION RATE BONDS, AUTHORIZING THE AUTHORITY TO DIRECT THE TRUSTEE TO APPOINT BANK OF AMERICA MERRILL LYNCH AS SUCCESSOR MARKET AGENT FOR OUTSTANDING AUCTION RATE BONDS, AUTHORIZING THE ACKNOWLEDGEMENT OF A BROKER-DEALER AGREEMENT BETWEEN THE AUCTION AGENT AND BANK OF AMERICA MERRILL LYNCH, AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH

Eugene Hutchins presented Resolution 23:12 to the Board.

The purpose of the resolution is to request the Board's approval to direct the Auction Agent (Bank of New York) to appoint Merrill Lynch Pierce Fenner and Smith Incorporated, doing business as Bank of America Merrill Lynch (BofAML), as successor Broker Dealer for the

remaining \$127.925 million in failed Auction Rate Securities (ARS) within the HESAA 1998 Master Trust Indenture and to direct the Trustee (Wells Fargo Bank, NA) to appoint Bank of America Merrill Lynch as successor Market Agent for these bonds. This recommendation is being made in light of events occurring in the municipal bond market.

On September 12, 2012 Standard & Poor's (S&P) notified the market that effective November 1, 2012, it would be exiting the short term index business after years of providing the marketplace with various short term indices. This action was inclusive of the J.J. Kenny High Grade Index rate used in our indenture to determine the auction rate yield for all of the remaining HESAA failed ARS in the 1998 Master Trust that were issued from 2001-2007.

Since S&P's announcement in September, UBS has been contacted a number of times and has responded that the issue was under internal legal review. It is now approaching the revised December 31, 2012 S&P exit date and UBS has still taken no action to identify a replacement index, nor has it indicated that action is imminent. Therefore, it is in the interests of the Authority to take action to direct the Trustee to replace UBS as Market Agent on our outstanding ARS rather than risk arriving at the December 31 date with no replacement index in place. BofAML is our current Senior Manager, has indicated their willingness to perform the Market Agent role and has identified the S&P Municipal Bond 7 Day High Grade Rate Index to replace the J.J. Kenny High Grade Index. It should be noted that the Market Agent receives no fee for serving in this capacity.

In addition, the Authority is able to obtain cost savings by directing the Auction Agent to consolidate the Broker Dealer function under BofAML. Each series of bonds from 2001-2007 has had multiple broker-dealers. Nearly all Student Loan ARS have failed since February 2008 and are expected to continue to fail. Nevertheless, as noted above, each auction must be conducted to conform to the bond indentures.

BofAML has agreed to perform this function for all Series for 5 basis points on ARS outstanding. This will save the Authority \$128,000 a year in Broker Dealer fees. It will also provide the Authority a greater opportunity to understand the composition of its remaining ARS holders, and enable us to directly seek additional purchases these failed bonds.

It is recommended that the Board approve Resolution 23:12 which authorizes the Authority to direct the Trustee to appoint BofAML as successor Market Agent for the 2001 through 2006 bonds and for the Auction Agent Bank of New York to appoint BoAML as successor Broker Dealer for the 2001 through 2007 bonds and authorizes Authority staff to work with the Trustee and the Auction Agent to execute the necessary agreements.

Mr. Hutchins introduced Ms. Leah Sandbank, Bond Counsel of McManimon, Scotland and Baumann, LLC who provided the following report on the resolution.

Ms. Sandbank explained that the resolution goes through each of the supplemental indentures and broker dealer agreements and authorizes the authorized officials to direct the auction agent and trustee to take action to terminate each of the broker dealer agreements and to replace them with an agreement with BofAML as well as to terminate UBS's appointment as Market Agent for the 2001 to 2006 bonds and acknowledge a new broker dealer agreement and execute any other necessary documents.

A motion to approve Resolution 23:12 was made by Mr. James Allen and seconded by Ms. Christy Van Horn.

The motion was passed unanimously.

After the motion passed Fr. Braden asked what a failed auction rate means.

Mr. Hutchins explained that in February 2008 the auction bond market basically stopped functioning. The investment banks that had been supporting the auctions behind the scenes and unbeknownst to most of the issuers suddenly withdrew all of their capital support and basically stated from that day forward the bonds would not receive any bids from the banks. As a result there was a mass flight of any remaining investors. All that could did get out and most current bondholders were stuck holding those bonds. Since 2008, there have been a series of settlement agreements entered into by investment banks with various attorney generals and the SEC. They have settled out with most of the individual investors so that any mom and pop investor was taken out at par. We have over the last three years engaged in a fairly aggressive repurchase program from these investment banks, and of the \$1.5 billion in auction that were outstanding in January 2009, only \$127.9 million remain outstanding. We continue to work on resolving the balance of these bonds. In the meantime as is happening all over the country with every issuer that still has auction bonds outstanding auctions are conducted, there are no bids, and the auction fails. This does not mean that the investors holding those bonds don't get any yield, they are actually paid a penalty yield equal to 175 percent of index rate which is what we are dealing with today. In higher interest rates environment that would be a great benefit but for right now with JJ Kenny High Grade Index interest rate being about 30 basis points we end up paying 54 basis points on these failed bonds. Everybody's goal is to get the remaining bonds out of the market. The initial investors were taken out at par a long time ago. We are in a wind down situation; we are not issuing any new auction rate bonds and are trying to take out those that are left.

Elaine Papas Varas asked how BofAML was selected. Mr. Hutchins explained that they were chosen as Market Agent because they are the Senior Manager and there is no fee for the market agent. With regard to the broker dealer, there are not many banks occupying this space. All others currently in the market hold HESAA's bonds and therefore have an inherent conflict of interest.

BofAML does not hold any of HESAA's bonds and is willing to act as broker dealer at a reduced rate.

RESOLUTION 24:12 ADOPTION OF AMENDMENTS TO THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP PROGRAM AND THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II PROGRAM POLICIES AND PROCEDURES, N.J.A.C. 9A:9-10 AND 11.

Marnie B. Grodman, Esq. presented Resolution 24:12 to the Board.

On May 2, 2012, P.L. 2012, c. 8 was enacted, amending the NJSTARS and NJSTARS II programs.

At its July 25, 2012 meeting the HESAA Board approved the proposed amendments to N.J.A.C. 9A:9-10 and 9-11 incorporating these statutory changes and providing clarifications as requested by students and institutions of higher education. The Proposed Rule No. PRN 2012-126, was published in the September 17, 2012 New Jersey Register at 44 N.J.R. 2232(a), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was mailed to interested parties. The 60-day legislative review period for this rule expired on October 17, 2012, with no comments received and the public comment period for this rule expired on November 16, 2012. HESAA received one comment from the public which did not require any additional amendments.

A copy of the Rule Proposal, as published in the September 17, 2012 New Jersey Register was included in the materials sent to the Board. Now staff is requesting the Board's approval to adopt these amendments.

A motion to approve Resolution 24:12 was made by Dr. Jon Larson and seconded by Mr. James Allen. The motion was passed unanimously.

RESOLUTION 25:12 APPROVING PURCHASE OF COMPUTER EQUIPMENT PURSUANT TO STATE CONTRACT

Greg Myer presented Resolution 25:12 to the Board.

The Higher Education Student Assistance Authority would like to purchase an enterprise server and accompanying storage device. The new server and storage device will support HESAA's current business applications, along with continued expansion of the customer self-service portal used by students, families and schools. Purchase of this equipment also provides infrastructure necessary to continue moving toward Federal Information Security Management Act (FISMA) compliance.

This past summer, during HESAA's peak processing period, the current HESAA enterprise server was utilizing 99.7 percent of the computer processor. This resulted in a delayed response to requests from both customers and internal staff.

The current enterprise server is more than seven years old and the accompanying storage device is more than 13 years old. The proposed enterprise server, IBM System z114 Model B02, offers a processing speed that is three times faster than HESAA's current model. Additionally, the system has the ability to add capacity on demand. This means HESAA can expand processing

ability for specific months as needed, eliminating additional costs for additional capacity when it is not needed.

The recommended storage device, IBM Totalstorage DS8870, would provide for data access speeds that are ten times faster than the current storage device. The storage device, which is sized at three terabytes, would double HESAA's current data storage capacity.

The IBM enterprise server is available for purchase pursuant to NJ State Contract number 79022 at the cost of \$292,072, including professional services.

The IBM Totalstorage DS8870 storage subsystem is available for purchase pursuant to NJ State Contract number 70265 at the cost of \$121,000.

The total cost of both purchases would be \$413,072 – if the purchase is completed before December 31, 2012, \$100,000 less than if the equipment is purchased after that date. HESAA will be able to finance over a period of five years at a fixed interest rate of 1 percent. HESAA's capital budget has sufficient funds reserved to cover this year's expense.

HESAA respectfully requests the Board's approval to purchase the equipment, pursuant to N.J.S.A. 18A:71A-10 d., which says that HESAA, without advertising for bids, may purchase materials, supplies or equipment pursuant to a contract entered into on behalf of the State.

Gene Hutchins clarified that while the resolution is approving is for a finance interest rate not to exceed 2.78% the actual interest rate will be one percent.

A motion to approve Resolution 25:12 was made by Fr. Michael Braden and seconded by Dr. Jon Larson.

Dr. Kesselman asked how this particular server was chosen. Greg Myer, Ruth Odom and Marnie Grodman explained that this system would integrate with HESAA's existing IBM hardware. If HESAA used another company there would be additional cost to replace data input devices, DASD and other peripheral devices. Additionally as this equipment is available pursuant to State Contract there will be no delays in meeting HESAA's immediate needs.

Anthony Falcone asked whether this purchase was included in the last meeting's budget request. Gabrielle Charette explained that at the last meeting the computer procurement discussed was for the TAG operating system not the enterprise server. However, this procurement is covered by the administrative capital budget the Board approved in July.

The motion was passed unanimously.

Chair Garcia announced the next HESAA board meeting will be held on Wednesday January 23, 2013 at 10:00 am. A motion to adjourn was made by Mr. James Allen and seconded Fr. Michael Braden.

The meeting adjourned at 2:50 pm.

RESOLUTION 22:12

**APPOINTING SPECIAL COUNSEL TO A LIST OF ATTORNEYS TO ASSIGN
EDUCATIONAL RECEIVABLES FILES**

Moved by: Mr. James Allen
Seconded by: Mr. George Garcia

WHEREAS: On October 26, 2012 the Higher Education Student Assistance Authority (HESAA) issued a Request for Qualifications (RFQ) seeking proposals from qualified law firms to create a list of outside counsel to which HESAA can assign defaulted student loans and other educational receivables for collection; and

WHEREAS: Six law firms provided proposals in response to the RFQ, five of which were deemed responsive; and

WHEREAS: An evaluation committee made up of HESAA's Controller, Associate Director of Default/Collections, Defaults/Collections Program Officer, Director of Audits and Quality Assurance and Director of Legal and Governmental Affairs met and reviewed each of the proposals; and

WHEREAS: The list of outside counsel is limited to a maximum of four firms, all of which are required to exceed an evaluation score of 2500; and

WHEREAS: Four of the five firms with responsive proposals exceeded the minimum score for placement on the list of attorneys to which HESAA assigns educational receivable files.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board hereby appoints Russell P. Goldman P.C., Richard W. Krieg, LLC, Schacter Portnoy, LLC and Solomon & Solomon PC as Special Counsel to be placed on a List of Attorneys to Assign Educational Receivables Files for a two-year term.

December 17, 2012

RESOLUTION 23:12

RESOLUTION AUTHORIZING THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (THE "AUTHORITY") TO DIRECT THE AUCTION AGENT TO APPOINT MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED DOING BUSINESS AS BANK OF AMERICA MERRILL LYNCH AS SUCCESSOR BROKER-DEALER FOR OUTSTANDING AUCTION RATE BONDS, AUTHORIZING THE AUTHORITY TO DIRECT THE TRUSTEE TO APPOINT BANK OF AMERICA MERRILL LYNCH AS SUCCESSOR MARKET AGENT FOR OUTSTANDING AUCTION RATE BONDS, AUTHORIZING THE ACKNOWLEDGEMENT OF A BROKER-DEALER AGREEMENT BETWEEN THE AUCTION AGENT AND BANK OF AMERICA MERRILL LYNCH, AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH

Moved: Mr. James Allen
Seconded: Ms. Christy Van Horn

WHEREAS, the Higher Education Student Assistance Authority (the "**Authority**") is a body corporate and politic constituting an instrumentality of the State of New Jersey established and created under and by virtue of the provisions of the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, as amended and supplemented and any successor legislation (the "**Act**"); and

WHEREAS, the Authority entered into the Indenture of Trust, dated as of June 1, 1998, between the Authority and Trustee, as amended and supplemented (the "**Indenture**"); and

WHEREAS, pursuant to the Act and the Indenture, the Authority has issued (a) \$190,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2001 Series A through and including 2001 Series D (the "**Series 2001 Bonds**") as authorized by the Fourth Supplemental Indenture, dated as of June 1, 2001 (the "**Fourth Supplemental Indenture**"); (b) \$166,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2002 Series A through and including 2002 Series D (the "**Series 2002 Bonds**") as authorized by the Fifth Supplemental Indenture, dated as of June 1, 2002 (the "**Fifth Supplemental Indenture**"); (c) \$212,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2003 Series A through and including 2003 Series E (the "**Series 2003 Bonds**") as authorized by the Sixth Supplemental Indenture, dated as of May 1, 2003 (the "**Sixth Supplemental Indenture**"); (d) \$200,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2004 Series A through and including 2004 Series D (the "**Series 2004 Bonds**") as authorized by the Seventh Supplemental Indenture, dated as of April 1, 2004 (the "**Seventh Supplemental Indenture**"); (e) \$225,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2005 Series A through and including 2005 Series D (the "**Series 2005 Bonds**") as authorized by the Eighth Supplemental Indenture, dated as of May 1, 2005 (the "**Eighth Supplemental Indenture**"); (f) \$225,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2006 Series A through and including 2006 Series D (the "**Series 2006 Bonds**") as authorized by the Ninth Supplemental Indenture, dated as of April 1, 2006 (the "**Ninth Supplemental Indenture**"); and (g) \$275,000,000 in aggregate principal amount of its Student Loan Revenue Bonds, 2007 Series A through and including 2007 Series D (the "**Series 2007 Bonds**") as authorized by the Tenth Supplemental Indenture, dated as of May 1, 2007 (the "**Tenth Supplemental Indenture**"); the Series 2001 Bonds, the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2006 Bonds, and the

Series 2007 Bonds are collectively referred to in this Resolution as the “**Bonds**”; and the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, and the Tenth Supplemental Indenture are collectively referred to in this Resolution as the “**Supplemental Indentures**”; and

WHEREAS, Merrill Lynch, Pierce, Fenner & Smith Incorporated doing business as Bank of America Merrill Lynch currently serves as senior managing underwriter with respect to the Bonds, The Bank of New York Mellon serves as Auction Agent for the Bonds (the “Auction Agent”) and Wells Fargo Bank, N.A. serves as Trustee for the Bonds (the “Trustee”); and

WHEREAS, pursuant to the Broker-Dealer Agreements described below, each by and between the Auction Agent and each Broker-Dealer, the banks described below serve as Broker-Dealers with respect to the outstanding Bonds; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Fourth Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS PaineWebber, Inc., and (ii) Goldman Sachs & Co., as the Broker-Dealers for the Series 2001 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the Series 2001 Bonds; and

WHEREAS, pursuant to Section 4.1 of each Broker-Dealer Agreement for the Series 2001 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement between the Auction Agent and UBS PaineWebber, Inc., as Broker-Dealer, dated June 1, 2001; and (ii) the Broker-Dealer Agreement between the Auction Agent and Goldman Sachs & Co., as Broker-Dealer, dated June 1, 2001; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Fifth Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS PaineWebber, Inc., and (ii) Goldman Sachs & Co., as the Broker-Dealers for the Series 2002 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the Series 2002 Bonds; and

WHEREAS, pursuant to Section 4.1 of each Broker-Dealer Agreements for the Series 2002 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement between the Auction Agent and UBS PaineWebber, Inc., as Broker-Dealer, dated June 1, 2002; and (ii) the Broker-Dealer Agreement between the Auction Agent and Goldman Sachs & Co., as Broker-Dealer, dated June 1, 2002; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Sixth Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS PaineWebber, Inc., (ii) Citigroup Global Markets, Inc.; and (iii) RBC Dain Rauscher, as the Broker-Dealers for the Series 2003 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the Series 2003 Bonds; and

WHEREAS, pursuant to Section 4.1 of the Broker-Dealer Agreements for the Series 2003 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement between the Auction Agent, and UBS PaineWebber, Inc., as Broker-Dealer, dated May 1, 2003; (ii) the Broker-Dealer Agreement between the Auction Agent and Citigroup Global Markets, Inc., as Broker-Dealer, dated May 1, 2003; and (iii) the Broker-Dealer Agreement

between the Auction Agent, and RBC Dain Rauscher, Inc., as Broker-Dealer, dated May 1, 2003; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Seventh Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS Financial Services, Inc., (ii) Citigroup Global Markets, Inc., and (iii) RBC Dain Rauscher, as the Broker-Dealers for the Series 2004 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the Series 2004 Bonds; and

WHEREAS, pursuant to Section 4.1 of the Broker-Dealer Agreements for the Series 2004 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement between the Auction Agent, and RBC Dain Rauscher, Inc., as Broker-Dealer, dated April 1, 2004; (ii) the Broker-Dealer Agreement between the Auction Agent, and Citigroup Global Markets, Inc., as Broker-Dealer, dated April 1, 2004; (iii) the Broker-Dealer Agreement between the Auction Agent and UBS Financial Services, Inc., as Broker-Dealer, dated April 1, 2004;; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Eighth Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS Financial Services, Inc.; (ii) Citigroup Global Markets, Inc.; (iii) RBC Dain Rauscher, Inc.; (iv) Goldman Sachs & Co.; and (iv) Morgan Stanley & Co., Inc., as the Broker-Dealers for the Series 2005 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the Series 2005 Bonds; and

WHEREAS, pursuant to Section 4.1 of the Broker-Dealer Agreements for the Series 2005 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement among the Auction Agent, the Authority, and RBC Dain Rauscher, Inc., as Broker-Dealer, dated May 1, 2005; (ii) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Citigroup Global Markets, Inc., as Broker-Dealer, dated May 1, 2005; (iii) the Broker-Dealer Agreement among the Auction Agent, the Authority, and UBS Financial Services, Inc., as Broker-Dealer, dated May 1, 2005; (iv) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Goldman Sachs & Co., as Broker-Dealer, dated May 1, 2005; and (v) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Morgan Stanley & Co., Inc., as Broker-Dealer, dated May 1, 2005; and

WHEREAS, pursuant to Section 1.15(b) of Exhibit A of the Ninth Supplemental Indenture, the Authority wishes to direct the Auction Agent to remove (i) UBS Securities, LLC, (ii) Citigroup Global Markets, Inc., (iii) RBC Dain Rauscher, and (iv) Goldman Sachs & Co., as the Broker-Dealers for the Series 2006 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for all of the 2006 Bonds; and

WHEREAS, pursuant to Section 4.1 of the Broker-Dealer Agreements for the Series 2006 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement between the Auction Agent, and RBC Dain Rauscher, Inc., as Broker-Dealer, dated April 1, 2006; (ii) the Broker-Dealer Agreement between the Auction Agent, and Citigroup Global Markets, Inc., as Broker-Dealer, dated April 1, 2006; (iii) the Broker-Dealer Agreement between the Auction Agent, and UBS Securities, LLC, as Broker-Dealer, dated April 1, 2006; and (iv) the Broker-Dealer Agreement between the Auction Agent, and Goldman Sachs & Co., as Broker-Dealer, dated April 1, 2006; and

WHEREAS, pursuant to Exhibit A-2 of the Tenth Supplemental Indenture entitled "Broker-Dealers," the Authority wishes to direct the Auction Agent to remove (i) UBS Securities,

LLC; (ii) Citigroup Global Markets, Inc.; (iii) RBC Dain Rauscher, Inc.; (iv) Goldman Sachs & Co.; and (v) Morgan Stanley & Co., Inc., as the Broker-Dealers for the Series 2007 Bonds, and simultaneously therewith appoint Bank of America Merrill Lynch as sole Broker-Dealer for the 2007 Bonds; and

WHEREAS, pursuant to Section 5.1(a) of the Broker-Dealer Agreements for the Series 2007 Bonds, the Authority wishes to direct the Auction Agent to terminate: (i) the Broker-Dealer Agreement among the Auction Agent, the Authority, and RBC Dain Rauscher, Inc., as Broker-Dealer, dated May 1, 2007; (ii) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Citigroup Global Markets, Inc., as Broker-Dealer, dated May 1, 2007; (iii) the Broker-Dealer Agreement among the Auction Agent, the Authority, and UBS Securities, LLC, as Broker-Dealer, dated May 1, 2007; (iv) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Goldman Sachs & Co., as Broker-Dealer, dated May 1, 2007; and (v) the Broker-Dealer Agreement among the Auction Agent, the Authority, and Morgan Stanley & Co., Inc., as Broker-Dealer, dated May 1, 2007; and enter into a new Broker-Dealer Agreement with Bank of America Merrill Lynch acting as Broker-Dealer for the Series 2007 Bonds; and

WHEREAS, to evidence the appointment of Bank of America Merrill Lynch as successor Broker-Dealer for each Series of Bonds, the Auction Agent shall enter into a Broker-Dealer Agreement with Bank of America Merrill Lynch and the Authority desires to acknowledge such agreement; and

WHEREAS, pursuant to the Market Agent Agreements (as hereinafter defined) and Section 1.13 of Exhibit A to the Supplemental Indentures, the Authority wishes to direct the Trustee to remove UBS Securities, LLC, as the Market Agent under (i) the Market Agent Agreement dated as of June 1, 2001 between UBS Securities, LLC, and the Trustee (the "2001 Market Agent Agreement"); (ii) the Market Agent Agreement dated as of June 1, 2002 between UBS Securities, LLC, and the Trustee (the "2002 Market Agent Agreement"); (iii) the Market Agent Agreement dated as of May 1, 2003 between UBS Securities, LLC, and the Trustee (the "2003 Market Agent Agreement"); (iv) the Market Agent Agreement dated as of April 1, 2004 between UBS Securities, LLC, and the Trustee (the "2004 Market Agent Agreement"); (v) the Market Agent Agreement dated as of May 1, 2005 between UBS Securities, LLC, and the Trustee (the "2005 Market Agent Agreement"); and (vi) the Market Agent Agreement dated as of April 1, 2006 between UBS Securities, LLC, and the Trustee (the "2006 Market Agent Agreement," and together with the 2001 Market Agent Agreement, the 2002 Market Agent Agreement, 2003 Market Agent Agreement, 2004 Market Agent Agreement, and the 2005 Market Agent Agreement, collectively the "**Market Agent Agreements**"); and simultaneously therewith to appoint Bank of America Merrill Lynch as successor Market Agent; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (not less than a majority of a quorum thereof affirmatively concurring) **AS FOLLOWS:**

Section 1. The recitals are incorporated by reference as if set forth at length herein.

Section 2. The Authority hereby authorizes the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer and any other authorized representative or designee of the Authority, (each, an "Authorized Official" and collectively, the "Authorized Officials"), to direct the Auction Agent to (a) terminate all existing Broker-Dealer Agreements for Outstanding Bonds, (b) appoint Bank of America Merrill Lynch as successor Broker-Dealer for all Outstanding Series of Bonds and (c) evidence such appointment by

entering into a Broker-Dealer Agreement between the Auction Agent and Bank of America Merrill Lynch, which agreement shall be acknowledged by the Authority, in form and substance satisfactory to McManimon, Scotland & Baumann, LLC, as bond counsel and the Office of the Attorney General.

Section 3. The Authority hereby authorizes the Authorized Officials to direct the Trustee to (a) remove UBS Securities LLC as Market Agent for all Outstanding Bonds and (b) appoint Bank of America Merrill Lynch as successor Market Agent, as evidenced by an amended and restated Market Agent Agreement or assignment of Market Agent Agreements to be entered into by and between the Auction Agent and Bank of America Merrill Lynch.

Section 4. The Authorized Officials, acting severally, are hereby authorized to acknowledge the Broker-Dealer Agreement between the Auction Agent and Bank of America Merrill Lynch, and take any other such action and execute any such documents, including providing such direction as described herein, as are necessary or desirable to effect the termination of existing Broker-Dealer Agreements, the removal of UBS Securities, LLC as Market Agent and the appointment of Bank of America Merrill Lynch as successor Market Agent and Broker-Dealer for all Outstanding Series of Bonds.

Section 5. The Authorized Officials, acting severally, are hereby authorized to execute such additional certificates, instruments and other documents and take such other actions as may be necessary or appropriate in connection with the transactions contemplated herein.

Section 6. This Resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State of New Jersey for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

Dated: December 17, 2012

RESOLUTION 24:12

ADOPTING AMENDMENTS TO THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP PROGRAM AND THE NEW JERSEY STUDENT TUITION ASSISTANCE REWARD SCHOLARSHIP II PROGRAM POLICIES AND PROCEDURES, N.J.A.C. 9A:9-10 AND 11.

Moved by: Dr. Jon Larson
Seconded by: Mr. James Allen

WHEREAS: HESAA is responsible for the administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Program pursuant to N.J.S.A. 18A:71B-86; and

WHEREAS: HESAA is responsible for the administration of the New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Program pursuant to N.J.S.A. 18A:71B-86.6; and

WHEREAS: P.L. 2012 c. 8 was approved on May 2, 2012 providing amendments to the NJ STARS and NJ STARS II Programs; and

WHEREAS: It is necessary to amend N.J.A.C. 9A:9-10 and 11 to reflect the statutory amendments and provide clarifications requested by students and institutions of higher education.

WHEREAS: At its July 25, 2012 meeting the HESAA Board approved the proposed amendments to N.J.A.C. 9A:10-10 and 11; and

WHEREAS: The Proposed Rule No. PRN 2012-126, was published in the September 17, 2012 New Jersey Register at 44 N.J.R. 2232(a), on the HESAA website at HESAA.org, sent to the Statehouse News Media and Secondary notice was mailed to interested parties; and

WHEREAS: The 60-day legislative review period for this rule expired on October 17, 2012, with no comments received; and

WHEREAS: The public comment period for this rule expired on November 16, 2012 with one comment received which did not require any additional amendments.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the Adoption of Amendments to the New Jersey Student Tuition Assistance Reward Scholarship Program and the New Jersey Student Tuition Assistance Reward Scholarship II Program Policies and Procedures, N.J.A.C. 9A:9-10 and 11.

December 17, 2012

RESOLUTION 25:12

**APPROVING PURCHASE OF COMPUTER EQUIPMENT PURSUANT TO STATE
CONTRACT**

Moved by: Fr. Michael Braden
Seconded by: Dr. Jon Larson

WHEREAS: The Higher Education Student Assistance Authority (HESAA) is seeking to purchase an enterprise server and accompanying storage device to support HESAA's current business applications and continued expansion of the customer self-service portal for use by students, families, and schools; and

WHEREAS: Purchase of this equipment also provides infrastructure necessary to continue moving toward Federal Information Security Management Act (FISMA) compliance; and

WHEREAS: Pursuant to N.J.S.A. 18A:71A-10 d., HESAA, without advertising for bids, may purchase materials, supplies or equipment pursuant to a contract entered into on behalf of the State; and

WHEREAS: The IBM enterprise server is available for purchase pursuant to NJ State Contract number 79022 at the cost of \$292,072 including professional services; and

WHEREAS: The IBM Totalstorage DS8870 storage subsystem is available for purchase pursuant to NJ State Contract number 70265 at the cost of \$121,000; and

WHEREAS: The total cost of both purchases will be \$413,072 if the purchase is completed before December 31, 2012 which is \$100,000 less than if the equipment is purchased after that date. HESAA will be able to finance over a period of five years at an interest rate not to exceed 2.78%.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the purchase of the IBM System z114 server pursuant to NJ State Contract number 79022 at the cost of \$292,072 including professional services; and be it further

RESOLVED: That the Board approves the purchase of the IBM Totalstorage DS8870 storage subsystem pursuant to NJ State Contract number 70265 at the cost of \$121,000; and be it further

RESOLVED: That the Board approves financing the purchases over five years at an interest rate not to exceed 2.78%.

December 17, 2012