

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

May 20, 2009

The Higher Education Student Assistance Authority (HESAA) Board held a meeting by conference call on May 20, 2009 at 3:00 p.m. from the HESAA offices in Hamilton.

PRESENT: Mr. Michael Angulo, Esq.; Mr. Richard Garcia; Ms. M. Wilma Harris; Mr. Tony Hubbard; Ms. Tabatha Ialacci; Dr. Joann LaPerla-Morales; Ms. Rossy Matos-Miranda; Ms. Jean McDonald Rash; Mr. Warren Smith; Ms. Nancy Style, Treasurer's Designee; and Ms. Maria Torres; members.

Also participating via teleconference were Joe Neal, Esq., Governor's Authorities Unit; Cheryl Clark DAG; and Dr. Glenn Lang, Executive Director, Educational Opportunity Fund.

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; and Cliff Rones, DAG.

ABSENT: Mr. Edward Graham; Dr. Harvey Kesselman; Rossy Matos-Miranda and Sr. Paula Marie Buley

CALL TO ORDER

Chair Torres called the meeting to order at 3:04 pm 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.

Nancy Reffner called the roll.

RESOLUTION 07:09 AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREOF.

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

Before you for approval is Resolution 07:09 relating to HESAA Bond Issue XVIII together with drafts of the various bond documents referenced in the resolution. The resolution authorizes a total bond sale not to exceed \$450.0 million in fixed rate bonds with a final maturity not later than June 1, 2044. The proceeds of the bonds (net of funds required for bond reserves) will be used to finance fixed rate standard NJCLASS loans, graduate/professional NJCLASS loans and loans under the NJCLASS Medical/Dental Student Loan pilot program.

The ongoing credit market crisis has required the Authority to continue the structure of last year's bonds of fixed rate serial and term bonds. From 2001 through 2007, HESAA was able to issue variable rate auction bonds to finance NJCLASS loans, which provided lower interest rates for our students, and the ability to extend recycling of bond proceeds to meet the growing demand for NJCLASS loans. However, the variable rate market for student loan bonds remains largely closed.

Under the provisions of the American Recovery and Reinvestment Act of 2009, the HESAA Student Loan Revenue bonds are not subject to the Alternative Minimum Tax provisions of the IRS Code as they have been in previous years, which should greatly strengthen their appeal to individual investors.

Total NJCLASS loan volume for academic year 2008-09 is expected to be close to \$400 million, with volume for academic year 2009-10 estimated to increase by 20%, as tuition and other costs of attendance continue to increase, while other sources of alternative loans continue to remain scarce. The senior manager will assess market conditions at the time of sale and in coordination with HESAA and the financial advisor will make final sizing and structuring decisions on the initial sale, which is now expected to take place in early June. If market conditions are unfavorable to sell all of the bonds in June, which is not currently anticipated, a second sale will be scheduled for later in the year. HESAA will use unexpended proceeds from the 2008 bonds to supplement amounts available from this bond issue to meet anticipated demand for NJCLASS undergraduate and graduate loans.

HESAA will also be allocating \$5.0 million of the 2009 bond proceeds to fund a NJCLASS Medical/Dental Student Loan pilot program to assist students at UMDNJ or New Jersey students who attend other medical schools. This program will assist those who have lost access to the alternative student loan market because many of the previous lenders for these loans have withdrawn from lending due to the credit crisis.

In order to further enhance the sale of the bonds in the current difficult market conditions, the Authority will pay the costs of issuance out of existing reserves and recover the advance over the life of the bonds. This will provide the bonds with an initial parity of the trust above par and make them more appealing to investors. HESAA is also discussing with its financial experts whether it would be appropriate to transfer residual reserves from the 1991 and 1992 trust estates where bonds have been fully retired and potentially provide additional Authority reserves to the 2009 trust estate in order to further enhance bond parity, and thereby obtain better interest rates on the bonds. This in turn would result in lower interest rates for students. As I stated above, because of currently anticipated favorable market conditions during the first week of June, the

underwriter has proposed bringing our bonds to market at that time and your approval of the bond resolution is an important step in that process.

The last thing I would like to bring to your attention before turning the presentation over to Leah Sandbank, who is our Bond Counsel, is that your package also included a copy of the servicing agreement that HESAA enters into with Wells Fargo, the Trustee of the bonds for HESAA to service the loans financed by the bonds. The servicing agreement is included as Attachment F.

Leah Sandbank made the following presentation.

We have in front of you for your consideration Resolution 07:09 authorizing the sale and issuance of student loan revenue bonds for the Authority's 2009-10 loan finance program and delivery of documents in connection therewith. The 2009 bonds are authorized to be issued in an amount not to exceed \$450 million in one or more series which may, but is unlikely, to include a series of subordinate obligations. If any, such subordinate obligations will not exceed \$45 million. The bonds are authorized to be sold pursuant to a bond purchase agreement to Merrill Lynch, Pierce, Fenner and Smith, Inc. When Bank of America and Merrill Lynch merged in 2008 the public finance business of Bank of America fell under Merrill Lynch so the Authority's contract is with underwriter Merrill Lynch.

The bonds shall be issued with a final maturity of June 1, 2044 with a stated interest rate not to exceed 8% and any subordinate obligations should not exceed 12%. The bonds are authorized to be sold pursuant to a new master indenture. The new trust indenture was drafted to provide maximum flexibility for this issue and future issues so that the Authority does not have to enter into a new master trust each year. This master trust indenture provides that additional series of bonds may be issued insured or uninsured, with a fixed or variable rate of interest, and may be secured by loans originated under the NJCLASS loan program or FFELP loan program should the Authority choose to originate FFELP loans in the future.

The Resolution also authorizes the first supplemental indenture for the 2009 program. The 2009 bonds shall be sold as fixed rate uninsured tax exempt bonds. The proceeds of the 2009 bonds will be used to originate fixed rate standard NJCLASS loans, fixed rate Graduate/Professional loans in a maximum amount of \$30 million and NJCLASS Medical/Dental Pilot Loans in a maximum amount of \$5 million. The 2009 bonds will also fund a capitalized interest fund and the debt service reserve fund.

Although the resolution also authorizes the Authority in consultation with the Treasurer and the Attorney General to purchase a surety bond for the 2009 reserve requirement, it is unlikely that there are any surety bond providers for the 2009 reserve requirement at this time. The bond resolution also authorizes a servicing agreement to be entered into between the Authority and Wells Fargo, who is also reappointed as trustee and paying agent. The servicing agreement is in substantially the same form as the existing servicing agreement.

The resolution also authorizes a continuing disclosure agreement for the Authority to comply with securities law, Rule 15C2-12.

Lastly, the resolution authorizes a preliminary official statement to be distributed to the financial community in connection with the marketing of the bonds. The preliminary official statement will be deemed final as of the date of the sale of the bonds and execution of the purchase contract.

Motion to approve the resolution was made by Wilma Harris and seconded by Tony Hubbard. There was a brief discussion and the motion was adopted unanimously by roll call.

RESOLUTION 08:09 REAPPOINTING MERCADIEN, PC AS INDEPENDENT AUDITOR

Nancy Style presented this Resolution to the Board on behalf of Dr. Harvey Kesselman.

Following the April 22, 2009 Board meeting, the Audit Committee met to discuss extending the Mercadien, PC contract for the first of two optional one year periods. The Committee expressed their unanimous support of the audit work conducted by Mercadien, PC and their clear presentations of audit results. Therefore, the Committee is recommending to the Board the reappointment of Mercadien, PC to serve as the Authority's auditor for the Fiscal Year ending June 30, 2009 as outlined on the attached Resolution 08:09 – Reappointing Mercadien, PC as Independent Auditor.

Motion to approve the resolution was made by Warren Smith, Esq., and seconded by Tabatha Ialacci. The motion was adopted unanimously by roll call.

RESOLUTION 09:09 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 Grodman will present this Resolution to the Board.

On December 19, 2008, Governor Corzine signed P.L. 2008 c. 124, providing amendments to the NJ STARS and NJ STARS II Programs. At the January 21, 2009 meeting, this Board voted to approve the proposed amendments to N.J.A.C. 9A:9-10 and 11, which reflect the statutory amendments. The Proposed Rule No. PRN 2009-88, was published in the March 16, 2009 New Jersey Register at 41 N.J.R. 1139(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 April 18, 2009, with no comments received and the public comment period expired on May 15, 2009 with no comments received.

A copy of the proposal as printed in the New Jersey Register was included in the board materials and no changes have been made to the proposal.

Motion to approve the resolution was made by M. Wilma Harris and seconded by Nancy Style. There was a brief discussion and the motion was adopted unanimously by roll call.

ADJOURNMENT

Chair Torres announced the next HESAA Board meeting will be held on Tuesday, July 21, 2009 at 10:00 am. A motion to adjourn was made by M. Wilma Harris and seconded by Warren Smith, Esq.

The meeting adjourned at 3:35 pm.