

January 15, 2014

MEMORANDUM

TO: State Board of Regents  
FROM: David L. Buhler  
SUBJECT: Approving Resolution: UHEAA Student Loan Financing

Issue

Board of Regents adoption of an approving resolution for the issuance of student loan revenue bonds for the purpose of acquiring a portfolio of student loans originated under the Federal Family Education Loan Program (FFELP).

Background

Purchase of this FFELP portfolio will further enhance UHEAA's financial position and operations through the discounted purchase price and economies of scale in the servicing and management functions. The agreed upon purchase price of this portfolio is 99.25%. The purchase is contingent upon approval by the Board of Regents and the closing of the related financing.

The primary benefits of the proposed transaction are:

- Spreads the operational costs of UHEAA's student loan servicing operation across an additional \$208 million in FFELP loans, generating approximately \$8 million (on a net present value basis) of additional student loan servicing fees with minimal expansion of the existing servicing staff.
- Improves the gross spread of a Floating Rate Note (FRN) refinancing of the Series 2011A portfolio by approximately 0.16%, and enhances the viability of that refinancing by increasing the issue size to a level that will be more attractive to the major student loan FRN investors which will improve pricing.

The Student Finance Subcommittee has reviewed the proposed transaction and recommends Board of Regents approval of the Approving Resolution for issuance of the 2014A Bonds.

### Proposed Structure

It is proposed that the student loan bonds be issued under the Board's existing 2011 Trust Indenture dated as of September 1, 2011 as follows:

	<u>Proposed Amount</u>	<u>Interest Mode</u>	<u>Tax Status</u>	<u>Credit Support</u>	<u>Final Maturity</u>
Series 2014A	\$ 214,780,000	Weekly	Taxable	LOC	12/1/2049

### Proposed Not To Exceed Parameters

	<u>Not To Exceed Parameters</u>	<u>Resolution Reference</u>
• Total Principal Amount	\$215,000,000	Section 5
• Variable Interest Rate	15.0% (1)	Section 5
• Maximum Maturity	40 years	Section 5
• Underwriters Discount	.10%	Section 7

(1) Not to Exceed Parameter is 25% in the case of bonds held as bank bonds pursuant to the Letter of Credit and Reimbursement Agreement.

### Basic Documents Requiring Approval

The Approving Resolution provided with this report is in final draft form. Its approval by the Board will authorize the purchase of the student loan portfolio described above, the issuance of student loan revenue bonds, and the execution of the necessary documents and agreements pursuant to a Second Supplemental Indenture of Trust between the Board of Regents and The Bank of New York Mellon Trust Company, N.A., as trustee, in an aggregate principal amount not to exceed \$215,000,000.

The Approving Resolution delegates authority to the Board's Chair, Vice Chair and/or Chair of the Finance, Facilities, and Accountability Committee to approve final versions of the bond documents, consistent with parameters contained in the Approving Resolution, and along with designated Officers of the Board, to execute other necessary implementing agreements (see Resolution Sections 5 through 13).

UHEAA staff, representatives of the Attorney General's Office, and Bond Counsel will be at the Board of Regents meeting on January 24 to review the proposed transaction and answer questions.

Commissioner's Recommendation

The Commissioner recommends that the Regents approve the attached Approving Resolution authorizing the issuance of the Series 2014A Student Loan Revenue Bonds.

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David L. Buhler  
Commissioner of Higher Education

DLB/DAF/ROD  
Attachment

Salt Lake City, Utah

January 24, 2014

The State Board of Regents of the State of Utah met in regular session (including by electronic means) at the University of Utah Campus in Salt Lake City, Utah on January 24, 2014, commencing at \_\_\_\_\_. The following members were present:

Bonnie Jean Beesley	Chair
Daniel W. Campbell	Vice Chair
Jessellie B. Anderson	Member
Nina Barnes	Member
Keith Buswell*	Member
Leslie Castle*	Member
Wilford Clyde	Member
France A. Davis	Member
James T. Evans*	Member
Marlin Jensen	Member
Robert S. Marquardt	Member
Erik Mikkelsen* (Student Regent)	Member
Jed H. Pitcher	Member
Robert W. Prince	Member
Harris H. Simmons	Member
Mark Stoddard	Member
Teresa L. Theurer	Member
Joyce P. Valdez	Member
John H. Zenger	Member

Absent:

Also Present:

David L. Buhler	Commissioner of Higher Education
Kirsten Schroeder	Secretary

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\* Non-voting member

After the meeting had been duly convened and called to order by the Chair, the roll had been called with the above result and after other matters not pertinent to this Resolution had been discussed, the Chair announced that one of the purposes of the meeting was the consideration of various matters with respect to the issuance of student loan revenue bonds.

The following resolution was introduced in written form and after full discussion, pursuant to motion made by Regent \_\_\_\_\_ and seconded by Regent \_\_\_\_\_, was adopted by the following vote:

AYE:

NAY:

The resolution is as follows:

## RESOLUTION

A RESOLUTION OF THE STATE BOARD OF REGENTS OF THE STATE OF UTAH (THE "BOARD") AUTHORIZING THE PURCHASE OF A PORTFOLIO OF STUDENT LOANS ORIGINATED UNDER THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND CURRENTLY OWNED BY THE WYOMING STUDENT LOAN CORPORATION; AUTHORIZING THE ISSUANCE AND SALE OF ITS STUDENT LOAN REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$215,000,000; AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE, A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, AN AMENDED AND RESTATED LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the State Board of Regents of the State of Utah (the "Board") is established and exists under and pursuant to Section 53B-1-103, Utah Code Annotated 1953, as amended; and

WHEREAS, pursuant to Chapter 13, Title 53B, Utah Code Annotated 1953, as amended (the "Act"), the Board is empowered to make or purchase student loan notes and other debt obligations reflecting loans to students; and

WHEREAS, in order to further advance the Board's Student Loan Program (as described herein), the Board desires to purchase a portfolio of student loans originated under the Federal Family Education Loan Program and currently owned by the Wyoming Student Loan Corporation (the "WSLC Portfolio"); and

WHEREAS, the Act provides for certain certifications to be made, to the extent required by the rules and regulations of the Board, by the lender with respect to a student loan in order for such loan to be qualified for acquisition or purchase by the Board, and the Board desires to adopt a rule to clarify the lender certification requirements in connection with any such acquisition or purchase (all as permitted by the Act); and

WHEREAS, in order to provide funds for such purposes, the Board is duly authorized to issue and sell bonds pursuant to the provisions of the Act; and

WHEREAS, the Board has previously entered into a Trust Indenture, dated as of September 1, 2011 (the "Trust Indenture"), providing for the issuance of Bonds (as defined in the Trust Indenture) in order to finance and refinance Eligible Loans (as defined in the Trust Indenture); and

WHEREAS, the Board considers it desirable and necessary to issue student loan revenue bonds under the Trust Indenture by the execution and delivery of a Supplemental

Indenture (the "Supplemental Indenture" and together with the Trust Indenture, the "Indenture") to be entered into between the Board and The Bank of New York Mellon, N.A., as successor trustee (the "Trustee"), which bonds will be designated as the State Board of Regents of the State of Utah Student Loan Revenue Bonds, Senior Series 2014A (Taxable) (or such other or additional designation as appropriate officers of the Board may determine) (the "Series 2014A Bonds") in an aggregate principal amount of not to exceed \$215,000,000; and

WHEREAS, the Board desires to use the proceeds of the Series 2014A Bonds to (i) purchase the WSLC Portfolio, (ii) fund capitalized interest and any required deposit to debt service reserves and (iii) pay costs in connection therewith; and

WHEREAS, the Board hereby finds that the purchase of the WSLC Portfolio is in the best interest of the Board and the State of Utah and its residents as such purchase will further enhance (i) the performance of the Board's Student Loan Program, (ii) the efficient operation of such Program and the servicing and other functions performed by the Board, (iii) the economies of scale relating to such Program and servicing and other functions, and (iv) the opportunities to permanently financing a portion of the Board's existing student loan portfolio; and

WHEREAS, the Board desires to provide liquidity support and credit enhancement for the Series 2014A Bonds by causing Royal Bank of Canada, acting through its WFC, New York, Branch (the "Bank") to deliver a letter of credit pursuant to an Amended and Restated Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") between the Board and the Bank; and

WHEREAS, the Series 2014A Bonds and the Board's obligations under the Indenture and the Reimbursement Agreement shall be payable solely from the revenues and other moneys pledged therefor and shall not constitute nor give rise to a general obligation or liability of the Board or constitute a charge against its general credit; and

WHEREAS, RBC Capital Markets, LLC (the "Underwriter") has expressed interest in purchasing the Series 2014 Bonds, and there was before the Board at this meeting a form of the Bond Purchase Agreement to be entered into between the Board and the Underwriter (the "Bond Purchase Agreement"), a form of the Supplemental Indenture, the Preliminary Official Statement for use in marketing the Series 2014A Bonds (the "Preliminary Official Statement"), a form of the Remarketing Agreement (the "Remarketing Agreement"), and a form of the Reimbursement Agreement; and

WHEREAS, pursuant to Section 53B-13-104(9) of the Act, the Board desires to grant to the Chair, Vice Chair and/or the Chair of the Finance, Facilities and Accountability Committee of the Board the authority to approve the final principal amounts, terms, maturities, interest rates, redemption provisions and purchase prices at which the Series 2014A Bonds shall be sold and any changes with respect thereto from those terms which were before the Board at the time of adoption of this Resolution and the terms of the Reimbursement Agreement; provided such terms do not exceed the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF REGENTS OF THE STATE OF UTAH, AS FOLLOWS:

Section 1. All terms defined in the foregoing recitals hereto shall have the same meanings when used herein.

Section 2. All action heretofore taken (not inconsistent with the provisions of this resolution) by the Board and the officers of the Board directed toward the issuance of the Series 2014A Bonds are hereby ratified, approved and confirmed.

Section 3. The Board hereby authorizes, approves and directs the use and distribution of the Preliminary Official Statement in substantially the form before the Board at this meeting in connection with the offering and sale of the Series 2014A Bonds. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee and the Secretary of the Board are hereby authorized to execute and deliver on behalf of the Board a final Official Statement (the "Official Statement") in substantially the same form and with substantially the same content as the form of the Preliminary Official Statement before the Board at this meeting with any such alterations, changes or additions as may be necessary to finalize the Official Statement. The preparation, use and distribution of the Official Statement are also hereby authorized.

Section 4. The Supplemental Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee and the Secretary of the Board are hereby authorized to execute and deliver the Supplemental Indenture in substantially the same form and with substantially the same content as the form of such document presented to this meeting for and on behalf of the Board with such alterations, changes or additions as may be authorized by Section 12 hereof.

Section 5. For the purpose of providing funds to (i) purchase the WSLC Portfolio, (ii) fund capitalized interest and any required deposit to debt service reserves, and (iii) pay costs in connection therewith, the Board hereby authorizes the issuance and sale of the Series 2014A Bonds in the aggregate principal amount of not to exceed \$215,000,000, which shall bear interest as provided in the Indenture and other documents and such rates shall not at any time exceed fifteen percent (15%) per annum (twenty-five percent (25%) per annum in the case of Series 2014A Bonds held as bank bonds pursuant to the Reimbursement Agreement). The Series 2014A Bonds shall mature on such date or dates, as approved by the Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee, on or before 40 years from the date of issuance thereof. The issuance of the Series 2014A Bonds shall be subject to the final advice of Bond Counsel and to the approval of the office of the Attorney General of the State of Utah.

Section 6. The form, terms and provisions of the Series 2014A Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, tender, remarketing, redemption and number shall be as set forth in the Indenture. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee and the Secretary of the Board are hereby authorized to execute and seal by manual or



facsimile signature the Series 2014A Bonds and to deliver the Series 2014A Bonds to the Trustee for authentication. The appropriate officials of the Board are hereby authorized to execute and deliver to the Trustee the written order of the Board for authentication and delivery of the Series 2014A Bonds in accordance with the provisions of the Indenture.

Section 7. The Series 2014A Bonds shall be sold to the Underwriter with an Underwriter's discount of not to exceed one-tenth of one percent (0.10%) of the face amount of the Series 2014A Bonds. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form and with substantially the same content as before the Board at this meeting for and on behalf of the Board with final terms as may be established for the Series 2014A Bonds and such alterations, changes or additions as may be authorized by Section 12 hereof. Pursuant to Section 53B-13-104(9) of the Act, the Chair, Vice-Chair and/or Chair of the Finance, Facilities and Accountability Committee, are each hereby authorized to specify and agree as to the final principal amounts, terms, discounts, maturities, interest rates, rate determination methods and purchase prices (including bonds sold at a premium or discount) with respect to the Series 2014A Bonds for and on behalf of the Board by the execution of the Bond Purchase Agreement and the Supplemental Indenture and any changes with respect thereto from those terms which were before the Board at the time of adoption of this Resolution; provided such terms are within the parameters set by this Resolution.

Section 8. The appropriate officers of the Board, including without limitation the Chair, Vice Chair, Chair of the Finance, Facilities and Accountability Committee, Commissioner of Higher Education, Associate Commissioner for Student Financial Aid, Executive Director of UHEAA, Deputy Executive Director of UHEAA and Secretary are hereby authorized to take all action necessary or reasonably required by the Bond Purchase Agreement and the Indenture to carry out, give effect to and consummate the transactions as contemplated thereby and are authorized to take all action necessary in conformity with the Act.

Section 9. The Board hereby authorizes and directs the purchase of the WSLC Portfolio pursuant to a Student Loan Purchase Agreement (the "Student Loan Purchase Agreement"). The Student Loan Purchase Agreement, in substantially the form before the Board at this meeting, is in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are hereby authorized to execute and deliver the Student Loan Purchase Agreement in the form and with substantially the same content as before the Board at this meeting for and on behalf of the Board with such alterations, changes or additions as may be authorized by Section 12 hereof.

Section 10. The Reimbursement Agreement and the Remarketing Agreement, in substantially the forms before the Board at this meeting, are in all respects authorized, approved and confirmed. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are hereby authorized to execute and deliver the Reimbursement Agreement and the Remarketing Agreement in the form and with substantially the same content as those before the Board at this meeting for and on behalf

of the Board with such alterations, changes or additions as may be authorized by Section 12 hereof.

Section 11. The Board hereby authorizes and approves the adoption of R650 (Lender Certification of Obligations) of its policies and procedures, in substantially the form before the Board at this meeting, in connection with the offering and sale of the Series 2014A Bonds. In conjunction with the adoption of this rule, the Board hereby determines that the purchase of the WSLC Portfolio will assist the Board under its Student Loan Program in accomplishing its purposes without the requirement of reinvesting the proceeds of the sale in other obligations under the student loan program.

Section 12. The appropriate officials of the Board, including without limitation the Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee are authorized to make any alterations, changes or additions in the Indenture, the Series 2014A Bonds, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement, the Reimbursement Agreement, the Remarketing Agreement, the Student Loan Purchase Agreement or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to remove ambiguities therefrom, to conform the same to other provisions of said instruments, to the provisions of this Resolution or any resolution adopted by the Board, or the provisions of the laws of the State of Utah or the United States and the final agreement with the Underwriter and other participants, all within the parameters established herein.

Section 13. The appropriate officials of the Board, including without limitation the Chair, Vice Chair, Chair of the Finance, Facilities and Accountability Committee, the Commissioner of Higher Education, Associate Commissioner for Student Financial Aid, Executive Director of UHEAA, Deputy Executive Director of UHEAA and Secretary of the Board, are hereby authorized and directed to execute and deliver for and on behalf of the Board any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this Resolution and the documents authorized and approved herein.

Section 14. Upon their issuance, the Series 2014A Bonds and the obligations of the Board under the Indenture and the Reimbursement Agreement will constitute special limited obligations of the Board payable solely from and to the extent of the sources set forth in the Indenture, the Series 2014A Bonds, and the Reimbursement Agreement. No provision of this Resolution, the Series 2014A Bonds, the Bond Purchase Agreement, the Reimbursement Agreement, the Remarketing Agreement, the Indenture, the Student Loan Purchase Agreement or any other instrument authorized hereby, shall be construed as creating a general obligation of the Board, or of creating a general obligation of the State of Utah or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the Board.

Section 15. After the Series 2014A Bonds are delivered by the Trustee to or for the account of the Underwriter and upon receipt of payment therefor, this Resolution

shall be and remain irrevocable until the principal of, premium, if any, and interest on the Series 2014A Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 16. If any provisions of this Resolution should be held invalid, the invalidity of such provisions shall not affect the validity of any of the other provisions of this Resolution.

Section 17. All resolutions of the Board or parts thereof inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 18. This Resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE STATE BOARD OF REGENTS OF THE  
STATE OF UTAH THIS 24<sup>th</sup> DAY OF JANUARY, 2014.

STATE BOARD OF REGENTS OF THE  
STATE OF UTAH

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Chair

[SEAL]

ATTEST:

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Secretary

After the conduct of other business not pertinent to the above, the meeting was, on motion duly made and seconded, adjourned.

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Chair

[SEAL]

ATTEST:

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Secretary

STATE OF UTAH                    )  
  : ss.  
COUNTY OF SALT LAKE    )

I, Kirsten Schroeder, do hereby certify that I am the duly qualified and acting Secretary of the State Board of Regents of the State of Utah.

I further certify that the above and foregoing constitutes a true and correct copy of an excerpt of the minutes of a meeting of said Board held on January \_\_, 2014 and of a resolution adopted at said meeting, as said minutes and resolution are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of said Board this \_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_

Secretary

(SEAL)

STATE OF UTAH )  
 : ss.  
COUNTY OF SALT LAKE )

I, Kirsten Schroeder, the undersigned, the duly qualified and acting Secretary of the State Board of Regents of the State of Utah, do hereby certify, according to the records of said State Board of Regents in my official possession, and upon my own knowledge and belief, that:

(a) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice was given of the agenda, date, time and place of the January \_\_, 2014 public meeting held by the Members of the State Board of Regents by causing a Notice of Public Meeting, in the form attached hereto as Schedule 1 to be: (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah, on January \_\_, 2014, at least 24 hours prior to the convening of such meeting, said Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the State Board of Regents until the convening of the meeting; (ii) published on the Utah Public Notice Website (<http://pmn.utah.gov>), at least 24 hours prior to the convening of such meeting; and (iii) provided on January \_\_, 2014, at least 24 hours prior to the convening of such meeting, to the Deseret News and The Salt Lake Tribune, newspapers of general circulation within the geographic jurisdiction of the State Board of Regents, and to each local media correspondent, newspaper, radio station or television station which has requested notification of meetings of the State Board of Regents;

(b) in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, public notice of the [2013-2014] Annual Meeting Schedule of the State Board of Regents was given, specifying the date, time and place of the regular meetings of the State Board of Regents scheduled to be held during the year, by causing a Notice of Annual Meeting Schedule for the State Board of Regents, in the form attached hereto as Schedule 2, to be (i) posted at the principal office of the State Board of Regents at 60 South 400 West, Salt Lake City, Utah in \_\_\_\_\_; (ii) provided in \_\_\_\_\_ to a newspaper of general circulation within the geographic jurisdiction of the State Board of Regents, and (iii) published on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year; and

(c) the State Board of Regents has adopted written procedures governing the holding of electronic meetings in accordance with Section 52-4-207 Utah Code Annotated 1953, as amended (a copy of which is attached hereto as Schedule 3). In accordance with said Section and the aforementioned procedures, notice was given to each member of the State Board of Regents and to members of the public at least 24 hours before the meeting to allow members of the State Board of Regents and the public to participate in the meeting, including a description of how they could be connected to the meeting. The State Board of

Regents held the meeting (the anchor location) in the building where it normally meets and provided space and facilities at the anchor location so that interested persons and the public could attend and participate.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the State Board of Regents of the State of Utah, this \_\_\_ day of \_\_\_\_\_, 2014.

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Secretary

(SEAL)



SCHEDULE 1

NOTICE OF PUBLIC MEETING

SCHEDULE 2

NOTICE OF ANNUAL MEETING SCHEDULE

SCHEDULE 3

ELECTRONIC MEETING POLICY