

March 18, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: UHEAA – Authorizing Resolution: Student Loan Backed Notes

Issue

Board of Regents adoption of an authorizing resolution for the issuance of student loan backed revenue notes is necessary to provide permanent financing for the recently purchased portfolio of student loans financed with a short-term warehouse line of credit.

Background

In February 2015, the acquisition of a \$1.7 billion portfolio of student loans was completed. The portfolio was financed with a short-term warehouse line of credit. The financing plan calls for replacing the temporary warehouse facility with permanent financings consisting of LIBOR-indexed floating rate notes to be issued in multiple series over the next 18 to 24 months. To provide the flexibility needed to access the bond markets efficiently, UHEAA management is seeking authorization to issue several series of permanent financings in the aggregate amount of \$1.8 billion to retire the present warehousing facility and to finance a small amount of rehabilitated student loans.

Authorizing Resolution

The attached approving resolution provides for multiple series of student loan backed notes to be issued over the next two years within the following proposed parameters:

	<u>Not To Exceed Parameters</u>	<u>Resolution Reference</u>
• Total Principal Amount	\$1,800,000,000	Section 6
• Interest Rate		Exhibit A
Senior Notes	1M Libor + 1.0%	
Subordinate Notes	1M Libor + 2.0%	
In any event, not to exceed:	25%	

	<u>Not To Exceed Parameters</u>	<u>Resolution Reference</u>
• Discount from Par		Exhibit A
Senior Notes	5%	
Subordinate Notes	15%	
• Maximum Maturity (from date of issuance)		Exhibit A
Senior Notes	30 Years	
Subordinate Notes	35 Years	
• Underwriters Discount	.60%	Section 8

Basic Documents Requiring Approval

The Authorizing Resolution provided with this report is in final draft form. Its approval by the Board will authorize the issuance of student loan backed notes in multiple series over the next two years, and the execution of the necessary documents and agreements pursuant to one or more Indentures of Trust between the Board of Regents and a to-be named bond trustee, in an aggregate principal amount not to exceed \$1.8 billion.

The Authorizing 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 Authorizing Resolution, and along with designated Officers of the Board, to execute other necessary implementing agreements (see Resolution Sections 4 through 10).

The Student Finance Subcommittee will review this proposed student loan transaction prior to the March 27, 2015 Regents meeting and provide a recommendation for Regents' consideration.

UHEAA staff, along with representatives of the Attorney General's Office and Bond Counsel, will be at the Board of Regents meeting on March 27, 2015 to review the proposed transaction and answer questions.

Commissioner's Recommendation

The Commissioner recommends that the Regents approve the attached Authorizing Resolution for the issuance of the Student Loan Backed Notes.

David L. Buhler
Commissioner of Higher Education

DLB/DAF/ROD
Attachment

St. George, Utah

March 27, 2015

The State Board of Regents of the State of Utah (the “Board”) met in regular session (including by electronic means) at Dixie State University in St. George, Utah on March 27, 2015, commencing at 9:00 a.m. The following members were present:

Daniel W. Campbell	Chair
France A. Davis	Vice Chair
Jessie B. Anderson	Member
Nina Barnes	Member
Bonnie Jean Beesley	Member
Leslie Castle*	Member
Wilford W. Clyde	Member
James T. Evans**	Member
Brady Harris	Student Regent
Marlin K. Jensen	Member
Robert S. Marquardt	Member
Jefferson Moss*	Member
Jed H. Pitcher	Member
Robert W. Prince	Member
Harris H. Simmons	Member
Mark R. 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

* Non-voting member from State Board of Education

** Non-voting member from Utah College of Applied Technology

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 and sale of the State Board of Regents of the State of Utah, Student Loan Backed Notes.

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

AYE:

NAY:

The resolution (the "Resolution") is as follows:

RESOLUTION

A RESOLUTION OF THE STATE BOARD OF REGENTS OF THE STATE OF UTAH AUTHORIZING THE ISSUANCE AND SALE OF ITS STUDENT LOAN BACKED NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,800,000,000 TO BE ISSUED FROM TIME TO TIME AND IN ONE OR MORE SERIES; AUTHORIZING THE EXECUTION OF ONE OR MORE INDENTURES OF TRUST AND NOTE PURCHASE AGREEMENTS AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AUTHORIZING THE PREPARATION, USE, AND EXECUTION OF ONE OR MORE PRELIMINARY OFFERING MEMORANDA AND OFFERING MEMORANDA; 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 under its Student Loan Program; and

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

WHEREAS, the Board has previously entered into a Warehouse Loan, Security and Servicing Agreement dated as of February 23, 2015, by and among the Board, and the others named therein, including Royal Bank of Canada, as Administrative Agent, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Warehouse Agreement”) for the purpose of financing certain eligible loans; and

WHEREAS, the Board anticipates the acquisition of certain loans to be held in the Board’s Short Term Note Fund (the “Short Term Note Fund”); and

WHEREAS, the Board desires to refinance certain loans held under the Warehouse Agreement and in the Short Term Note Fund in order to provide long term financing for this portion of the Board’s student loan debt portfolio and to also reduce interest rate risk; and

WHEREAS, in furtherance thereof, the Board considers it desirable and necessary for the benefit of the residents of the State of Utah to authorize and approve the issuance and sale of the State Board of Regents of the State of Utah, Student Loan Backed Notes, (to be issued in one or more series, from time to time, which may include both senior and subordinate notes, and with such other series designations that may be determined) (the “Notes”) in an aggregate principal amount of not to exceed \$1,800,000,000 pursuant to

one or more Indentures of Trust (each an “Indenture” and collectively, the “Indentures”) between the Board and one or more trustees to be designated (each a “Trustee”); and

WHEREAS, the Board desires to use the proceeds of the Notes to (i) refinance certain loans held under the Warehouse Agreement and in the Short Term Note Fund, (ii) fund capitalized interest and any required deposit to debt service reserves and (iii) pay costs of issuance of the Notes; and

WHEREAS, the Notes and the Board’s obligations thereunder shall be payable solely from revenues and other moneys pledged therefor in the related Indenture and shall not constitute nor give rise to a general obligation or liability of the Board or the State of Utah or constitute a charge against their general credit; and

WHEREAS, there has been presented to the Board at this meeting forms of (i) a Note Purchase Agreement (each a “Note Purchase Agreement”) (ii) an Indenture, (iii) a Preliminary Offering Memorandum (each a “Preliminary Offering Memorandum”) for use in the marketing of the Notes and (iv) other documents, all relating to the Notes (collectively, the “Note Documents”); 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, select one or more underwriters and a Trustee for the various series of Notes to be issued, redemption provisions and purchase prices at which the Notes 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, provided such terms do not exceed the parameters set forth in this Resolution;

WHEREAS, to permit flexibility in meeting the objectives of the Board, the Board desires to also authorize the Notes to be issued in multiple series and from time to time for a period of up to two years following adoption of this Resolution, so long as the amount outstanding does not at any time exceed the limit established by 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 Notes are hereby ratified, approved and confirmed.

Section 3. The Board hereby approves the forms of the Note Documents, including (without limitation) that the Notes may be issued in multiple series and with a separate Indenture for one or more Series and by means of separate Preliminary Offering Memoranda and final offering memoranda and Note Purchase Agreements relating thereto, so long as the amount issued does not at any time exceed the limit established in the Resolution.

Section 4. The Board hereby authorizes, approves and directs the use and distribution of one or more Preliminary Offering Memoranda in substantially the form before the Board at this meeting in connection with the offering and sale of the Notes. 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 one or more final Offering Memoranda (each an “Offering Memorandum”) in substantially the same form and with substantially the same content as the form of the Preliminary Offering Memorandum before the Board at this meeting with any such alterations, changes or additions as may be necessary to finalize each Offering Memorandum. The preparation, use and distribution of each Offering Memorandum is also hereby authorized.

Section 5. The form of Indenture substantially as 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 one or more Indentures 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 10 hereof or necessary to confirm the terms of each Series of Notes.

Section 6. For the purpose of providing funds to (i) refinance certain loans held under the Warehouse Agreement and in the Short Term Note Fund, (ii) fund capitalized interest and any required deposits to debt service reserves and (iii) pay costs of issuance of the Notes, the Board hereby authorizes the issuance of the Notes in the aggregate principal amount of not to exceed \$1,800,000,000. The Notes may be issued from time to time, in one or more series, including both senior and subordinate notes, and with such other series designations that may be determined. The Notes shall mature on such date or dates, be subject to redemption and bear interest at the rates, as shall be approved by the Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee of the Board, all within the parameters set forth on Exhibit A attached hereto and incorporated herein by reference. The issuance of the Notes shall be subject to the final advice of Note Counsel and to the approval of the office of the Attorney General of the State of Utah.

Section 7. The form, terms and provisions of the Notes and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the respective 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 Notes and to deliver the Notes to the related Trustee for authentication. All terms and provisions of the Indenture and the Notes are hereby incorporated in this Resolution. The appropriate officials of the Board are hereby authorized to execute and deliver to related the Trustee the written order of the Board for authentication and delivery of the Notes in accordance with the provisions of the related Indenture.

Section 8. The Notes shall be sold to the underwriter selected for a particular series of the Notes by the Chair, Vice Chair and/or the Chair of the Finance, Facilities

and Accountability Committee of the Board, with an underwriter's discount of not to exceed six-tenths of one percent (0.6%) (as a discount or fee) of the face amount of the Notes. The Chair, Vice Chair and/or Chair of the Finance, Facilities and Accountability Committee of the Board are hereby authorized to execute and deliver a Note Purchase Agreement for one or more Series, in substantially the form and with substantially the same content as presented at this meeting for and on behalf of the Board with final terms as may be established for the related Notes and such alterations, changes or additions as may be authorized by Section 10 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 of the Board, are each hereby authorized to specify and agree as to the final principal amounts, terms, discounts, maturities, interest rates, rate determination methods and purchase price (including notes sold at a premium or discount) with respect to the Notes for and on behalf of the Board by the execution of the related Note Purchase Agreement and 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 9. 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 (i) take all action necessary or reasonably required by the Note Purchase Agreements and the Indentures 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, and (ii) 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 10. 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 to the Indentures, the Notes, the Note Purchase Agreements, the Preliminary Offering Memoranda, the Offering Memoranda, or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to complete the same, 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, all within the parameters established herein.

Section 11. Upon their issuance, the Notes of each Series and the obligations of the Board under the related Indenture will constitute special limited obligations of the Board payable solely from and to the extent of the sources set forth in the related Indenture and such Notes. No provision of this Resolution, the Notes, the Indentures, the Note Purchase Agreements, 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, the State of Utah or any political subdivision thereof.

Section 12. After any of the Notes are delivered by the Trustee to or for the account of the selected 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 Notes are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 13. 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 14. 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 15. This Resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE STATE BOARD OF REGENTS OF THE
STATE OF UTAH THIS 27TH DAY OF MARCH, 2015.

STATE BOARD OF REGENTS OF THE
STATE OF UTAH

(SEAL)

Chair

ATTEST:

Secretary

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

(SEAL)

Chair

ATTEST:

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 March 27, 2015 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 27th day of March, 2015.

Secretary

(SEAL)

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 27th day of March, 2015.

Secretary

(SEAL)

SCHEDULE 1

NOTICE OF PUBLIC MEETING

[See Transcript Document No. ____]

SCHEDULE 2

NOTICE OF ANNUAL MEETING SCHEDULE

[See Transcript Document No. ____]

SCHEDULE 3

ELECTRONIC MEETING POLICY

EXHIBIT A

PARAMETERS OF THE NOTES

Principal amount not to exceed	\$1,800,000,000
Interest rates not to exceed	1-Month LIBOR plus 1.0% for any Senior Notes and 2% for any Subordinate Notes and in any event, not more than 25.0%
Discount from par not to exceed	5% for any Senior Notes and 15% for any Subordinate Notes
Final Maturity not to exceed	30 years from date of issuance for any Senior Notes and 35 years from date of issuance for any Subordinate Notes
Notes may be non-callable or subject to redemption as deemed advantageous at the time of sale	