

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

October 7, 2011

The Higher Education Student Assistance Authority (HESAA) Board held a special meeting by conference call on October 7, 2011 at 3:00 pm from the HESAA offices in Hamilton.

PRESENT: Fr. Michael Braden; Ms. Gabrielle Charette, Esq.; Ms. Liscet Duran; Mr. Richard Garcia; Dr. Harvey Kesselman; Dr. Glenn Lang, Secretary of Higher Education Designee; Ms. Jean McDonald Rash; Mr. Christopher McDonough, Treasurer's Designee; Mr. Warren Smith, Esq., Ms. Maria Torres; Ms. Christy Van Horn; members.

Also participating via teleconference were David Reiner, Esq., Governor's Authorities Unit; Leah Sandbank, Bond Counsel, McManimon and Scotland; and Steven Kantor, Financial Advisor, First Southwest.

Participating in person: Cliff Rones, DAG and Joseph Santoro, Senior Manager, Bank of America Merrill Lynch.

ABSENT: Ms. M. Wilma Harris; Mr. Julio Marengo; Ms. Rossy Matos-Miranda; and Mr. Wilmot Wilson.

CALL TO ORDER

Chair Garcia called the meeting to order at 3:02 pm 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 Cliff Rones, Deputy Attorney General; David Reiner, Governor's Authorities Unit; Leah Sandbank, Bond Counsel, McManimon and Scotland; Joseph Santoro, Senior Manager, Bank of America Merrill Lynch, Steve Kantor, Financial Advisor, First Southwest and Dr. Glenn Lang, Secretary of Higher Education Designee.

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

Roseann Sorrentino called the roll.

RESOLUTION 16:11 AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS SERIES 2011-2 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 THEREWITH.

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

Before you today is the proposed resolution relating to the 2011-2 Bond Issue together with drafts of the various bond documents referenced in the resolution. The resolution authorizes a total bond sale not to exceed \$100.0 million in fixed rate bonds with a final maturity not later than December 1, 2046. These bonds will be issued under the 2010-2 Master Indenture of Trust. The proceeds of the bonds (net of funds required for bond reserves) will be used to finance fixed rate standard Option 1 and Option 2 NJCLASS loans, that also includes the Ten Year Option 1 loans. No additional fixed rate standard Option 3 loans, graduate/professional NJCLASS loans, NJCLASS Medical/Dental student loans or NJCLASS consolidation loans will be originated with the proceeds of the 2011-2 Bond Issue. There are sufficient funds remaining on hand at the Authority to fund for these various types of loans.

The 2011-2 Bonds are being issued for the following reasons:

- 1) Available Funding provided by the 2011-1 Bond Issue is expected to be fully exhausted by the end of December 2011.
- 2) Demand for NJCLASS loans during this academic year has remained strong through the present date, exceeding the original expectations that led to the sizing of the 2011-1 Bond Issue.

Due to the decrease in the market interest rates no additional equity contribution will be required to be contributed as part of this issuance. You may remember that equity contribution requirements are what constrained the size of the 2011-1 Bonds which closed last June. In effect, the drop in bond market interest rates is what is funding the equity contribution for this bond issue, and in fact, is what is making this bond issue possible.

The issue will be structured as serial and term bonds. The fact that only 10 year and 15 year loans are being financed, coupled with the steepness of the bond market yield curve should result in further costs of capital savings. The 2011-2 bonds will provide approximately \$60.0 million in additional funding for Option 1 and Option 2 15 year loans and \$10 million dollars for Option 1 10 year loans.

At this point Mr. Hutchins introduced Leah Sandbank to review the Bond Resolution.

Resolution 16:11 before you today sets forth the authorizations for an additional transaction to finance the Authority's loan origination needs for the upcoming academic year. The resolution sets forth the customary authorizations for a new issue of Student Loan Revenue Bonds, Series 2011-2. The 2011-2 Bonds are fixed rate bonds authorized in an amount not to exceed \$100,000,000, for the purpose of (i) originating new student loans, (ii) making the necessary deposits to the capitalized interest and debt service reserve funds and (iii) paying costs of issuance of the Bonds. The Underwriter appointed for the 2011-2 Bonds is Bank of America Merrill Lynch acting through Merrill Lynch Pierce Fenner & Smith for an underwriter's fee not to exceed .94% of the principal amount thereof pursuant to a bond purchase contract, the form of which is authorized therein.

This resolution further authorizes the Authority to enter into a third supplemental indenture with Wells Fargo Bank serving as trustee, as a supplement to the 2010-2 Indenture of Trust, as well as a preliminary and final official statement, servicing certificate and continuing disclosure

agreement 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 2011-2 Bonds.

Motion to approve the resolution was made by Dr. Harvey Kesselman and seconded by Mr. Warren Smith.

Christy Van Horn questioned in Attachment B, the Preliminary Official Statement, it states individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Have those been released for sale in multiples to a secondary market or is it kept whole in the giant purchase of \$ 73.500,000.

Gene Hutchins responded the denomination of the bonds are \$5000 each that's the minimum size of bonds that can be offered. Typically the way the sale is structured, is that we will have a retail order period one afternoon and following that retail order period we discuss the orders received so far, make any recommended adjustments to the yield curves in discussion with the Senior Underwriters' desk, and then proceed with the institutional order period. At the end of the institutional order period if there are bonds that remain unsold typically the Senior Manager, in this case Bank of America/Merrill Lynch, will agree to purchase those unsold bonds for subsequent marketing through their retail network. Basically once someone buys those bonds, there's nothing to prohibit them from subsequent sale of those bonds in a secondary market but we typically sell all the bonds during the retail and institutional order periods.

The motion was passed unanimously.

ADJOURNMENT

Chair Garcia announced the next HESAA Board meeting will be held on Wednesday, October 26, 2011 at 10:00 am. A motion to adjourn was made by Dr. Harvey Kesselman and seconded by Ms. Maria Torres.

The meeting adjourned at 3:15 pm.