

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

April 3, 2014

The Higher Education Student Assistance Authority (HESAA) Board held a special meeting by conference call on April 3, 2014 at 10:00 am at the HESAA offices in Hamilton.

PRESENT: Mr. James Allen; Fr. Michael Braden; Ms. Audrey Bennerson, Secretary of Higher Education Designee; Ms. Gabrielle Charette, Esq.; Mr. Anthony Falcone; Dr. Harvey Kesselman; Dr. Jon Larson; Mr. Julio Marengo; Mr. Christopher McDonough, Treasurer's Designee; Ms. Maria Torres and Ms. Christy Van Horn, Members.

ABSENT: Mr. George Garcia, Esq.; Ms. Jean McDonald Rash; Ms. Sumana Prasai; and Mr. David Reeth.

Also participating were Geoffrey Stark, DAG; Christopher Howard, Esq., Governor's Authorities Unit; Cliff Rones, Deputy Attorney General; Brian McGarry, Deputy Attorney General; Joe Santoro, Bank of America/Merrill Lynch, Senior Manager; Steven Kantor, First Southwest, Financial Advisor and Stephen Pearlman, Esq., Bond Counsel.

CALL TO ORDER

Anthony Falcone called the meeting to order at 10:02 am. Mr. Falcone stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Falcone welcomed the Board members.

Mr. Falcone welcomed Geoffrey Stark, Esq., DAG.

Mr. Falcone introduced Christopher Howard, Esq., Governor's Authorities Unit.

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

Mr. Falcone asked Roseann Sorrentino to call the roll.

RESOLUTION 06:14 AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, FIXED RATE BOND PURCHASE AGREEMENT, VARIABLE RATE BOND PURCHASE AGREEMENT, AND OTHER MATTERS IN CONNECTION THEREWITH

Gene Hutchins presented Resolution 06:14 to the Board.

Before beginning his presentation he identified the members of the financing team that were present: Stephen Pearlman, Esq., Bond Counsel; Steven Kantor, Financial Advisor; Joseph Santoro, Senior Manager and Cliff Rones, Deputy Attorney General.

Resolution 6:14 relates to the 2014-1 Bond Issue together with the drafts of the various bond documents referenced in the resolution. The resolution authorizes a total bond sale not to exceed \$250.0 million in bonds with a final maturity not later than June 1, 2049. These bonds will be issued under the existing 2012-1 Master Indenture of Trust and will be used to finance standard NJCLASS loans, including Ten Year Option 1 Fixed and Variable Rate Loans, Graduate/Professional NJCLASS Loans, and NJCLASS Consolidation Loans.

Credit markets make it most advantageous for the Authority to continue the structure of last year's bonds of fixed rate serial and term bonds as well as a series of variable rate bonds. The steepness of the bond market yield curve has also led the Authority to continue the replacement of its 20-year fixed rate standard loan with a 15-year loan for options 1 and 2, which results in a lower interest rate charged to borrowers, a minimal increase in the borrowers' monthly payments, and allows the loans to be paid off sooner and at a lower total cost to the borrower.

The 2014-1 Bonds will include a series of variable rate bonds indexed to LIBOR to fund a pilot program of NJCLASS 10-year Variable Rate loans. In today's low interest rate environment, these Variable Rate loans offer qualified borrowers lower interest rates than other NJCLASS loans while providing protection against rising interest rates. The protection is derived from a cap which is expected to be set at 9.9% for the loans. The interest rate cap to borrowers is made possible as a result of a cap on the variable rate bonds which is expected to be set at 8.5%. Banc of America Preferred Funding Corporation is expected to purchase the entire \$25 million of Variable Rate bonds. FirstSouthwest, the Authority's Financial Advisor, will advise HESAA on the terms of this direct placement. This bond is being privately placed to obtain financing features not generally available from the market, including purchase of a small size issue in the LIBOR Floating rate market where size tends to be much higher, the relatively low interest cap not generally available in the market, and the long closing period between the day the variable rate bond is priced and the closing date approximately six weeks later. It is anticipated that this bond will be priced just before the Preliminary Official Statement for the publically offered fixed rate bonds is printed, so that potential investors of the fixed rate bonds will be fully informed of all the features of this new aspect of our financings.

The 2014-1 Bonds will also include subordinated bonds as part of the overall bond structure. These are subordinated fixed rate bonds. These subordinated bonds will be the last bonds retired in the bond issue, and the bondholders will have subordinated payment rights and subordinated credit rights in the unlikely event of a bond trust default. In return, these bonds carry a higher rate of interest and appeal to investors willing to take higher risk in exchange for a higher yield. It should be noted that although subordinate, these bonds are expected to carry an investment grade rating of A2/A from Moody's and Standard and Poor's, respectively.

The 2014-1 bonds will not use bond insurance since the use of bond insurance is no longer economical.

The Authority will be required to provide up to \$8 million dollars in over collateralization, however it is anticipated that through the successful sale of the subordinated bonds HESAA's equity contribution is expected to be around \$4 million. Agency Operating Funds, the NJCLASS Life of Loan Servicing Reserves and the NJBEST Scholarship Administrative reserves will be used to fund this \$4 million contribution and will be paid from this equity generated by this bond issue and other issues over the next 5 to 10 years.

Bond Counsel will review the provisions of the Bond Resolution:

Steve Pearlman, Esq., noted that while the Board memo correctly stated that the amount of the issuance is not to exceed in the aggregate principal amount \$250 million Section 1 of the Resolution reads "not to exceed \$220 million." He advised that the Board would be voting based on the \$250 million.

In addition, Mr. Pearlman advised that when the Board votes to authorize a bond resolution of this sort they are delegating authority to authorize officers, but within certain parameters which are set forth basically on page 3 of the Resolution. The final maturity of the Bonds has to be June 1, 2059; there can't be optional redemption prices in excess of 103%; the call protection cannot exceed 10 years and the interest rate cannot exceed 8.5%. Legally, the Board has to have parameters when delegating but the delegation is within those parameters. Mr. Pearlman also pointed out that in Section 4 of the Resolution the Board is authorizing the transfer referenced by Mr. Hutchins pertains to the need to produce enough equity to satisfy the rating agencies, and then finally they are authorizing the various agreements that are set forth in the memo, all of which are needed in order to issue the bonds through the market sale and close the bond issue.

Chris McDonough inquired as to the expected issue date of the bonds, to which Joe Santoro responded that HESAA plans to price on or about May 7th.

Mr. McDonough then asked whether the strategy was effected based on the fact that, while the yield curve is still steep it has started to flatten. Mr. Santoro explained that the strategy is primarily driven by a change in the federal student loan PLUS program, which is one of the primary competitors for the NJCLASS program. He explained that due to changes last year, student loan rates are set based on the last ten-year treasury auction in May, which is May 7th this year. To mitigate the potential risk of rapid changes in interest rates and a resulting negative impact on HESAA's loan programs, HESAA has elected to have their bond issue price in the market around the same time as the federal program.

A motion to approve Resolution 06:14 as amended was made by Mr. James Allen and seconded by Dr. Jon Larson.

Christy Van Horn asked for clarification on the private placement of the variable rate issue. Gene Hutchins responded that, in the private sector the private lenders offer variable rate loans with the same low interest rates that HESAA expects to offer as part of this newest program. However, they have no cap to the interest rate that could be charged to the borrowers. So that if something happens in the interest rate market, the borrower has no protection. Mr. Hutchins explained that in a municipal market there are variable rate bond investors, such as in this case Banc of America, that are willing to accept an 8.5% cap on the yield of the bonds. This means, even if market interest rates go to 12-15 % HESAA will never pay Banc of America more than

8.5%. Mr. Hutchins explained that there is nothing to suggest that interest rates will go that high, especially in the LIBOR Market, which has been flat to slightly down within the last year.

Ms. Van Horn asked why the borrower rate is capped at 9.9% to which Mr. Hutchins responded that the reason there is a difference between the two rates is rating agencies require a spread between cost of capital and what is charged to the borrowers. To get an investment grade rating it is necessary to have that spread to cover administration costs and potential loan losses.

Jon Larson inquired about the rates being paid on the most recent issue compared to rates at present time. Mr. Hutchins explained that there is not currently a variable rate program in effect. He explained that LIBOR has been remarkably stable all through the period during which treasury indexes have been moving all over. He believes this is because of the general interest rate environment that is occurring among the economies that determine LIBOR mainly western Europe. He advised that the projected starting rate for the NJCLASS variable rate program would be 4.5% and explained that on a \$15,000 dollar loan for every 25 bases point or .25% increase in the variable rate that would amount to an additional \$4.00 on the monthly payment. He stated that HESAA has received a lot of phone calls asking for this type of product.

In response to Ms. Van Horn's question as to whether this is HESAA's first time offering a variable rate product, Mr. Hutchins stated that when the federal PLUS loan had a variable rate HESAA offered a graduate variable rate program. This was from 1999-2003 and when the PLUS rate became fixed in 2004, it no longer made sense for NJCLASS to continue the variable rate program.

The motion was passed unanimously.

RESOLUTION 07:14 APPROVING THE TRANSFER OF FY 2014 CAPITAL FUND MONIES TO PURCHASE AND INSTALL A NEW AIR CONDITIONER

Greg Myer, Chief of Staff, presented Resolution 07:14 to the Board.

HESAA's machinery used to fold letters and bills, stuff envelopes and affix postage are housed in the mail processing room in Building 4 of Quakerbridge Plaza. This equipment generates a significant amount of heat and, combined with the manual labor inherent in this work, the building HVAC unit does not sufficiently cool this room to a reasonable temperature. This room is currently cooled by an additional air conditioning unit that runs year round to maintain an adequate working environment. This unit has a projected life of 12 year. It is now over fifteen years old and has been serviced many times over the past several years. The unit recently stopped working and the service company has advised that they can no longer repair it. As such, HESAA will need to purchase a replacement air conditioner.

HESAA's landlord will purchase the unit on HESAA's behalf and has advised that it will cost a total of \$19,173.00. The HESAA State Fiscal Year 2014 Capital Fund budget provides \$112,100 for Building Security and Closed Circuit television (CCTV), which has not been expended. Based on the imminent need for the HVAC unit, a portion of these funds would be better spent to cover the cost of purchasing and installing a new air conditioner for the mail processing room.

It is recommended that the Board approve Resolution 07:14 approving the transfer of \$19,173 originally designated for Building Security and CCTV to be used instead to procure and install a new air conditioner in the HESAA mailroom in fiscal year 2014.

A motion to approve Resolution 07:14 was made by Ms. Maria Torres and seconded by Mr. James Allen.

Father Braden asked if the equipment was adequately sized. Mr. Myer advised that the landlord and vendor did a sizing study and determined that it was adequate.

ADJOURNMENT

Chair Falcone announced the next HESAA board meeting will be held on Wednesday April 23, 2014 at 11:30 am. A motion to adjourn was made by Dr. Harvey Kesselman and seconded by Mr. James Allen.

The meeting adjourned at 10:27 am.



State of New Jersey

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CHRIS CHRISTIE
Governor

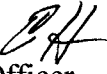
KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esq. 
Executive Director

FROM: Eugene Hutchins 
Chief Financial Officer

SUBJECT: NJCLASS Bond Issue 2014-1 Resolution 06:14 Authorizing the Issuance and Sale of Student Loan Revenue Bonds and Approving the Execution and Delivery of a Supplemental Indenture, Preliminary Official Statement, Final Official Statement, Continuing Disclosure Agreement, Acknowledgement of Servicing, Fixed Rate Bond Purchase Agreement, Variable Rate Bond Purchase Agreement, and other Matters in connection Therewith

DATE: April 3, 2014

Summary

Enclosed is the proposed resolution relating to the 2014-1 Bond Issue together with drafts of the various bond documents referenced in the resolution. The resolution authorizes a total bond sale not to exceed \$250.0 million in bonds with a final maturity not later than June 1, 2049. These bonds will be issued under the existing 2012-1 Master Indenture of Trust. The proceeds of the bonds (net of funds required for bond reserves and a portion of the costs of issuance, to the extent possible) will be used to finance standard NJCLASS loans, including Ten Year Option 1 Fixed and Variable Rate Loans, Graduate/Professional NJCLASS Loans, and NJCLASS Consolidation Loans.

Credit market conditions make it most advantageous for the Authority to continue the structure of last year's bonds of fixed rate serial and term bonds. The steepness of the bond market yield curve has led the Authority to continue the replacement of its 20-year fixed rate standard loan with a 15-year loan for options 1 and 2 which results in a lower

interest rate charged to borrowers, a minimal increase in borrowers' monthly payments, and allow the loans to be paid off sooner and at a lower total cost to the borrower.

The 2014-1 Bonds will include a series of variable rate bonds indexed to LIBOR to fund a pilot program of NJCLASS 10-year Variable Rate loans. In today's low interest rate environment, these Variable Rate loans offer qualified borrowers lower interest rates than other NJCLASS loans while providing protection against rising interest rates. The protection is derived from a rate cap which is expected to be set at 9.9%. The interest rate cap to borrowers is made possible as a result of a cap on the variable rate bonds which is expected to be set at 8.5%. Banc of America Preferred Funding Corporation is expected to purchase the entire \$24.5 million of Variable Rate bonds. FirstSouthwest, the Authority's Financial Advisor, will advise HESAA on the terms of this direct placement.

The 2014-1 Bonds will also include subordinated bonds as part of the overall bond structure. These subordinated bonds will be the last bonds retired in the bond issue, and the bondholders will have subordinated payment rights and subordinated credit rights in the unlikely event of a bond trust default. In return, these bonds carry a higher rate of interest and appeal to investors willing to take higher risk in exchange for a higher yield. This structure was widely used in the student loan industry prior to 2008 and HESAA utilized this structure in 2012 and 2013 with great success as indicated by robust demand for these bonds. The use of subordinated bonds in the bond structure reduces the amount of equity that HESAA is required to contribute to the 2012-1 bond trust as outlined below. It should be noted that although subordinate, these bonds are expected to carry an investment grade rating of A2/A from Moody's and Standard and Poor's.

The 2014-1 bonds will not use bond insurance. Since the downgrade of all municipal bond insurers during the recent financial crisis, investor appetite for insured bonds is very low. This, combined with the higher premiums charged by the remaining investment grade rated insurers, makes the use of bond insurance uneconomical, i.e., the insurance rates charged exceeds the interest rate savings on the insured bonds resulting in higher loan interest rates to students.

The 2014-1 Bond Issue may require HESAA to contribute as much as \$8.0 million in equity in order to pass the rating agencies' cash flow stresses. However, the actual amount of HESAA's equity contribution is expected to be around \$4.0 million, assuming the successful marketing of subordinated bonds similar to the last two years' issuance. These funds will be drawn from a combination of HESAA reserves from the Guaranty Agency Operating Fund, the NJCLASS Life of Loan Servicing Reserves and NJBEST Scholarship Administrative reserves. These funds are not required for current program purposes, are currently earning only 0.06% in the State's Cash Management Fund and will earn significantly more invested in the NJCLASS Trust. Excess revenues in the NJCLASS 2014-1 Bond Issue will be eligible for release from the NJCLASS 2012-1 Trust, and other older trusts, over the next 5 to 10 years. These releases of excess revenues will be used to replenish the reserves.

Total NJCLASS loan volume for academic year 2014-15 is expected to be close to \$275 million and HESAA anticipates using residual unexpended 2013-1 proceeds to meet

demand. However, until interest rates on the loans can be better estimated, total sizing of the bond issue will not be finalized.

Market conditions have also made it possible for the Authority to continue its 10-year Option 1 Loan for families who can afford higher monthly repayment amounts resulting in a significantly lower interest rate than either the 15-year NJCLASS loan or the federal Direct Parental Loan for Undergraduate Students (PLUS).

NJCLASS Program Parameters

As has been discussed with the Board over the last few years, general economic and credit conditions and the repayment performance of lower FICO-score borrowers have led the rating agencies to increase delinquency and default stress assumptions. This has required HESAA to continue the following program parameters for the NJCLASS program for academic year 2014-2015:

- Minimum Income of \$40,000.
- Revised Credit Score Criteria
 - 670-699 FICO Band – all applicants credit reports reviewed for derogatories.
 - 700+ FICO Bands – application auto approved.
- Administrative fee of 3% for all option types (except for 10-year variable rate loans) to provide additional collateralization for the Bonds.
- Loan funds available for Option 3 loans not to exceed \$40.0 million and interest rate set at its true cost (not subsidized by other option types as was previously done).
- Consolidation Loans – raise the credit and the minimum income standards to those of the standard undergraduate loan.

Borrowers who no longer qualify for the NJCLASS loans will have the choice of obtaining a credit-worthy co-signer or be counseled to apply for the federal PLUS loan where they are able to obtain more flexible repayment terms and less stringent credit standards than can be funded through the bond issues for NJCLASS.

These revised credit standards for the NJCLASS program were put in place to address several program issues. Lower FICO-score and Option 3 borrowers from loans made in prior years continue to default on their loans at significantly higher rates than higher FICO-score and Option 1 Loans, where repayment of interest and principal begin immediately following origination of the loan, and Option 2 Loans where interest

payments begin immediately and principal payments are deferred during the in-school period.

The higher default rate of Option 3 Loans results in part from the fact that interest accumulated during the in-school period capitalizes (that it is added to the loan principal balance), which significantly increases the amount that must be repaid. Additionally, all Option 3 Loans that a borrower has taken out enter repayment at the same time, and can create difficulty for families in adjusting their monthly budgets, particularly where large amounts have been borrowed.

HESAA continues to counsel families to borrow under options where some level of payment is made during the in-school period as a means of avoiding capitalized interest being added to their debt. This has been particularly true for lower FICO-score borrowers who many times end up being required to make monthly payments they cannot afford, which is detrimental to both the borrower and the NJCLASS program.

As Executive Director Charette briefed the Board at its last meeting, these tighter credit standards in combination with an improving economy have resulted in a 40% decrease in NJCLASS loan defaults in the last year, and over 50% over the last two years.

Sale of Bonds and Associated Documents

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 expected to take place in early May.

This resolution delegates to the Chairperson, Vice Chairperson, Secretary–Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee of the Authority the power to modify and approve the final structure and interest costs of the bonds.

In conformance with Executive Order 26 (Whitman), the bonds are being issued through a negotiated sale. Because of the complexity of the underlying credit (student loans) which secure the bonds, the size of the issue, and difficult market conditions, a negotiated sale should result in better pricing for the bonds than would be obtained from a competitive sale.

The bond documents are enclosed after the resolution in the following order with blue headers:

Attachment A – 2014-1 Third Supplemental Indenture

Attachment B – 2014-1 Preliminary Official Statement

Attachment C – 2014-1 Continuing Disclosure Agreement

Attachment D – 2014-1 Acknowledgement of Servicing

Attachment E – 2014-1 Fixed Rate Bond Purchase Agreement

Attachment F – 2014-1 Variable Rate Bond Purchase Agreement

The staff of the Authority will continue to work with FirstSouthwest, the Financial Advisor, and Bank of America Merrill Lynch, the Senior Manager, to develop an optimum strategy for marketing and pricing the bonds so that sufficient funds will be available to satisfy the demand for NJCLASS Loans while at the same time answering any questions the rating agencies and potential bondholders may have regarding the 2014-1 Bond Issue.

Mr. Stephen Pearlman representing Inglesino, Wyciskala & Taylor, LLC, Bond Counsel, will review the bond resolution with the Board.

Mr. Joseph Santoro of Bank of America Merrill Lynch, and Mr. Clifford Rones, Deputy Attorney General with the Attorney General's Office, will also be available at the Authority meeting to answer any questions from members of the Board.

It is recommended that the Board approve the attached Resolution 06:14.

Attachments (7)

RESOLUTION 06:14

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF STUDENT LOAN REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT, ACKNOWLEDGEMENT OF SERVICING, FIXED RATE BOND PURCHASE AGREEMENT, VARIABLE RATE BOND PURCHASE AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH

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

WHEREAS: The Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey (the "State") 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 issued \$200,000,000 of its Student Loan Revenue Bonds (the "2013-1 Bonds") pursuant to an Indenture of Trust dated as of June 1, 2012 (the "Original 2012 Indenture") by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of June 1, 2012 (the "First Supplemental Indenture") by and between the Authority and the Trustee, as further amended and supplemented by the Second Supplemental Indenture dated as of June 1, 2013 (the "Second Supplemental Indenture" and together with the Original 2012 Indenture, the First Supplemental Indenture, and the hereinafter defined Third Supplemental Indenture, the "2012 Indenture") by and between the Authority and the Trustee; and

WHEREAS: The Authority wishes to acknowledge the change in the loan rates for 2013-1 NJCLASS Loans (as defined in the Second Supplemental Indenture) originated from Recoveries of Principal during the Recycling Period all as more particularly set forth below; and

WHEREAS: Pursuant to Section 8.1(15) of the 2012 Indenture, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee to make any change which in the judgment of the Trustee, acting in reliance upon an opinion of counsel, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder; and

WHEREAS: In order to accomplish the purposes of the Act and provide student loans commencing with the 2014-2015 school year, the Authority wishes to (i) provide for the issuance and sale of three additional senior and subordinate

series of student loan revenue bonds (collectively, the "Series 2014-1 Bonds") pursuant to the 2012 Indenture and (ii) authorize the transfer of funds from its reserves; and

WHEREAS: In accordance with the requirements of Executive Order No. 26 (Whitman 1994), the Authority hereby determines that because of the complexity and size of the financing structure as hereinafter described, and volatile market conditions, a negotiated sale of such Series 2014-1 Bonds would best serve the requirements of this financing; and

WHEREAS: The Authority hereby further determines that the NJCLASS Program would significantly benefit from a NJCLASS variable rate loan option financed by a portion of the Series 2014-1 Bonds being issued at a variable rate and that due to the aggregate principal amount of the hereinafter defined Directly Purchased Series 2014-1 Bonds, the maximum interest rate set by this resolution and the complexity of the underlying structure, a private placement of such Directly Purchased Series 2014-1 Bonds would produce the most advantageous outcome to the Authority; and

WHEREAS: An Underwriter for the Publicly Offered Series 2014-1 Bonds (as hereinafter defined), Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representative on behalf of itself and the other underwriters listed on the front cover page of the Official Statement (as hereinafter defined); a Direct Purchaser of the Directly Purchased Series 2014-1 Bonds (as hereinafter defined), Banc of America Preferred Funding Corporation; a Financial Advisor, First Southwest Company; and Bond Counsel, Inglesino, Wyciskala & Taylor, LLC, have been selected in accordance with the requirements of Executive Order No. 26; and

WHEREAS: In connection with the issuance and sale of the Publicly Offered Series 2014-1 Bonds, the Authority intends to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee, acting as dissemination agent, in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"); and

WHEREAS: The Authority has determined that the offering of the Directly Purchased Series 2014-1 Bonds is exempt from the requirements of subparagraph (b)(5) of Rule 15c2-12.

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. To accomplish the purposes and objectives of the Act, including the purchase and origination of student loans as authorized by the Act, the Authority hereby authorizes the issuance of its Series 2014-1 Bonds issued as Student Loan Revenue Bonds, Series 2014-1, in the aggregate principal amount not to exceed \$250,000,000 in one or more senior and subordinate Series and in a combination of fixed and variable rates. The Authority presently contemplates issuing the Series 2014-1 Bonds as (i) Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "Series 2014-1A-1 Bonds"), (ii) Senior Student Loan Revenue

Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Directly Purchased Series 2014-1 Bonds"), and (iii) Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "Series 2014-1B Bonds" and together with the Series 2014-1A-1 Bonds, the "Publicly Offered Bonds") but may alter the Series designations as may be approved by the hereinafter defined Authorized Authority Official and reflected in the Third Supplemental Indenture.

The Series 2014-1A-1 Bonds and the Directly Purchased Series 2014-1 Bonds shall constitute "Bonds" for all purposes of the 2012 Indenture. The Series 2014-1B Bonds shall constitute "Subordinate Obligations" for all purposes of the 2012 Indenture, the Principal Installments of which shall be payable on a subordinate basis to payment of all Principal Installments on the Outstanding Series 2014-1A-1 Bonds and the Directly Purchased Series 2014-1 Bonds and without regard to whether Bonds of any other Series remain Outstanding in accordance with paragraph (ix) of Section 5.5(A)(1) of the 2012 Indenture.

The Publicly Offered Series 2014-1 Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, acting as representative of the group of underwriters, if any (the "Underwriter"), pursuant to the terms of one or more Fixed Rate Bond Purchase Agreement(s) to be entered into by and between the Authority and the Underwriter (collectively, the "Fixed Rate Bond Purchase Agreement") and the Directly Purchased Series 2014-1 Bonds shall be sold to Banc of America Preferred Funding Corporation (the "Direct Purchaser") pursuant to the terms of a Variable Rate Bond Purchase Agreement (the "Variable Rate Bond Purchase Agreement") with an aggregate Underwriter's/Direct Purchaser's fee not to exceed \$6.25/\$1,000 of Series 2014-1 Bonds issued. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee (each an "Authorized Authority Official" and, collectively, the "Authorized Authority Officials") are each hereby authorized to execute the Fixed Rate Bond Purchase Agreement and the Variable Rate Bond Purchase Agreement. The Series 2014-1 Bonds shall be dated, shall bear interest at the respective fixed rates (in the case of the Publicly Offered Series 2014-1 Bonds) or variable rate (in the case of the Directly Purchased Series 2014-1 Bonds), shall be payable as to principal, redemption premium, if any, and interest, shall be issued in the respective forms, shall be in the respective Authorized Denominations, shall be signed, authenticated and numbered, shall mature, shall be subject to redemption prior to maturity, and shall have such other details and provisions as set forth in the Original 2012 Indenture, as heretofore amended and supplemented by the First Supplemental Indenture and Second Supplemental Indenture and as further amended and supplemented by a Third Supplemental Indenture to be dated as of the first date of the month the Series 2014-1 Bonds are issued (the "Third Supplemental Indenture"), by and between the Authority and the Trustee; provided, however, an Authorized Authority Official may modify the stated interest rate(s) of the Series 2014-1 Bonds, the maturity date(s) of any of the Series 2014-1 Bonds (including, without limitation, creating serial and term bonds, if any, and providing for cumulative and/or mandatory sinking fund payments on term bonds), and the redemption provisions of the Series 2014-1 Bonds subject to the following: (i) the final maturity of the Series 2014-1 Bonds shall not be after June 1, 2049; (ii) the optional redemption price for any Series 2014-1 Bond shall not exceed 103% of the principal amount thereof, and the initial call protection for any Series 2014-1 Bond shall not exceed 10 years, and (iii) the stated interest rate on each Series of the Series 2014-1 Bonds shall not exceed 8.50% per annum.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the 2012 Indenture.

The Authority is authorized, together with the Trustee, to the extent necessary or appropriate, to take such actions and execute such documents as may be necessary or appropriate to qualify the Series 2014-1 Bonds with The Depository Trust Company, New York, New York, as book-entry obligations.

Section 2. The Series 2014-1 Bonds shall be limited obligations of the Authority, and shall be payable solely out of the Trust Estate as set forth in the 2012 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2012 Indenture. The payment of the principal, redemption premium, if any, and interest on the Series 2014-1 Bonds shall be secured by a pledge and assignment of the Trust Estate as provided in the Third Supplemental Indenture. Neither the State nor the Authority shall be obligated to pay the Series 2014-1 Bonds or the interest thereon except as so provided in the 2012 Indenture.

Section 3. No covenant, stipulation, obligation, or agreement herein contained or contained in the Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the 2012 Indenture (including the Third Supplemental Indenture) or the Continuing Disclosure Agreement, shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in an individual capacity. Neither the members of the Authority, nor any person executing the Series 2014-1 Bonds issued pursuant to this resolution and the Act, nor any officer nor employee of the Authority shall be liable personally on the Series 2014-1 Bonds by reason of the issuance or execution thereof. The Series 2014-1 Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate), either legal, moral or otherwise, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (except the Authority to the limited extent of the Trust Estate) shall be pledged to the payment of the principal, redemption premium, if any, or interest thereon. The issuance of the Series 2014-1 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation whatsoever therefor.

Section 4. In order to satisfy the initial Parity Percentage Requirement set forth by the Rating Agencies rating the Series 2014-1 Bonds, the Authority hereby authorizes the transfer of an amount to be determined by an Authorized Authority Official as necessary to satisfy such requirement from its reserves, consisting of any or all of the NJCLASS Life of Loan Servicing Reserves, the Guaranty Agency Operating Fund, Direct Loan Servicing Fund or the NJBEST Scholarship Administrative Reserves; provided that such amount does not exceed \$8 million. These amounts transferred to the 2012 Indenture from reserves shall be applied to originate Student Loans thereunder. The Authority shall replenish such reserves from Revenues and Recoveries of Principal on the Student Loans as provided under the 2012 Indenture.

Section 5. Effective on the date of issuance of the Series 2014-1 Bonds, the Authority hereby authorizes changes to the Loan Rates (as defined in the Second Supplemental Indenture) for student loans originated with proceeds of the Series 2013-1 Bonds from and after the date of issuance of the Series 2014-1 Bonds. Any 2013 NJCLASS Loans made from Recoveries of Principal during the Recycling Period set forth in the Second Supplemental Indenture will be at the respective Loan Rates set forth in the Third Supplemental Indenture. The change to the Loan Rates is subject to delivery to the Trustee of (i) a Bond Counsel's Opinion to the effect that the revised Loan Rate is authorized or permitted by the Act, the 2012 Indenture, and the Third Supplemental Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2013-1 Bonds, and (ii) a

Cash Flow Statement taking into account the revised Loan Rates all of which shall occur upon closing of the 2014-1 Bonds.

Section 6. The Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the Continuing Disclosure Agreement, the Third Supplemental Indenture and the Series 2014-1 Bonds, substantially in the respective forms submitted to the Authority and made a part of this resolution as though set forth in full herein, are hereby approved. An Authorized Authority Official is hereby authorized to execute, acknowledge and deliver such documents with any changes, insertions and omissions (including, without limitation, insertion of the Loan Rates or the method of determination thereof in the Third Supplemental Indenture) as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such documents and attest the same. The execution of any of such documents by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 6.

Section 7. The Acknowledgement of Servicing to be entered into by and between the Authority and the Trustee regarding the servicing of 2014-1 Student Loans (as defined in the Third Supplemental Indenture), substantially in the form submitted to the Authority and made a part of this resolution as though set forth in full herein, is hereby approved. The Authorized Authority Officials are hereby authorized to execute, acknowledge and deliver such document with any changes, insertions and omissions as may be approved by said Authorized Authority Official and the Secretary-Treasurer of the Authority is hereby authorized to affix the seal of the Authority on such document and attest the same. The execution of such document by said Authorized Authority Official shall be conclusive evidence of any approval of such document in final form as authorized by this Section 7.

Section 8. The Series 2014-1 Bonds shall be executed in the manner provided in the 2012 Indenture, and the same shall be delivered to the Trustee for proper authentication and delivery to the Underwriter (with respect to the Publicly Offered Series 2014-1 Bonds) and the Direct Purchaser (with respect to the Directly Purchased Series 2014-1 Bonds), upon instructions to that effect. The 2012 Indenture shall provide the terms and conditions, covenants, rights, obligations, duties and agreements of the Holders of the Series 2014-1 Bonds, the Authority and the Trustee.

Section 9. All covenants, stipulations, obligations and agreements of the Authority contained in this resolution and contained in the Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012 Indenture (including the Third Supplemental Indenture), and the Acknowledgement of Servicing shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Authority and its successors from time to time and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this resolution, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the Authority or the members thereof by the provisions of this resolution, the Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012 Indenture (including the Third Supplemental Indenture), and the Acknowledgement of Servicing shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012 Indenture (including the Third Supplemental Indenture), or the Acknowledgement of Servicing shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Authority or of the State in his or her individual capacity, and neither the members of the Authority nor any officer executing the Series 2014-1 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. The proper officers of the Authority are hereby further directed to cause the proceeds of the Series 2014-1 Bonds, together with other available Authority funds, if any, to be initially deposited and disbursed as provided in the 2012 Indenture (including the Third Supplemental Indenture). To the extent the Authority pays any or all of the costs of issuance from other available funds of the Authority, the Authority may reimburse the expenditure of those funds from available funds on deposit in the Trust Estate, provided that said reimbursement complies with the requirements of the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder.

Section 11. In order to secure payment of principal of (on the scheduled maturity dates and/or sinking fund maturity dates) and interest on the Series 2014-1 Bonds (on the dates due) the Authority is hereby authorized to obtain one or more municipal bond insurance policies and to enter into commitments and agreements with respect thereto. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such municipal bond insurance policy in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such policy. The Authority is hereby further authorized to use proceeds of the Series 2014-1 Bonds or other available funds of the Authority to fund all or a portion of the premium payable to the issuer of the municipal bond insurance policy for such policy.

Section 12. The Authority, in consultation with the Treasurer of the State of New Jersey (the "Treasurer") and the Attorney General of the State of New Jersey (the "Attorney General"), is hereby authorized to purchase one or more financial guaranty insurance policies or surety bonds for deposit to the Debt Service Reserve Fund established under the 2012 Indenture to satisfy the 2014-1 Reserve Requirement (as defined in the Third Supplemental Indenture) for the Series 2014-1 Bonds, if any, each constituting a Funding Instrument within the meaning of the 2012 Indenture, with respect to any or all of the Series 2014-1 Bonds (the "Funding Instrument(s)"). Such Funding Instrument, if any, shall be issued in an amount not exceeding the 2014-1 Reserve Requirement for the Series 2014-1 Bonds, if an Authorized Authority Official, in consultation with the Treasurer and the Attorney General, determines that such Funding Instrument(s) can be obtained upon terms and conditions consistent with the Act and reasonably acceptable to the Authority. The Authorized Authority Officials are each hereby authorized to enter into an agreement with the issuer(s) of such Funding Instrument(s), in customary form, and to make such revisions to the forms of documents submitted to this meeting as may be necessary or appropriate in connection with such Funding Instruments). Together with, or in lieu of, a Funding Instrument, the Authority is hereby further authorized to use proceeds of the Series 2014-1 Bonds or other available funds of the Authority to fund all or a portion of the 2014-1 Reserve Requirement for the Series 2014-1 Bonds.

Section 13. Wells Fargo Bank, National Association is hereby appointed (a) Trustee, Paying Agent, Registrar, and Authenticating Agent for the Series 2014-1 Bonds in accordance with the Authority's Request for Proposals for Trustee Services dated as of November, 2006 and (b) dissemination agent for the Publicly Offered Series 2014-1 Bonds pursuant to the Continuing Disclosure Agreement.

Section 14. All actions of the Authority and its staff which have previously been taken with regard to the issuance of the Series 2014-1 Bonds and the NJCLASS Loan Program in respect of the Series 2014-1 Bonds are hereby ratified and approved, including the selection, pursuant to a competitive solicitation process, of ImageMaster as printer for the Preliminary Official Statement and final Official Statement (as such terms are defined in Section 17 hereof) in an amount not to exceed \$5,000.

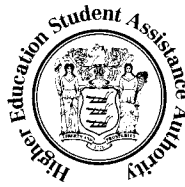
Section 15. The Authorized Authority Officials are hereby designated to be the authorized representatives of the Authority, and each of them and other authorized representatives and designees are hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this resolution, the Fixed Rate Bond Purchase Agreement, the Variable Rate Bond Purchase Agreement, the Continuing Disclosure Agreement, the 2012 Indenture (including the Third Supplemental Indenture), the Acknowledgement of Servicing, and the issuance of the Series 2014-1 Bonds, including, without limitation, the substitution and approval of documents other than those approved and authorized to be executed by this resolution in order to conform the same to the purposes of the Act and the intentions of the Authority as expressed herein and in the Third Supplemental Indenture.

Section 16. The Preliminary Official Statement (the "Preliminary Official Statement") relating to the offering of the Publicly Offered Series 2014-1 Bonds, substantially in the form presented to this meeting, is hereby approved, with any changes, insertions and omissions as may be approved by an Authorized Authority Official. The Authorized Authority Officials are each authorized to execute such documents as shall be necessary or desirable to evidence that the final Preliminary Official Statement in the form to be distributed, is "deemed final" within the meaning of (and with the exception of certain information permitted to be omitted by) Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The Authorized Authority Officials are each authorized to execute and deliver a final Official Statement relating to the Publicly Offered Series 2014-1 Bonds (the "final Official Statement"), substantially in the form of the Preliminary Official Statement, with any changes, insertions and omissions as may be approved by said Authorized Authority Official. The execution of the final Official Statement by said Authorized Authority Official shall be conclusive evidence of any approval of such Official Statement in final form as authorized by this Section 16.

Section 17. The Trustee is authorized to invest funds held under the 2012 Indenture in Investment Securities at the direction of an Authorized Authority Officer.

Section 18. 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 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.

April 3, 2014



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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1-800-792-8670
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CHRIS CHRISTIE
Governor


KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esquire 
Executive Director

FROM: Greg Myer 
Chief of Staff

SUBJECT: Resolution 07:14 Approving the Transfer of FY 2014 Capital Fund Monies to Purchase and Install a New Air Conditioner.

DATE: April 3, 2014

Background

The Higher Education Student Assistance Authority's (HESAA) machinery used to fold letters and bills, stuff envelopes and affix postage are housed in the mail processing room in Building 4 of Quakerbridge Plaza. This equipment generates a significant amount of heat and, combined with the manual labor inherent in this work, the building HVAC unit does not sufficiently cool this room to a reasonable temperature. The room is currently cooled by an air conditioning unit that runs year round to maintain an adequate working environment. This unit has a projected life of 12 year. It is now over fifteen years old and has been serviced many times over the past several years. The unit recently stopped working and the service company advised that they can no longer repair it. As such, HESAA will need to purchase a replacement air conditioner.

HESAA's landlord will purchase the unit on HESAA's behalf and has advised that it will cost a total of \$19,173.00. The HESAA State Fiscal Year 2014 Capital Fund budget provides \$112,100 for Building Security and Closed Circuit television (CCTV), which has not been expended. Based on the imminent need for the HVAC unit, a portion of these funds would be better spent to cover the cost of purchasing and installing a new air conditioner for the mail processing room.

Recommendation

It is recommended that the Board approve Resolution 07:14 approving the transfer of \$19,173 originally designated for Building Security and CCTV to be used instead to procure and install a new air conditioner in the HESAA mailroom in fiscal year 2014.

Attachment

RESOLUTION 07:14

**APPROVING THE TRANSFER OF FY 2014 CAPITAL FUND MONIES TO PURCHASE
AND INSTALL A NEW AIR CONDITIONER**

Moved by: Ms. Maria Torres

Seconded by: Mr. James Allen

WHEREAS: The Higher Education Student Assistance Authority's (HESAA) machinery housed in its mailroom generates a significant amount of heat making it impossible for the building HVAC unit to sufficiently cool the room to a reasonable temperature; and

WHEREAS: The mailroom is currently cooled by a 15-year old air conditioning unit, that had a projected life span of twelve years and is no longer repairable; and

WHEREAS: HESAA will need to purchase a replacement air conditioner; and

WHEREAS: The unit will be procured by HESAA's landlord, who has advised that it will cost a total of \$19,173.00; and

WHEREAS: The HESAA State Fiscal Year 2014 Capital Fund budget provides \$112,100 for Building Security and Closed Circuit television (CCTV), which has not been expended.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the transfer of \$19,173 originally designated for Building Security and CCTV to be used instead to procure and install a new air conditioner in the HESAA mailroom in fiscal year 2014.

April 3, 2014