

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

February 6, 2014

The Higher Education Student Assistance Authority (HESAA) Board held a meeting on February 6, 2014 at 2:00 pm 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; Mr. George Garcia, Esq.; Dr. Jon Larson; Mr. Julio Marenco; Mr. Christopher McDonough, Treasurer's Designee; Mr. David Reeth; Ms. Maria Torres and Ms. Christy Van Horn, Members.

ABSENT: Dr. Harvey Kesselman; Ms. Jean McDonald Rash and Ms. Sumana Prasai.

Also participating were Geoffrey Stark, DAG; Amy Herbold, Esq., Governor's Authorities Unit; Joe Santoro, Bank of American/Merrill Lynch; Tim Webb, Financial Advisor, First Southwest; Roger Michaud, Franklin Templeton and Steve Pearlman, Esq., Bond Counsel.

CALL TO ORDER

Anthony Falcone called the meeting to order at 2:03 pm. Mr. Falcone stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Mr. Falcone led those present in the Pledge of Allegiance.

Mr. Falcone welcomed the Board members and advised that because some members were participating via teleconference, Roseann Sorrentino would conduct a roll call for the resolutions.

Mr. Falcone welcomed Amy Herbold, Esq., Governor's Authorities Unit and Geoffrey Stark, Esq., DAG.

Mr. Falcone introduced Audrey Bennerson, Secretary of Higher Education Designee.

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

Mr. Falcone asked Roseann Sorrentino to call the roll.

CONSIDERATION OF THE MINUTES OF THE NOVEMBER 19, 2013 MEETING:

A motion to approve the minutes of the November 19, 2013 meeting was made by Ms. Maria Torres and seconded by Mr. James Allen. The minutes were approved unanimously with three abstentions, Audrey Bennerson, Chris McDonough and Julio Marenco who did not participate in the November 19, 2013 meeting.

REPORT OF THE BUDGET COMMITTEE AND RESOLUTION 01:14 ADOPTING A BOARD BUDGET POLICY STATEMENT FOR FISCAL YEAR 2015

Christy Van Horn presented Resolution 01:14 Adopting a Board Budget Policy Statement for Fiscal Year 2015. Father Braden arrived at this time.

Ms. Van Horn advised that the Budget Committee comprised of Gabrielle Charette, Anthony Falcone, James Allen, Jon Larson and her met on October 24, 2013 and January 29, 2014 to develop a Board Budget Policy Statement for Fiscal Year 2015.

The funding recommendations and priorities staff will advance over the course of the budget process will reflect the Board's position as expressed in this policy statement.

General Policy Recommendations

- The role of the HESAA Board in the budget process is to advocate policies that advance higher education access, choice, affordability, and academic achievement for New Jersey residents.
- The Board supports, as its funding priority, ensuring protection of the State's historical commitment to all eligible full-time students under the need-based TAG Program.
- The Board supports continued funding of the Part-Time TAG Program for County College Students.
- Future award values, funding and expenditures for the Part-Time TAG Program for County College Students, from year to year or within a year, must always be considered separately from award values, funding and expenditures for the full-time TAG Program because TAG and Part-Time TAG programs are separate line items in the State budget.
- FY 2015 is the third year of the Governor's Urban Scholarship program providing \$1,000 renewable scholarship awards to students who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. Students must reside in but not necessarily attend high school in one of 14 high-need communities identified by the NJ Department of Education and the NJ Department of Community Affairs.

Key to maintaining higher education access and affordability for New Jersey families is the ability of State grant programs to provide predictability and stability to financially needy students and their families and the institutions they seek to attend. With this goal in mind, we present the following funding recommendations:

Funding Policy Recommendations

Tuition Aid Grants for Full-Time Students

The HESAA Board recommends the following funding policies for full-time TAG:

- Awards to all eligible students who apply by the application deadlines.
- In light of the goal to provide predictability and stability, the State should move away from the long-standing practice of basing TAG awards on a two-year and four-year lag to tuition less a percentage and adopt a base plus percentage increase model.
- Under a base plus percentage structure, instead of looking back at tuition from two years or fours ago, the TAG tables would start at a base year, the FY 14 table, and would increase each cell by a percentage adjustment set annually.
- The base plus percentage structure ensures all awards, in all eligibility indexes at all institutions are increased by a percentage that is fixed annually, whereas under the lag to tuition structure some awards were held constant or even decreased depending on what had occurred with tuition in the years upon which the awards were based.
- Recognize an increase in the number of eligible recipients to include 1,243 additional new awards.
- Provide for a contingency mechanism that ensures sufficient reserves to cover increases in program costs not anticipated in the budget.

Part-Time Tuition Aid Grants for EOF Students

The Board recommends funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program and reflect any increases in TAG.

Part-Time Tuition Aid Grant Program for County College Students

In accordance with the Board's long-standing tenets for this program to provide awards to all eligible students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards, within available funding levels.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs

The Board recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs. The funding recommendation includes the third year of the NJ STAR II program's expansion to include eligible four-year non-public institutions, thus providing greater flexibility to our students, and increasing the portability of the program across the State.

Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program, created in 2012, provides New Jersey high school students who reside in 14 high-need communities identified by the Department of Education (DOE) and the Department of Community Affairs (DCA) the opportunity and resources they need to pursue higher education opportunities. For FY 2015 the third class of \$1,000 renewable scholarship awards will be made available to New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. The Board recommends funding to support the first three classes of Governor's Urban Scholarship recipients.

All Other HESAA Programs Funded through State Appropriations

The Board recommends funding the following programs as indicated below:

Survivor Tuition Benefits Program

We recommend funding the anticipated program participants, an FY 2015 appropriation of \$38,000 is recommended. This would maintain level-funding.

The Board recommends that steps be taken to amend legislation to extend Law Enforcement Officers Memorial (LEOM) Scholarship funding to surviving dependents of fire and emergency personnel.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding students through 2024, the Board requests that FY 2015 funding be restored to \$250,000, an increase of \$48,000 over FY 2014 as part of its recommendations.

Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The Board recommends continuation of level funding for this program which provides funding for both redemption of student loans for practitioners in medically underserved areas across the State as well as funding for the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

HESAA Revenue and Fee-Supported Programs

Federal Family Education Loan Program (FFELP)
Federal Direct Loan Servicing
New Jersey College Loans to Assist State Students
(NJCLASS)
New Jersey Better Educational Savings Trust (NJBEST)
Program NJBEST Scholarships
Law Enforcement Officer Memorial Scholarship Program

World Trade Center Scholarship Program (Public and Private Donations)

A motion to approve Resolution 01:14 was made by Dr. Jon Larson and seconded by Mr. Allen.

Father Braden questioned what information staff and the budget committee considered in making the changes to the TAG tables. He questioned what the new table would look like, what was being used as the base and where the percentage came from to increase the table.

Gabrielle Charette explained that the base would be the current FY 2014 TAG table and that each year every cell for every institution would be increased by X%, as opposed to having to look at tuition from two and four years ago and then reducing the table by an additional percentage to keep funding within state resources.

Father Braden expressed a concern that the new formula creates a disconnect between tuition and the TAG table. He explained that there had been tuition increases in the past at the private institutions and the TAG tables might not keep up with the tuition increases.

Gabrielle Charette explained that the new model creates an incentive to keep tuition increases low. Jon Larson added that he supports this new model. He believes that it is a sensible model that is easier to understand. He feels that the current table is very fair and is therefore a fair base to start from when expending limited state resources. He added that the institutions need to face the reality of their limitations when it comes to raising tuition.

Christy Van Horn explained that the 2.5% increase could fluctuate based on analysis by the staff and Board.

Anthony Falcone added that students will have transparency with this model, know what their award will be from year to year.

Gabrielle Charette reminded the Board that there have been very generous increases to the TAG program over the last two year, with the Governor's budget including an increase of over \$16 million last year and over \$30 million the year before. Ms. Charette explained that under the new model all students will receive an increase in their TAG awards unless their financial resources improve and they have less need.

James Allen and David Reeth added their support for the new model.

The motion was passed unanimously.

RESOLUTION 02:14 APPROVING APPOINTMENT OF FRANKLIN TEMPLETON AS THE PROVIDER OF COMPREHENSIVE SERVICES FOR THE NJBEST PROGRAM

Gene Hutchins presented Resolution 02:14 to the Board.

This memorandum and attached Resolution 02:14 recommend the Board's approval of the continuation of Franklin Templeton Investments as the provider of comprehensive services for the NJBEST program. The range of services to be provided includes investment and portfolio management, administration of all current and new accounts, including participant record-

keeping, annual audit, legal and regulatory notifications and compliance, and marketing of the program.

Two proposals were received in response to an RFP issued by HESAA November 13, 2013, of which one was deemed non-responsive since the firm stated that they were not proposing to be the program manager. The one responsive proposal received was from HESAA's current manager, Franklin Templeton Investments.

As part of their response, Franklin Templeton has proposed to reduce NJBEST program management fees across all portfolios they manage, which will result in \$6.8 million in annual fee savings to program participants. This fee reduction will translate into over \$47.6 million in fee savings over the first seven years of the contract and over \$68 million if the contract is extended an additional three years.

Franklin Templeton has successfully met the program's goal of long term growth and relative stability in program participants' assets. In Barron's annual ranking of mutual fund families, Franklin Templeton has consistently ranked near the top of all mutual fund providers over the last ten years based on net investment performance, being ranked number 1 three times and number 2 four other times.

Franklin Templeton also has a history of excellent contract performance in terms of customer service, consistently exceeding contract standards, and has proposed an increase in annual marketing and public outreach allocations. Working collaboratively with HESAA, Franklin has committed \$26.6 million over the next seven years to market the program both within the State and nationally. These outreach efforts are critical to growing the public awareness of the need to save for college, thereby avoiding the potential devastating consequences of over-borrowing through student loans.

All administrative costs of the program, including the servicing costs of all accounts managed by the Division of Investments, will continue to be absorbed by Franklin Templeton from within the fee structure of the program.

A motion to approve Resolution 02:14 was made by Ms. Maria Torres and seconded by Mr. James Allen. The motion was passed unanimously.

Roger Michaud, Sr. Vice President and Director of Franklin Templeton's College Savings activities, thanked the full board for today's decision to extend its relationship with NJ Higher Education Student Assistance Authority and the New Jersey Division of Investments as well as college savers throughout the State of New Jersey.

Specifically Mr. Michaud thanked Executive Director Gabrielle Charette and Chief Financial Officer Gene Hutchins of HESAA, as well as Chris McDonough at the Division of Investments for their commitment to provide New Jersey college savers with a savings program that rivals the industry. The hard work that has been done over the last year has made the program stronger and continues joint efforts to identify ways to make the program even stronger.

Mr. Michaud stated this has clearly been more than a relationship but rather a true partnership. This public/private partnership is a true example of the good work that can be done when both

sides focus on the same goals and commitments and looks forward to future success and will continue to remain focused on New Jersey college savers and maintaining the programs unique position in the industry.

RESOLUTION 03:14 APPROVING THE APPOINTMENT OF A PUBLISHER FOR FINANCIAL AID MATERIALS

André Maglione presented Resolution 03:14 to the Board.

On December 2, 2013, HESAA issued an RFP to write, edit, design, print, produce, and distribute the two publications to high schools and colleges all over New Jersey with a Spanish production and to include a Going to College e-book print which will be available on iTunes and android systems.

The RFP was sent to five qualified publishers, posted on HESAA's website and published in the major state newspapers. HESAA received only one response to the RFP and it was from the current vendor Nautilus Publishing Company. The evaluation committee reviewed the response to ensure the bid met HESAA's needs at a reasonable cost.

Nautilus published both Going to College in NJ and Life 101 to HESAA's specifications for the last five years and staff strongly believes they will provide the same professional and quality service for the next three years and if necessary, two one-year extensions. Accordingly, HESAA staff recommends approving the contract with Nautilus at a total cost of \$105,822.00 per year for each of the three years. The vendor also identified a potential savings of \$7,172.00 annually for the three years if HESAA agrees to the reduction of liability insurance from the required \$5 million to \$1 million of coverage which they indicate as sufficient. Staff agrees that \$1 million of coverage is sufficient for this type of contract and recommends that the Board approve the reduction.

It is recommended that the Board approve resolution 03:14, approving the award of a three year contract with two possible one year extensions with the reduced insurance coverage. Thank you.

A motion to approve Resolution 03:14 was made by Ms. Christy Van Horn and seconded by Fr. Michael Braden.

Christy Van Horn asked why the insurance was set at \$5 million. Marnie Grodman explained that this is a standard used in all of HESAA's RFPs but is not necessary for the type of work being performed under this contract. She explained that staff reviews and approves all documents prior to publications. James Allen asked what that approval entails and André Maglione explained that HESAA reviews all publications, as do the schools, to ensure that all information is accurate and HESAA has final approval.

Anthony Falcone questioned why there was only one proposal. Mr. Maglione explained that these publications demand a lot of work that not all publishers are willing to provide. Marnie Grodman added that these are niche publications and as Nautilus provides similar services nationwide they already have a lot of the articles and formats.

The motion was passed unanimously.

RESOLUTION 04:14 BOND TENDER OFFER

Gene Hutchins presented Resolution 04:14 to the Board.

Resolution 04:14 approves an invitation to the Holders of the Authority's 2002-2007 Bonds to tender or sell back to the Authority their bonds, as well as various other documents related to the offer to sell bonds. As outlined in the memorandum, the 2002 - 2007 bonds were issued under the 1998 Master Trust in the form of Tax-Exempt Auction Rate Certificates.

The auctions of these bonds began failing in February of 2008 and five years later have continued to fail, which has resulted in a loss of liquidity for such bonds, and the current imposition of a failed auction rate of 200% of SIFMA, a short-term interest rate index.

Bonds that are tendered to the Authority as a result of the Offer to Sell Bonds would be purchased from the approximately \$22.0 million in cash currently available within the 1998 Trust Estate, and then retired by the Authority. Bonds currently outstanding in the 1998 Trust total \$127.025 million and first priority will be given to smaller investors who wish to sell their bonds to HESAA.

The bond tender process and associated documents is the formal legal mechanism through which the holders of these bonds can offer to sell their bonds to HESAA. Each current bondholder, or their authorized agent, will be provided with an informational package that outlines his/her rights and options under the tender offer. The tender process does not require bondholders to offer their bonds for sale nor does it require HESAA to purchase any of the bonds offered.

The bond tender period, during which bondholders can offer their bonds for sale, will run for three weeks. At the conclusion of the tender period, all offers will be ranked by sub-Series and the amount of discount offered and bondholders will be notified as to whether their tender offer is accepted.

Steve Pearlman, HESAA's Bond Counsel is available to answer any technical questions the Board may have.

Steve Pearlman added that pursuant to the authorizing resolution the Board would be authorizing the professionals and their fees as well as the necessary documents. He advised that the working group had all of the documents ready to go.

A motion to approve Resolution 04:14 was made by Mr. James Allen and seconded by Fr. Michael Braden.

James Allen asked what incentive bondholders have to tender their bonds. Mr. Pearlman explained that tendering would provide liquidity because the auction rates are currently providing a low yield curve. Mr. Hutchins added that these bonds were initially AAA rated and are now BBB rated with a negative outlook. This is an incentive for holders to sell and for the Authority to get the bonds off the market.

Christy Van Horn asked how the ranking works for the non-institutional investors. Mr. Pearlman explained that there are two separate tranches and that there will be a pro rata allocation based on the offers.

Jon Larson asked what happens to the bonds that are not tendered and Joe Santoro from Bank of America Merrill Lynch explained that they have staggered maturities up to 30 years so many of them have a way to go before they are paid out.

James Allen clarified that HESAA will not face any losses to which Mr. Pearlman added that HESAA will be paying less than par.

The motion was passed unanimously.

RESOLUTION 05:14 APPROVING THE EXTENSION OF THE CONTRACT WITH OBERMAYER, SPECIAL COUNSEL TO ASSIST IN THE REVIEW OF MATERIALS RELATED TO 529 PLANS FOR ONE YEAR

Marnie Grodman presented Resolution 05:14 to the Board.

At the November 23, 2010 meeting, as a result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans and to assist in engaging the successive investment manager. The appointment was for an initial term of 2 years with three optional one-year extensions and the Board already voted to exercise the first one year extension at the October 25, 2012 meeting.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans, such as investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Warren Ayres, a partner at Obermayer, has provided prompt and professional advice in response to all requests for opinions. In addition he has been involved in the process of issuing the RFP for the successor investment manager and reviewing the proposals. Staff believes Mr. Ayres' knowledge of HESAA's program will be beneficial during the transition into an updated contract with Franklin Templeton.

Obermayer's fees are a very reasonable rate, between \$225 and \$300 per hour for attorneys and \$100 per hour for paralegals. As such, staff recommends exercising the second one-year option to extend the contract.

A motion to approve Resolution 05:14 was made by Ms. Maria Torres and seconded by Mr. James Allen.

The motion was passed unanimously.

Grants and Scholarships Express Process Demonstration

André Maglione demonstrated HESAA's new electronic document collection system powered by Mapping Express. He explained how once this system goes live on hesaa.org, students and families will be able to submit their grants and scholarships documents electronically instead of faxing or mailing them to HESAA.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gabrielle Charette gave the following report:

We have all heard the saying hindsight is twenty-twenty. I am sure there are times when you wonder what the ultimate outcome was of decisions that you were either advised of or asked to make. So today I'd like to give you some twenty-twenty updates.

In April of 2012 you approved a number of program modifications to the NJCLASS loan program. Specifically you increased the minimum income, revised the credit score criteria and reduced the pool of fully deferred loans. Almost two years later I am pleased to report that our default data bears witness to the wisdom of these decisions. NJCLASS defaults in 2013 were well below the two previous years. The volume of loan defaults for calendar year 2013 decreased by 40.2% from \$56.6 million to \$33.8 million.

Moreover, the NJCLASS default experience stands in sharp contrast to what other lenders across the country are experiencing in the student loan marketplace. Equifax, one of the largest consumer credit reporting agencies in the United States, reports that between January and August of 2013 lenders wrote off \$13.6 billion in student loan debt. Compared to the same period in 2012, that represents a 46% increase, and the highest increase for this period in any of the last eight years.

Also with respect to NJCLASS, this past April we advised you that, although not required to do so by the IRS, we had put in place a set of written procedures to ensure compliance with IRS regulations regarding the post-issuance investment and usage of tax-exempt bond proceeds.

Related to this issue of proper arbitrage procedures, the IRS initiated a Voluntary Closing Agreement Program for those student loan tax exempt bond issuers that engaged in a practice called loan swapping, whereby student loans were allocated to bond trusts other than the ones used to originally finance them. Since HESAA never engaged in loan swapping, we declined to enter a voluntary closing agreement with the IRS. The IRS in turn commenced a four month examination of our practices and procedures related to tax exempt bonds to verify our compliance. I am pleased to report that the IRS completed its review and on November 27, 2013 sent us a letter stating that the matter was closed to their satisfaction and affirming that there would be no change to the position that interest received by the beneficial owners of HESAA Bonds is excludable from gross income under the Internal Revenue Code.

I must commend Controller Bob Clark for patiently and methodically gathering the extensive data required by the IRS in order for the review to be favorably completed.

To provide you with some perspective on the importance of the IRS's positive determination for HESAA, let me share with you the experience of our counterpart state agency in New Hampshire. New Hampshire also did not enter a voluntary closing agreement with the IRS and therefore was subject to examination. Upon examination, the IRS determined that \$720 million of New Hampshire's student loan bonds that had been presumed tax exempt were in fact taxable. New Hampshire is appealing this decision. However, if they do not prevail upon appeal they will have to go to each investor who purchased their bonds believing in good faith they were not taxable and advise those investors that they are now obligated to go back to the years in question, file amended tax returns, and pay any additional tax levies owed. Can you imagine the chilling effect that will have on future New Hampshire bond issues?

Also, at the April 2013 Board meeting you approved HESAA entering into a contract with EverFi to provide financial literacy education to high school students in four target areas. HESAA entered the contract and the New Jersey Financial Scholars program has been launched. 391 students are currently using the program and another 94 students have completed the program and been fully certified. The program covers a range of financial literacy topics with a module dedicated specifically to financing higher education. Several high school principals have informed us that they are not only using the program for their students but also for their teachers in this discipline.

HESAA had planned to use funds from the College Access Challenge Grant to cover the costs associated with the NJ Financial Scholars program but recently learned those funds would not be forthcoming. In light of that news, the team and I had considered cancelling the EverFi contract but came to the conclusion that given the importance of financial literacy and our complex and sophisticated economy, the initial success of the program that HESAA would not cancel the contract but absorb the costs through other savings that have been realized.

I would like to commend Samantha Benson our project manager for the Everfi contract and HESAA's full time internal and external training facilitator. At a future meeting we hope to be able to provide you with a demonstration of this exciting program.

Before I conclude, I must recognize HESAA CIO Ruth Odom and her IS staff for once again going above and beyond in the wake of a storm. Despite the fact that state offices were officially closed yesterday, Ruth and their team came in in the afternoon once the power was restored to this complex to bring our systems back up. This allowed the rest of us to come in this morning and have system access and perform our jobs without interruption. You'll recall the IS team came in in advance of the state re-opening during Super Storm Sandy as well.

In sum, with the benefit of twenty-twenty hindsight, I think we can conclude HESAA is an agency that is thriving, with programs that are flourishing, staff who are achieving and students who are benefiting from all that we do.

Thank you.

NEW BUSINESS

David Reeth advised that he attended a meeting to plan a student conference and at that meeting another student asked “Is someone from HESAA going to be there? I can’t tell you how much I appreciate the award I got this year.” Mr. Reeth thanked the Authority for all that it does for students and families.

ADJOURNMENT

Mr. Falcone announced that after adjourning this meeting the Board would enter a closed session, pursuant to the Open Public Meetings Act, to discuss pending litigation. He explained this would be a closed session pursuant to N.J.S.A. 10:4-12b(7), matters that fall under the attorney-client privilege. Details of the discussion that takes place in the closed session cannot be disclosed to the public until the conclusion of the litigation. A motion to adjourn and go to closed session was made by Dr. Jon Larson and seconded by Mr. James Allen.

The motion passed unanimously.

Chairman Falcone announced the next regularly scheduled Board meeting is Wednesday April 23, 2014 at 11:30 am.

The meeting adjourned at 3:05.



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

FROM: Gabrielle Charette, Esq., Executive Director 

SUBJECT: Report of the Budget Committee and Resolution 01:14 Adopting a Board Budget Policy Statement for Fiscal Year 2015

DATE: February 5, 2014

A. Summary

Attached for your review, comment and adoption is Resolution 01:14 Adopting a Board Budget Policy Statement for Fiscal Year 2015.

Attached is the budget policy statement along with the supplemental information the Budget Committee requested be shared with the Board:

1. Academic Year 2013-14 Tuition and Fees; and
2. Typical financial aid package for students receiving the maximum TAG award.

B. Background

The Budget Committee of the Authority is comprised of the Executive Committee of the Board, which includes Gabrielle Charette, Anthony Falcone, Christy Van Horn, James Allen and Jon Larson.

The Committee met on October 24, 2013 and January 29, 2014 and further communicated while working with HESAA staff to develop a Board Budget Policy Statement for Fiscal Year 2015.

C. Recommendations

The Budget Committee recommends adoption of the attached policy statement and Resolution 01:14.

Attachments

RESOLUTION 01:14
ADOPTING A BOARD BUDGET POLICY STATEMENT FOR
STATE FISCAL YEAR 2015

Moved by: Dr. Jon Larson
Seconded by: Mr. James Avery

WHEREAS: The Higher Education Student Assistance Authority (HESAA) Board is responsible for recommending budget policies in support of New Jersey's student financial aid programs; and

WHEREAS: The Board's budget committee met with staff to review background information and to draft a FY 2015 budget policy statement for consideration by the full Board on October 24, 2013 and January 29, 2014.

NOW THEREFORE, LET IT BE:

RESOLVED: That the HESAA Board strongly affirms the importance of preserving education access and affordability for all residents of the State of New Jersey and recognizing academic achievement; and be it further

RESOLVED: That the Board hereby adopts the budget policy statement for FY 2015 as advanced by the budget committee and described in the attachment to this resolution; and be it further

RESOLVED: That HESAA shall endeavor to maximize FY 2015 resources available for State-funded student assistance programs in keeping with the attached budget policy statement, subject to refinement of underlying projections.

February 6, 2014

**FY 2015 BUDGET POLICY STATEMENT FOR
THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY BOARD**

Pursuant to N.J.S.A. 18A:71A-9f., the Higher Education Student Assistance Authority (HESAA) is the lead State agency in determining policy on student assistance issues. Consequently, the HESAA Board is charged with developing budget recommendations for all programs administered by the Authority. These recommendations are submitted to the Executive Director for review and submission to the Division of Budget and Accounting.

The Board would like to take this opportunity to thank Governor Christie and the Legislature for their sustained support of New Jersey's State grant and scholarship programs during these challenging fiscal times. Moreover, the Board, on behalf of the students and families served, would also like to express its appreciation for this on-going commitment. During the 2013-2014 academic year, the State's financial aid programs are making it possible for approximately 85,000 State residents to pursue a postsecondary education, ultimately benefitting New Jersey's economy.

The Fiscal Year 2015 Budget Policy Statement reflects the Board's fundamental principles of promoting access and affordability to postsecondary education for New Jersey residents through need-based student financial aid and merit-based scholarship programs. In formulating this budget policy recommendation, the Board remained mindful of its role as student advocate to achieve full funding of the full-time TAG Program, while recognizing the on-going fiscal challenges facing the State of New Jersey.

Funding requirements based on various TAG table parameters were reviewed. The Board feels that the funding recommendation outlined below is the most reasonable in light of the State's fiscal challenges and the needs of New Jersey students and families. However, it wishes to reaffirm its long-standing commitment to achieve full funding of the full-time TAG Program and affordability, access and choice for all students. The full-time TAG Program is one of the most important sources of aid available to low- and middle-income New Jersey students, who must cover ever-increasing postsecondary education expenses. Full funding of the TAG Program would help these students meet expenses and achieve their educational goals, ultimately benefitting New Jersey's economy.

The funding recommendations and priorities staff will advance over the course of the budget process will reflect the Board's position as expressed in this policy statement.

General Policy Recommendations

- The role of the HESAA Board in the budget process is to advocate policies that advance higher education access, choice, affordability, and academic achievement for New Jersey residents.
- The Board supports, as its funding priority, ensuring protection of the State's historical commitment to all eligible full-time students under the need-based TAG Program.
- The Board supports continued funding of the Part-Time TAG Program for County College Students.
- Future award values, funding and expenditures for the Part-Time TAG Program for County College Students, from year to year or within a year, must always be considered separately from

award values, funding and expenditures for the full-time TAG Program because TAG and Part-Time TAG are separate line items in the State budget.

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The Board recommends funding for the Part-Time TAG for EOF Students Program at a level sufficient to maintain the current program and reflect any increases in TAG.

Part-Time Tuition Aid Grant Program for County College Students

In accordance with the Board's long-standing tenets for this program, provide awards to all eligible students who apply by the application deadlines at one-half or three-quarters of the dollar value of full-time awards, within available funding levels. Award values will be based on the same parameters in effect for the full-time TAG Program. Hence, should a base plus percentage increase be adopted for the Tuition Aid Grant program, the same parameters will be adopted for the Part-time TAG for County College Students program.

NJ Student Tuition Assistance Reward Scholarship/NJ Student Tuition Assistance Reward Scholarship II Programs

The Board recommends continued funding to support all students who meet the eligibility requirements of the NJ STARS and NJ STARS II Programs. The funding recommendation includes the third year of the NJ STAR II program's expansion to include eligible four-year non-public institutions, thus providing greater flexibility to our students, and increasing the portability of the program across the State.

Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program, created in 2012, provides New Jersey high school students who reside in 14 high-need communities identified by the Department of Education (DOE) and the Department of Community Affairs (DCA) the opportunity and resources they need to pursue higher education opportunities. For FY 2015 the third class of \$1,000 renewable scholarship awards will be made available to New Jersey high school graduates who rank in the top 5% of their class with a GPA of 3.0 or higher and demonstrate financial need, no matter whether they attend a public or non-public high school. The Board recommends funding to support the first three classes of Governor's Urban Scholarship recipients.

All Other HESAA Programs Funded through State Appropriations

The Board recommends funding the following programs as indicated below:

Survivor Tuition Benefits Program

To fund the anticipated program participants, an FY 2015 appropriation of \$38,000 is recommended. This would maintain level-funding.

The Board also recommends that steps be taken to amend legislation to extend Law Enforcement Officers Memorial (LEOM) Scholarship funding to surviving dependents of fire and emergency personnel.

World Trade Center Scholarship Program

Recognizing that the program is committed to funding students through 2024, the Board requests that FY 2015 funding be restored to \$250,000, an increase of \$48,000 over FY 2014 as part of its recommendations.

Primary Care Practitioner/Nursing Faculty Loan Redemption Program

The Board recommends continuation of level funding for this program which provides funding for both redemption of student loans for practitioners in medically underserved areas across the State as well as funding for the Nursing Faculty Loan Redemption Program which is one mechanism for addressing the State's current critical shortage of both nurses and nursing faculty.

HESAA Revenue and Fee-Supported Programs

Federal Family Education Loan Program (FFELP)
Federal Direct Loan Servicing
New Jersey College Loans to Assist State Students (NJCLASS)
New Jersey Better Educational Savings Trust (NJBEST)
Program NJBEST Scholarships
Law Enforcement Officer Memorial Scholarship Program
World Trade Center Scholarship Program (Public and Private Donations)

FOR INFORMATION ONLY - THIS PAGE IS NOT PART OF THE RESOLUTION

Estimated **Additional*** State Appropriations Necessary to Implement the HESAA Board's FY 2015 Budget Policy Statement

Full-Time Tuition Aid Grants

Provides awards for students based on their current award levels plus a percentage increase not to exceed 2.5%.

Table assumes 63,758 awards –
an increase of 1,243 additional new awards \$15.505 million

World Trade Center Scholarship

Funds potentially eligible students \$48,000

Total Estimated Additional State Appropriations Potentially Needed to Implement the HESAA Board's FY 2015 Budget Policy Statement \$15.553 million

*** Due to enrollment trends, funding for the Part-Time TAG for County College Students program does not require additional funds under either the current two-year, four-year lag to tuition less a percentage model or the proposed base plus percentage model. Additionally, due to enrollment trends, the following programs also do not require additional funding: NJ STARS, NJ STARS II and Part-time TAG for EOF.**

Tuition and Required Fees, Academic Year 2013 - 2014

	IN-STATE* RATES						
	Full-time			Per Credit		Part-time	
	Annual Tuition	Annual Fees	Total	Tuition	Annual Tuition	Annual Fees	Total
NJ COMMUNITY COLLEGES							
Atlantic Cape Community College	\$4,890	\$716	\$5,606	\$163.00	\$1,956	\$286	\$2,242
Bergen Community College	\$8,160	\$1,260	\$9,420	\$272.00	\$3,264	\$522	\$3,786
Brookdale Community College	\$6,930	\$832	\$7,762	\$231.00	\$2,772	\$333	\$3,105
Burlington County College	\$3,360	\$885	\$4,245	\$112.00	\$1,344	\$354	\$1,698
Camden County College	\$3,240	\$1,020	\$4,260	\$108.00	\$1,296	\$408	\$1,704
Cumberland County College	\$3,600	\$900	\$4,500	\$120.00	\$1,440	\$360	\$1,800
Essex County College	\$6,510	\$975	\$7,485	\$217.00	\$2,604	\$390	\$2,994
Gloucester County College	\$3,300	\$1,005	\$4,305	\$110.00	\$1,320	\$402	\$1,722
Hudson County Community College	\$6,750	\$1,203	\$7,953	\$225.00	\$2,700	\$505	\$3,205
Mercer County Community College	\$4,740	\$885	\$5,625	\$158.00	\$1,896	\$354	\$2,250
Middlesex County College	\$6,180	\$1,185	\$7,365	\$206.00	\$2,472	\$474	\$2,946
Morris, County College of	\$7,020	\$675	\$7,695	\$234.00	\$2,808	\$270	\$3,078
Ocean County College	\$3,990	\$940	\$4,930	\$133.00	\$1,596	\$400	\$1,996
Passaic County Community College	\$3,165	\$1,001	\$4,166	\$105.50	\$1,266	\$400	\$1,666
Raritan Valley Community College	\$4,350	\$874	\$5,224	\$145.00	\$1,740	\$428	\$2,168
Salem Community College	\$3,750	\$1,044	\$4,794	\$125.00	\$1,500	\$450	\$1,950
Sussex County Community College	\$5,700	\$1,200	\$6,900	\$190.00	\$2,280	\$480	\$2,760
Union County College	\$8,160	\$1,148	\$9,308	\$0.00	\$2,928	\$459	\$3,387
Warren County Community College	\$3,720	\$690	\$4,410	\$124.00	\$1,488	\$276	\$1,764
COMMUNITY COLLEGES AVERAGE	\$5,132	\$970	\$6,103	\$156.76	\$2,035	\$397	\$2,433

Source: IPEDS Form #14 (Tuition and Required Fees).

IN-STATE refers to parts of the state outside the service area of the college.

ANNUAL for full-time is defined here as 30 credit hours, for part-time it is 12 credits. Some institutions report annual figures but for those that do not per-credit tuition and fees are multiplied by 30 or 12 to derive the annual figure.

Averages are simple divisions of the amount by the number of institutions reporting, colleges that did not report a figure are not included in the average.

Tuition and Required Fees, Academic Year 2013 - 2014

	UNDERGRADUATE (IN-STATE) RATES						
	Full-time			Part-time			
	Annual Tuition	Annual Fees	Total	Per Credit Tuition	Annual Tuition	Annual Fees	Total
NJ SENIOR PUBLIC COLLEGES							
College of New Jersey	\$10,355	\$4,375	\$14,730	\$366.95	\$4,403	\$2,111	\$6,515
Kean University	\$7,132	\$3,786	\$10,918	\$278.00	\$3,336	\$1,668	\$5,004
Montclair State University	\$8,182	\$3,136	\$11,318	\$272.73	\$3,273	\$1,254	\$4,527
New Jersey City University	\$7,561	\$3,092	\$10,653	\$252.00	\$3,024	\$1,208	\$4,232
New Jersey Institute of Technology	\$12,800	\$2,418	\$15,218	\$487.00	\$5,844	\$1,428	\$7,272
Ramapo College of New Jersey	\$8,650	\$4,738	\$13,387	\$270.30	\$3,244	\$1,777	\$5,020
R Stockton College of New Jersey	\$7,948	\$4,374	\$12,322	\$305.70	\$3,668	\$2,019	\$5,687
Rowan University	\$8,906	\$3,474	\$12,380	\$342.00	\$4,104	\$1,776	\$5,880
Rutgers, The State University of N.J.	\$10,718	\$2,781	\$13,499	\$345.00	\$4,140	\$683	\$4,823
Wm. Paterson University of N. J.	\$7,421	\$4,497	\$11,918	\$237.19	\$2,846	\$1,738	\$4,584
SENIOR PUBLIC AVERAGE	\$8,967	\$3,667	\$12,634	\$315.69	\$3,788	\$1,566	\$5,354
Thomas Edison State College	\$5,700	\$0	\$5,700	\$170.00	\$2,040	\$1,763	\$3,803

Source: IPEDS Form #14 (Tuition and Required Fees).

ANNUAL for full-time is defined here as 32 credit hours, for part-time it is 12 credits. Some institutions report annual figures but for those that do not per-credit tuition and fees are multiplied by 32 or 12 to derive the annual figure.

Averages are simple divisions of the amount by the number of institutions reporting, colleges that did not report a figure are not included in the average. Thomas Edison was not included in the averages since its rate structure differs from other institutions.

Tuition and Required Fees, Academic Year 2013 - 2014

		UNDERGRADUATE RATES						
		Full-time		Per Credit		Part-time		
		Annual Tuition	Annual Fees	Total	Tuition	Annual Tuition	Annual Fees	Total
NJ INDEPENDENT COLLEGES								
Bloomfield College		\$24,680	\$1,200	\$25,880		\$12,340	\$600	\$12,940
Caldwell College		\$27,900	\$1,100	\$29,000	\$738.00	\$8,856	\$150	\$9,006
Centenary College		\$29,070	\$1,450	\$30,520	\$560.00	\$6,720	\$360	\$7,080
Drew University		\$42,936	\$832	\$43,768	\$1,789.00	\$21,468	\$416	\$21,884
Fairleigh Dickinson: Florham Campus		\$36,386	\$958	\$37,344	\$925.00	\$11,100	\$430	\$11,530
Fairleigh Dickinson: Metro Campus		\$33,920	\$958	\$34,878	\$925.00	\$11,100	\$430	\$11,530
Felician College		\$28,360	\$1,630	\$29,990	\$935.00	\$11,220	\$535	\$11,755
Georgian Court College		\$28,238	\$1,368	\$29,606	\$646.00	\$7,752	\$684	\$8,436
Monmouth University		\$30,390	\$628	\$31,018	\$880.00	\$10,560	\$314	\$10,874
Princeton University		\$40,170	\$545	\$40,715		\$7,583	\$160	\$7,743
Rider University		\$34,560	\$700	\$35,260	\$631.91	\$10,152	\$0	\$10,152
St. Elizabeth, College of		\$29,148	\$1,947	\$31,095	\$846.00	\$11,880	\$144	\$12,024
St. Peter's University		\$31,230	\$1,054	\$32,284	\$990.00	\$12,336	\$430	\$12,766
Seton Hall University		\$33,740	\$2,080	\$35,820	\$1,028.00	\$17,184	\$1,570	\$18,754
Stevens Institute of Technology		\$42,920	\$1,570	\$44,490	\$1,432.00	\$11,446	\$445	\$11,891
PUBLIC-MISSION INDEPENDENT AVERAGE		\$32,910	\$1,201	\$34,111	\$837.99	\$6,120	\$825	\$6,945
Berkeley College		\$21,900	\$1,200	\$23,100	\$510.00	\$7,308	\$80	\$7,388
DeVry University		\$16,806	\$80	\$16,886	\$609.00	\$7,440	\$600	\$8,040
Eastern International College		\$15,100	\$600	\$15,700	\$620.00	\$3,060	\$5,987	\$9,047
Eastwick College		\$7,650	\$5,987	\$13,637	\$255.00	\$4,600	\$0	\$4,600
Strayer University		\$11,000	\$0	\$11,000	\$366.67 *	\$5,592	\$0	\$5,592
University of Phoenix		\$13,980	\$950	\$14,930	\$466.00	\$5,687	\$1,249	\$6,935
PROPRIETARY INDEPENDENTS AVERAGE		\$14,406	\$1,470	\$15,876	\$471.11	\$1,920	\$0	\$1,920
Assumption College for Sisters		\$4,800	\$0	\$4,800	\$160.00	\$3,456	\$0	\$3,456
Bais Medrash Toras Chesed		\$8,700	\$0	\$8,700	\$288.00	\$8,808	\$0	\$8,808
Beth Medrash Govoha		\$17,616	\$0	\$17,616	\$734.00	\$5,280	\$0	\$5,280
Mesivta Keser Torah		\$13,200	\$200	\$13,400	\$440.00	\$8,352	\$500	\$8,852
Pillar College (formerly Somerset Christian)		\$16,704	\$500	\$17,204	\$696.00	\$4,284	\$0	\$4,284
Rabbi Jacob Joseph School		\$10,700	\$200	\$10,900	\$357.00	\$4,284	\$0	\$4,284
Rabbinical College of America		\$10,700	\$0	\$10,700	\$357.00	\$4,404	\$0	\$4,404
Talmudical Academy		\$11,000	\$0	\$11,000	\$367.00	\$4,080	\$0	\$4,080
Yeshiva Be'er Yitzchok		\$10,200	\$0	\$10,200	\$340.00	\$4,596	\$0	\$4,596
Yeshiva Gedolah Zichron Leyma		\$11,500	\$0	\$11,500	\$383.00	\$4,656	\$0	\$4,656
Yeshiva Toras Chaim		\$11,650	\$150	\$11,800	\$388.00	\$4,920	\$45	\$4,965
RELIGIOUS INDEPENDENTS AVERAGE		\$11,525	\$95	\$11,620	\$410.00	\$8,016	\$459	\$8,474
ALL INDEPENDENTS AVERAGE		\$22,089	\$871	\$22,961	\$655.42			

Source: IPEDS Form #14 (Tuition and Required Fees).

ANNUAL for full-time is defined here as 30 credit hours, for part-time it is 12 credits. Some institutions report annual figures but for those that do not per-credit tuition and fees are multiplied by 30 or 12 to derive the annual figure. * Strayer charges per course, so their data is adjusted to approximate credit hours. Averages are simple divisions of the amount by the number of institutions reporting, colleges that did not report a figure are not included in the average.

**Typical 2013-14 Financial Aid Package at Each Sector for Students
Receiving the Maximum TAG Award, Including Federal Aid**

COUNTY COLLEGE SECTOR

Pell Grant:	\$5,645
TAG:	2,280
Fed. SEOG:	<u>200</u>
TOTAL	\$8,125

STATE COLLEGE SECTOR

Pell Grant:	\$5,645
TAG:	6,908
SEOG:	1,000
Perkins Loan:	1,000
Federal Work-Study:	1,500
Subsidized Stafford Loan:	3,500
<u>Unsub Stafford Loan:</u>	<u>2,000</u>
TOTAL	\$21,553

RUTGERS

Pell Grant:	\$5,645
TAG:	9,104
Rutgers Assistance Grant:	4,000
Perkins Loan:	1,000
Federal Work-Study:	2,000
Subsidized Stafford Loan:	3,500
<u>Unsub Stafford Loan:</u>	<u>2,000</u>
TOTAL	\$27,249

New Jersey Institute of Technology (NJIT)

Pell Grant:	\$5,645
TAG:	10,562
SEOG:	200
Perkins Loan:	300
Federal Work-Study:	1,500
Subsidized Stafford Loan:	3,500
<u>Unsub Stafford Loan:</u>	<u>2,000</u>
TOTAL	\$23,707

INDEPENDENT SECTOR

Pell Grant:	\$5,645
TAG:	11,958
Academic Scholarship:	14,000
Institutional Grant:	2,000
Perkins Loan:	750
Federal Work-Study:	2,300
Subsidized Stafford Loan:	4,500
<u>Unsub Stafford Loan:</u>	<u>2,000</u>
TOTAL	\$43,153



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, Executive Director 

FROM: Eugene Hutchins, Chief Financial Officer 

DATE: February 5, 2014

RE: Resolution 02:14 Appointing Franklin Templeton Investments as the Provider of Comprehensive Services for the NJBEST Program

Introduction

This memorandum recommends the Board's approval of the continuation of Franklin Templeton Investments as the provider of comprehensive services for the NJBEST program. The range of services to be provided includes investments, administration of all current and new accounts, and marketing of the program.

Background

HESAA awarded the initial NJBEST program investment manager contract in September 2002, following the amendment of the NJBEST statute when the Section 529 industry was in its infancy. Since that time, states have almost uniformly partnered with private sector entities for the administration and management of college savings programs. Concurrent with the trend toward private investment management, the industry has come to rely upon the involvement of financial professionals in the growth of Section 529 investments. The 529 industry continues to experience explosive growth in assets under management (AUM) nationwide, increasing from an estimated \$6 billion in 2000 to in excess of \$191.3 billion as of the end of the third quarter of 2013. NJBEST has experienced similar growth during the time Franklin Templeton has served as investment manager, where AUM have increased from \$148 million in March 2003 to \$4.2 billion as of December 31, 2013. Approximately 69%, or \$2.9 billion, of the NJBEST AUM were

invested in the plan through financial advisors and 31%, or \$1.3 billion, in AUM were invested through direct enrollment which is also reflective of trends nationwide.

An RFP for Comprehensive Services for the NJBEST program was issued on November 13, 2013 with responses due back to the Authority by December 30, 2013. The proposal was circulated to 48 investment management firms, published in the Newark Star Ledger, Trenton Times, Courier News and Home News and posted to the HESAA website.

An Evaluation Committee was formed to review the proposals which consisted of HESAA's Chief Financial Officer, Controller, Director of Legal and Governmental Affairs, as well as the Acting Director of the New Jersey Division of Investments and HESAA's outside counsel.

Two proposals were received, of which one was deemed non-responsive since the firm stated that they were not proposing to be the program manager. The one responsive proposal received was from HESAA's current manager, Franklin Templeton Investments.

Summary of Franklin Templeton Proposal

The Evaluation Committee recommends that the HESAA Board approve the re-appointment of Franklin Templeton Investments as the comprehensive service provider for the NJBEST Program.

Franklin Templeton Investments has a history of excellent contract performance, and has proposed a reduction in fees to New Jersey program participants as well as an increase in annual marketing and public outreach allocations.

Franklin Templeton has successfully met the program's goal of long term growth and relative stability in program participants' assets. As an example, average net annual investment performance in the age-based investment funds, the NJBEST program's largest fund group, ranged from 10.1% in the 0-8 age band comprised of mostly equities, to 6.0% in the 17+ band which is mostly fixed income investments. These gains were realized over a 10 year period that included the years of the financial crisis and recession. Franklin Templeton has consistently ranked near the top of all mutual fund providers in the last ten years based on investment performance, being ranked number 1 three times and number 2 four other times.

As part of the proposal, Franklin Templeton has proposed to reduce NJBEST program management fees across all portfolios they manage which will result in \$6.8 million in annual fee savings to program participants. This fee reduction will translate into over \$47.6 million in fee savings over the first seven years of the contract and over \$68 million if the contract is extended an additional three years. These fee savings are based upon current levels of assets under management and will grow as additional participant accounts are added and current accounts increase in value as a result of investment performance. Fees proposed include a reduction in program management fee and investment management fees charged by the underlying funds. Total fees range from 17

basis points for an S&P Index fund to an average of 71 basis points for the actively managed age-based portfolios. Individual Objective-based portfolios which consist exclusively of equities carry total fees ranging from 62 basis points to 93 basis points.

Franklin Templeton has also consistently met the high customer service standards set for the establishment of new accounts, account exchanges, transfers and deposit of funds, withdrawal requests and other account maintenance activities. The call center for NJBEST participants has maintained high response times and consistently follows through with addressing participant questions and concerns.

Franklin Templeton has worked collaboratively with HESAA in public awareness and marketing campaigns. The proposal commits \$26.6 million over the next seven years to market the program both within the State and nationally.

All administrative costs of the program, including the servicing costs of all accounts managed by the Division of Investments., will be absorbed by Franklin Templeton.

Recommendation

It is recommended that the Board approve Resolution 02:13 reappointing Franklin Templeton Investments as the comprehensive service provider for the NJBEST program and authorizing Authority staff to negotiate and execute the contract for these services in accordance with the terms of the RFP and the proposal submitted by Franklin Templeton.

Attachment

Resolution 02:14

RESOLUTION 02:14

**APPOINTING FRANKLIN TEMPLETON INVESTMENTS AS THE PROVIDER OF
COMPREHENSIVE SERVICES FOR THE NJBEST PROGRAM**

Moved by: Ms. Maria Torres
Seconded by: Mr. James Allen

WHEREAS: The Higher Education Student Assistance Authority (HESAA) utilizes an investment manager to provide comprehensive services for the NJBEST 529 program, including investments, administration of accounts and marketing of the program; and

WHEREAS: HESAA's current contract expires in March 2014; and

WHEREAS: HESAA issued a Request for Proposals (RFP) on November 13, 2013 for a firm to provide comprehensive services, which was circulated to 48 investment management firms, published in the Newark Star Ledger, Trenton Times, Courier News and Home News and posted to the HESAA website; and

WHEREAS: An evaluation committee composed of HESAA's Chief Financial Officer, Controller, Director of Legal and Governmental Affairs, as well as the Acting Director of the New Jersey Division of Investments and HESAA's outside counsel reviewed the two proposals received, and deemed one proposal non-responsive since the firm stated that they were not proposing to be the program manager; and

WHEREAS: The proposal from Franklin Templeton Investments was deemed responsive and Franklin Templeton Investments has a history of excellent contract performance, and has proposed a reduction in fees to New Jersey program participants as well as an increase in annual marketing and public outreach allocations; and

WHEREAS: Total fees range from 17 basis points for an S&P Index fund to an average of 71 basis points for the actively managed age-based portfolios and Individual Objective-based portfolios, which consist exclusively of equities, carry total fees ranging from 62 basis points to 93 basis points; and

WHEREAS: Franklin Templeton proposes to commit \$26.6 million over the next seven years to market the program both within the State and nationally; and

WHEREAS: All administrative costs of the program, including the servicing costs of all accounts managed by the Division of Investments., will be absorbed by Franklin Templeton.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the reappointment of Franklin Templeton Investments as the comprehensive service provider for the NJBEST program and authorizes Authority staff to negotiate and execute the contract for these services in accordance with the terms of the RFP and the proposal submitted by Franklin Templeton.

February 6, 2014



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CHRIS CHRISTIE
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KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette, Esquire 
Executive Director

FROM: André Maglione 
Acting Director, Client Services

SUBJECT: Resolution 03:14 - Appointing The Nautilus Publishing Company as
Publisher of *Going to College in New Jersey* and *Life 101*

DATE: February 5, 2014

Background

The Higher Education Student Assistance Authority (HESAA) annually distributes two publications to college-bound students, *Going to College in New Jersey* (100,000 quantity annually) and *Life 101* (50,000 quantity annually). *Going to College in New Jersey* is an 80 page publication that promotes awareness of higher learning opportunities in the State of New Jersey as well as State and federal financial aid programs. *Life 101* is an 8 page publication that promotes awareness of higher education, student aid, career and life-skills for college-bound students in the 11th and 12th grades throughout New Jersey.

HESAA's current three year contract and two one year extensions expires in March 2014. As such, on December 2, 2013, HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute the two publications. The RFP was sent to five qualified publishers, posted on HESAA's website and published in the *Star Ledger*, the *Trenton Times*, the *Courier News* and the *Home News*. HESAA received only one response to the RFP from the current vendor, Nautilus Publishing Company. An evaluation committee composed of HESAA's Acting Director of Client Services, Director of Grants and Scholarships and Graphic Designer reviewed Nautilus' proposal and agreed that it met HESAA's needs at a reasonable cost.

The total cost for both publications, including Spanish translations of each, will be \$105,822.00 per year for the first three years. The proposal also includes the creation of an e-book version of the *Going to College* publication, compatible with both major e-book readers, iTunes and Android. The vendor has identified a cost savings to HESAA if the Authority agrees to lower the RFP's required \$5,000,000 Professional Liability and Errors and Omissions coverage to the \$1,000,000 coverage the company currently has in place, which they believe is sufficient.

Nautilus published both *Going to College in New Jersey* and *Life 101* to HESAA's specifications and has met all expectations for the last five years. Accordingly, staff recommends approving the contract with Nautilus for three years with two possible one year extensions. The total cost for 2015, 2016, and 2017 will be no greater than \$105,822.00 per year with the potential savings of \$7,172.00 annually for the three years if HESAA agrees to the reduction of liability insurance as indicated above.

Recommendation

It is recommended that the Board approve Resolution 03:14, approving the award of a three-year contract with two possible one year extensions to The Nautilus Publishing Company for Publication of *Going to College in New Jersey* and *Life 101*, at a cost of no more than \$105,822.00 for each of the first three years.

Attachment

Resolution 03:14

RESOLUTION 03:14

APPOINTING NAUTILUS PUBLISHING COMPANY AS PUBLISHER OF *GOING TO COLLEGE IN NEW JERSEY AND LIFE 101*

Moved by: Ms. Christy Van Horn

Seconded by: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (HESAA) annually distributes two publications to college-bound students, *Going to College in New Jersey* and *Life 101*; and

WHEREAS: HESAA's current three year contract and two one year extensions expires in March 2014; and

WHEREAS: HESAA issued a Request for Proposals (RFP) to write, edit, design, print, produce, and distribute the two publications which was sent to five qualified publishers, posted on HESAA's website and published in the *Star Ledger*, the *Trenton Times*, the *Courier News* and the *Home News*; and

WHEREAS: An evaluation committee composed of HESAA's Acting Director of Client Services, Director of Grants and Scholarships and Graphic Designer reviewed the one proposal received, from Nautilus Publishing Company, and agreed that it met HESAA's needs at a reasonable cost; and

WHEREAS: The vendor has identified a cost savings to HESAA if the Authority agrees to lower the RFP's required \$5,000,000 Professional Liability and Errors and Omissions coverage to the \$1,000,000 coverage the company currently has in place, which they believe is sufficient.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the award of a three-year contract with two possible one year extensions to The Nautilus Publishing Company for Publication of *Going to College in New Jersey* and *Life 101*, at a cost of no more than \$105,822.00 for each of the first three years; let it be further

REAOLVED: That the Board agrees to lower the RFP's required \$5,000,000 Professional Liability and Errors and Omissions coverage to \$1,000,000 for a cost savings of \$7,172.00 annually.

February 6, 2014



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CHRIS CHRISTIE
Governor

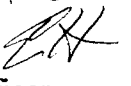
KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: Gabrielle Charette
Executive Director 

FROM: Eugene Hutchins
Chief Financial Officer 

SUBJECT: Resolution 04:14 - Authorizing the Offer to Bondholders to Sell Student Loan Revenue Bonds to the Authority and Authorizing and Approving the Execution and Delivery of an Invitation to Sell Bonds, a Dealer Manager Agreement and an Information and Tender Agent Agreement and Other Matters in Connection Therewith

DATE: February 5, 2014

Enclosed is the proposed resolution relating to an invitation to the Holders of the Authority's 2002-2007 Bonds to Tender or sell back their bonds to the Authority as well as various other documents related to the offer to sell bonds. The 2002 to 2007 bonds were issued under the 1998 Master Trust. These bonds were structured as Tax-Exempt Auction Rate Certificates and were subject to the federal Alternative Minimum Tax. The auctions of these bonds began failing in February of 2008 and have continued to fail, which has resulted in a loss of liquidity for such bonds and the current imposition of a failed auction rate of 200% of SIFMA (a short-term interest rate index). Any 2002 through 2007 Bonds that are tendered to the Authority as a result of the Offer to Sell Bonds would be purchased from the approximately \$22.0 million in cash currently available within the 1998 Trust Estate.

Background

From 1998 to 2007 HESAA issued a total of \$1.7 billion in bonds which financed over 133,000 loans totaling close to \$1.5 billion. The majority of the loans were financed from the \$1.5 billion in tax-exempt auction rate certificate bonds issued from 2001 through 2007. The ongoing failure of the 35-day auctions since February 2008 has

resulted in a downgrade of the bonds to BBBsf Outlook Negative by Fitch Ratings, and this has required the Authority to pay penalty rates currently equal to 200% of SIFMA. Previous refunding bond issues, tender offers and normal amortization of bonds has reduced the bonds outstanding in the 1998 Trust to \$127.025 million.

In the current, extremely low, interest rate environment, the penalty rates have been manageable, however, during times of higher interest rates, the penalty rates would move much higher. For example, if SIFMA were to increase to 4%, the Authority's cost of capital would increase to 8%. It is therefore in the interests of the Authority to continue to periodically offer to purchase bonds from bondholders as collections from the repayment of the financed student loans continue to be received, thereby reducing exposure levels from increasing short-term rates to HESAA.

Bond Tender Process

The bond tender process and associated documents, which you are being asked to approve, is the formal legal mechanism through which the holders of 2002 through 2007 auction rate certificates can offer to sell their bonds to HESAA. Each current bondholder (or their authorized agent) will be provided with an informational package that outlines his/her rights and options under the tender offer. **The tender process does not require bondholders to offer their bonds for sale nor does it require HESAA to purchase any of the bonds offered.** A significant portion of HESAA's remaining auction rate certificates are held by one investment bank that served as a broker/dealer for the auctions. However, as part of this tender process, preference will be given to small holders of HESAA bonds with face value amounts of under \$5.0 million to ensure that they are afforded the opportunity to sell their bonds.

The tender documents do not set forth a range of acceptable prices for tender offers, however it is expected that bondholders will offer their bonds for sale at a discount to par value, particularly given that the ratings on these bonds have declined over time from their original AAA rating to as low as BBBsf Outlook Negative as noted above.

The bond tender period during which bondholders can offer their bonds for sale will run for three weeks. At the conclusion of the tender period, all offers will be ranked by sub-Series and the amount of discount offered and bondholders will be notified as to whether their tender offer is accepted.

Bond Tender Resolution

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 set the final prices at which 2002-2007 Bonds will be purchased. It also authorizes these representatives to make final changes to the tender documents as well as sets compensation levels for the Bond Counsel, Financial Advisor, the Senior Manager acting as Dealer/Manager, and the Trustee acting as Tender Agent.

The bond tender documents are enclosed after the resolution in the following order:

Attachment A–Tender Offer Cover Letter from HESAA, Invitation to Offer to Sell Bonds and Questions and Answers to Bondholders to Offer to Sell Bonds

Attachment B-Information and Tender Agent Agreement and Dealer/Manager Agreement

Mr. Stephen Pearlman, of Inglesino, Pearlman, Wyciskala & Taylor, LLC, Bond Counsel, Mr. Joseph Santoro of Bank of America/Merrill Lynch, the Senior Manager, and Mr. Steven Kantor of FirstSouthwest, the Financial Advisor, will be available during the February 5, 2014 Authority meeting to answer any questions from members of the Board.

It is recommended that the Board approve the attached bond tender resolution.

Attachments (3)

RESOLUTION 04:14

AUTHORIZING THE OFFER TO BONDHOLDERS TO SELL STUDENT LOAN REVENUE BONDS TO THE AUTHORITY AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF AN INVITATION TO OFFER TO SELL BONDS, A DEALER MANAGER AGREEMENT AND AN INFORMATION AND TENDER AGENT AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH

Moved: Mr. James Allen
Seconded: Fr. Michael Braden

WHEREAS: The Higher Education Student Assistance Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State of New Jersey 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 wishes to provide for the offer to bondholders (the "Offer") to sell certain Student Loan Revenue Bonds, Series 2002, 2003, 2004, 2005, 2006 and 2007 of the Authority originally issued under and pursuant to the Indenture of Trust by and between the Authority and Wells Fargo Bank, National Association, as successor Trustee, dated June 1, 1998 (the "1998 Trust") and the execution and delivery of certain Offer documents and agreements in connection therewith as herein set forth; and

WHEREAS: A Dealer Manager for the Offer, Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Financial Advisor, First Southwest Company and Bond Counsel, Inglesino, Pearlman, Wyciskala & Taylor, LLC, have been selected in accordance with the requirements of Executive Order No. 26 (Whitman 1994).

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 purchase and cancellation of certain of its outstanding Student Loan Revenue Bonds issued as Auction Rate Securities under the 1998 Trust, consisting of Student Loan Revenue Bonds, 2002 Series A, Student Loan Revenue Bonds, 2002 Series C, and Student Loan Revenue Bonds, 2002 Series D (collectively, the "2002 Series Bonds"), Student Loan Revenue Bonds, 2003 Series A, Student Loan Revenue Bonds, 2003 Series C, and Student Loan Revenue Bonds, 2003 Series D (collectively, the "2003 Series Bonds"), Student Loan Revenue Bonds, 2004 Series A and Student Loan Revenue Bonds, 2004 Series D (collectively, the "2004 Series Bonds"), Student Loan Revenue Bonds, 2005 Series A, Student Loan Revenue Bonds, 2005 Series B, Student Loan Revenue Bonds, 2005 Series C, and Student Loan Revenue Bonds, 2005 Series D (collectively, the "2005 Series Bonds"), Student Loan Revenue Bonds, 2006 Series A, Student Loan Revenue Bonds, 2006 Series B and Student Loan Revenue Bonds, 2006 Series D (collectively, the "2006 Series Bonds"), Student Loan Revenue Bonds, 2007 Series B and Student Loan Revenue Bonds,

2007 Series D (collectively, the "2007 Series Bonds", and together with the 2002 Series Bonds, the 2003 Series Bonds, the 2004 Series Bonds, the 2005 Series Bonds and the 2006 Series Bonds, the "Prior Bonds") at the most favorable price to the Authority, the Authority hereby authorizes the Offer to sell the Prior Bonds to the beneficial owners thereof. In connection with the Offer, Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York is hereby appointed to act as Dealer Manager for the Offer (the "Dealer Manager") pursuant to the terms of one or more Dealer Manager Agreement(s) to be entered into by and between the Authority and the Dealer Manager (the "Dealer Manager Agreement") for a Dealer Manager fee not to exceed \$2.50/1,000 of principal amount of Prior Bonds purchased, such fees not to exceed \$55,000. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee are each hereby authorized to execute the Dealer Manager Agreement(s). The terms and conditions of the Offer are set forth in the Invitation to Offer to Sell Bonds and Questions and Answers (collectively, the "Offering Documents"). The Offering Documents in substantially the forms presented to this meeting are hereby approved, with any changes, insertions and omissions as may be approved by the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee are each hereby authorized to execute and distribute the Offering Documents in connection with the Offer. The execution of the Offering Documents by said Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director, Chief Financial Officer or other authorized representative or designee shall be conclusive evidence of any approval of such Offering Documents in final form as authorized by this Section 1. The purchase price for the Prior Bonds will be paid by the Authority with funds available for such purpose from the 1998 Indenture.

The Authority is authorized, together with the Dealer Manager and Information and Tender Agent (as defined herein), to the extent necessary or appropriate, to establish with The Depository Trust Company, New York, New York, an Automated Tender Offer Program Account (the "ATOP Account") for the receipt of offers to sell the Prior Bonds pursuant to the Offering Documents.

Section 2. Wells Fargo Bank, National Association is hereby appointed Information and Tender Agent for the Offer pursuant to the terms of one or more Information and Tender Agent Agreement(s) to be entered into by and between the Authority and the Information and Tender Agent (the "Tender Agent Agreement") for an Information and Tender Agent fee not to exceed \$68,000. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representative or designee are each hereby authorized to execute the Tender Agent Agreement.

Section 3. All actions of the Authority and its staff which have previously been taken with regard to the Offer and the Offering Documents are hereby ratified and affirmed.

Section 4. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer of the Authority 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 Offer, the Offering Documents, the Dealer Manager Agreement and the Tender Agent Agreement, 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. The Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director and Chief Financial Officer or other authorized representatives and designees are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this resolution and the Offering Documents.

Section 5. As the Authority's Financial Advisor, appointed pursuant to the letter of intent to award dated February 4, 2013, in connection with the Offer, First Southwest Company shall provide financial and tender advisory services, upon such terms and provisions as the Authority shall agree upon, provided that the fee payable to First Southwest Company for providing such services shall not exceed \$20,000 as provided in the proposal for tender and financial advisory services dated January 14, 2014.

Section 6. As the Authority's bond counsel, appointed pursuant to retainer agreement dated May 1, 2013, Inglesino, Pearlman, Wyciskala & Taylor, LLC ("Bond Counsel"), shall provide legal services upon such terms and provisions as the Authority shall agree upon, provided that the fee payable to Bond Counsel for acting as such shall not exceed \$20,000.

Section 7. All fees and expenses authorized hereunder and incurred in connection with the Offer, including but not limited to the fees authorized by Sections 1, 2, 5 and 6 hereunder, are authorized to be paid by the Authority as Program Expenses (as such term is defined in the 1998 Trust) with funds available for such purpose from the 1998 Trust on the Settlement Date (as such term is defined in the Offering Documents).

Section 7. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until ten (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 of New Jersey 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.

February 6, 2014



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

4 QUAKERBRIDGE PLAZA

PO BOX 545

TRENTON, NJ 08625-0545

1-800-792-8670

www.hesaa.org

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GABRIELLE CHARETTE, ESQ.
Executive Director

February 18, 2014

Dear Bondowner:

The Higher Education Student Assistance Authority (State of New Jersey) (the "**Authority**") is most appreciative of your investment in our Higher Education Student Assistance Authority Student Loan Revenue Bonds Series 2002, Series 2003, Series 2004, Series 2005, Series 2006 and Series 2007 (collectively, the "**Bonds**"). Due to changes in market conditions since the issuance of the Bonds, we are inviting beneficial owners of the Bonds (the "**Bondowners**") to offer to sell their Bonds to us for cash. The terms and conditions of this invitation are contained in the Invitation to Offer to Sell Bonds, dated February 18, 2014 (the "**Invitation**") and is further described in the Questions and Answers, dated February 18, 2014, enclosed herewith.

To assist you in considering the invitation, please read the Invitation and the Questions and Answers. The Authority also invites you to contact your broker or financial advisor to discuss the Invitation and the options available to you. Questions regarding the process for offering to sell your Bonds and settling the sale of Bonds should be directed to the Information and Tender Agent with respect to the Invitation, Wells Fargo Bank, National Association by contacting Corporate Trust Operations at 800-344-5128. Other information regarding the Invitation may be obtained from the Dealer Manager with respect to the Invitation, Merrill Lynch, Pierce, Fenner & Smith Incorporated by contacting Ed Curland or James Nacos at (212) 449-7358, or via email at edward.curland@baml.com or james.nacos@baml.com, respectively.

Please note that the Authority retains the right to modify or withdraw the Invitation at any time up to 5:00 p.m., New York City time, on the Expiration Date (March 11, 2014), as more fully described in the Invitation and the Questions and Answers.

Thank you for taking the time to consider the Invitation. Your interest is appreciated.

Very truly yours,

**HIGHER EDUCATION STUDENT ASSISTANCE
AUTHORITY**

By _____

Name: Eugene Hutchins

Title: Chief Financial Officer

INVITATION TO OFFER TO SELL BONDS

**Higher Education Student Assistance Authority
(State of New Jersey)**

**invites Bondowners to offer to sell for cash
at prices designated by the offering Bondowners
any or all of the following Bonds:**

Higher Education Student Assistance Authority (State of New Jersey) Student Loan Revenue Bonds			
Series	Maturity Date	Principal Amount	CUSIP No. †
2002 Series A	June 1, 2037	1,000,000	429825AR3
2002 Series C	June 1, 2037	50,000	429825AT9
2002 Series D	June 1, 2037	2,450,000	429825AU6
2003 Series A	May 28, 2038	3,650,000	646080GK1
2003 Series C	May 28, 2038	3,700,000	646080GM7
2003 Series D	May 28, 2038	40,250,000	646080GN5
2004 Series A	April 1, 2039	50,000	646080GQ8
2004 Series D	April 1, 2039	34,000,000	646080GT2
2005 Series A	April 1, 2040	4,500,000	646080GU9
2005 Series B	April 1, 2040	17,650,000	646080GV7
2005 Series C	April 1, 2040	11,300,000	646080GW5
2005 Series D	April 1, 2040	1,600,000	646080GX3
2006 Series A	December 1, 2040	50,000	646080GY1
2006 Series B	December 1, 2040	2,350,000	646080GZ8
2006 Series D	December 1, 2040	2,800,000	646080HB0
2007 Series B	December 1, 2041	1,550,000	646080HD6
2007 Series D	December 1, 2041	75,000	646080HF1

**THIS INVITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON March 11, 2014
UNLESS EARLIER TERMINATED OR EXTENDED.**

To make an informed decision as to whether, and how, to offer his or her Bonds, a Bondowner must read this Invitation carefully and consult with his or her account executive or other financial advisor.

Any Bondowner wishing to offer his or her Bonds pursuant to this Invitation should follow the procedures more fully described herein. Questions regarding the process for offering Bonds for purchase and settling Bonds with respect to this Invitation, and requests for additional copies of this Invitation or any document incorporated herein by reference may be directed to the Information and Tender Agent as described herein. Other Information regarding this Invitation may be obtained from the Dealer Manager as described herein.

Key Dates	
<i>All of these dates are subject to change.</i>	
<i>Notices of changes will be sent in the manner provided for in this Invitation.</i>	
Expiration Date	March 11, 2014
Announcement of Modified Dutch Auction results and Settlement Date	March 13, 2014
Release of all Bonds offered which have not been accepted for purchase	March 28, 2014
Settlement Date. Payment made on all accepted Bonds.....	on or about March 28, 2014

The Dealer Manager for this Invitation is:

*The Information and Tender Agent for this
Invitation is:*

Merrill Lynch, Pierce, Fenner & Smith

Wells Fargo Bank, National Association

† CUSIP is a registered trademark of American Bankers Association. None of the Authority, the Dealer Manager or the Information and Tender Agent makes any representation as to, or takes any responsibility for, the accuracy of such CUSIP numbers. CUSIP numbers are provided for convenience of reference only.

Incorporated

Date of this Invitation to Offer to Sell Bonds: February 18, 2014

This Invitation has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the fairness or merits of this Invitation or upon the accuracy or adequacy of the information contained in this Invitation.

This Invitation is not being made to, and offers will not be accepted from or on behalf of, Bondowners in any jurisdiction in which this Invitation or the acceptance of offers pursuant thereto would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require this Invitation to be made through a licensed or registered broker or dealer, this Invitation is being made on behalf of the Authority by the Dealer Manager.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation and, if given or made, such information or representation may not be relied upon as having been authorized by the Authority.

The delivery of this Invitation shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the Authority since the date hereof.

This Invitation contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Invitation, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements.

This Invitation to Offer to Sell Bonds contains important information which should be read before any decision is made with respect to this Invitation.

Questions regarding the process for offering Bonds for purchase and settling Bonds with respect to this Invitation, and requests for additional copies of this Invitation or any document incorporated herein by reference may be directed to Wells Fargo Bank, National Association, who is acting as information and tender agent in connection with this Invitation (the "**Information and Tender Agent**") at its address and telephone number set forth below. Other information regarding this Invitation may be obtained from Merrill Lynch, Pierce, Fenner & Smith Incorporated who is acting as dealer manager in connection with this Invitation (the "**Dealer Manager**") at its address and telephone number set forth below. Bondholders may also contact their broker, dealer, commercial bank or trust company or other nominee for assistance concerning this Invitation.

Dealer Manager:

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Attn: Ed Curland or James Nacos
One Bryant Park
1111 Avenue of the Americas, 9th Floor
New York, New York 10036
Tel: 212-449-7358
Email: edward.curland@baml.com or
james.nacos@baml.com

Information and Tender Agent:

Wells Fargo Bank, National Association
Corporate Trust Operations
608 Second Avenue South, 12th Floor
Minneapolis, MN 55479
Attn: HESAA Tender Offer
Tel: 800-344-5128

TABLE OF CONTENTS

Page

Introduction1
Expiration Date; Offers Only Through Financial Institutions; Information to Bondowners3
Offers at an Offer Price.....3
Provisions Applicable to all Offers4
Transmission of Offers by Financial Institutions; Authority’s ATOP Account4
Determinations as to Form and Validity of Offers and Withdrawals of Offers; Right of Waiver
and Rejection.....5
Amendments and Withdrawals of Offers5
Irrevocability of Offers; Return of Bonds Not Purchased.....5
Determination of Amounts to be Purchased.....6
Determination of Clearing Price6
Priority of Purchase.....7
Acceptance of Offers Constitutes Irrevocable Agreement; Notice of Results.....7
Settlement Date; Purchase of Bonds7
Purchase Funds8
Conditions to Purchase8
Extension, Termination and Amendment of Invitation; Changes to Terms8
Additional Considerations.....9
Certain Federal Income Tax Consequences10
Dealer Manager10
Information and Tender Agent.....10
Miscellaneous.....11

INVITATION TO OFFER TO SELL BONDS
made by
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(STATE OF NEW JERSEY)

Introduction

Pursuant to this Invitation to Offer to Sell Bonds (this "**Invitation**"), the Higher Education Student Assistance Authority (State of New Jersey) ("**HESAA**," or the "**Authority**") will consider offers to sell the following HESAA Student Loan Revenue Bonds, 2002 Series A, HESAA Student Loan Revenue Bonds, 2002 Series C, and HESAA Student Loan Revenue Bonds, 2002 Series D (collectively, the "**Series 2002 Bonds**"), HESAA Student Loan Revenue Bonds, 2003 Series A, HESAA Student Loan Revenue Bonds, 2003 Series C, and HESAA Student Loan Revenue Bonds, 2003 Series D (collectively, the "**Series 2003 Bonds**,"), HESAA Student Loan Revenue Bonds, 2004 Series A and HESAA Student Loan Revenue Bonds, 2004 Series D (collectively, the "**Series 2004 Bonds**"), HESAA Student Loan Revenue Bonds, 2005 Series A, HESAA Student Loan Revenue Bonds, 2005 Series B, HESAA Student Loan Revenue Bonds, 2005 Series C, and HESAA Student Loan Revenue Bonds, 2005 Series D (collectively, the "**Series 2005 Bonds**"), HESAA Student Loan Revenue Bonds, 2006 Series A, HESAA Student Loan Revenue Bonds, 2006 Series B and HESAA Student Loan Revenue Bonds, 2006 Series D (collectively, the "**Series 2006 Bonds**"), and HESAA Student Loan Revenue Bonds, 2007 Series B and HESAA Student Loan Revenue Bonds, 2007 Series D (collectively, the "**Series 2007 Bonds**," and, together with the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2005 Bonds and the Series 2006 Bonds, the "**Bonds**") from the beneficial owners (the "**Bondowners**") thereof:

Series	Maturity Date	Principal Amount	CUSIP No. †
2002 Series A	June 1, 2037	1,000,000	429825AR3
2002 Series C	June 1, 2037	50,000	429825AT9
2002 Series D	June 1, 2037	2,450,000	429825AU6
2003 Series A	May 28, 2038	2,225,000	646080GK1
2003 Series C	May 28, 2038	5,125,000	646080GM7
2003 Series D	May 28, 2038	40,250,000	646080GN5
2004 Series A	April 1, 2039	50,000	646080GQ8
2004 Series D	April 1, 2039	34,000,000	646080GT2
2005 Series A	April 1, 2040	4,500,000	646080GU9
2005 Series B	April 1, 2040	17,650,000	646080GV7
2005 Series C	April 1, 2040	11,300,000	646080GW5
2005 Series D	April 1, 2040	1,600,000	646080GX3
2006 Series A	December 1, 2040	50,000	646080GY1
2006 Series B	December 1, 2040	2,350,000	646080GZ8
2006 Series D	December 1, 2040	2,800,000	646080HB0
2007 Series B	December 1, 2041	1,550,000	646080HD6
2007 Series D	December 1, 2041	75,000	646080HF1

Each Bondowner is invited by the Authority to offer to sell to the Authority for cash all or any part (in the minimum denomination of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds) of its beneficial ownership interests in the Bonds. References herein to the offer, purchase and sale of Bonds shall refer to the beneficial ownership in such Bonds. An offer to sell Bonds may be made at an offer price or prices specified by a Bondowner. See "Offers at an Offer Price," and "Provisions Applicable to all

† CUSIP is a registered trademark of American Bankers Association. None of the Authority, the Dealer Manager or the Information and Tender Agent makes any representation as to, or takes any responsibility for, the accuracy of such CUSIP numbers. CUSIP numbers are provided for convenience of reference only.

Offers" below. The Bonds the Authority accepts for purchase will be paid for by 3:00 p.m., New York City time, on or about March 28, 2014, as the Authority determines and as it shall announce along with the results of the Modified Dutch Auction (as defined below) (the "**Settlement Date**").

This Invitation is part of a plan by the Authority to purchase (and subsequently cancel) the Bonds with approximately \$22 million in cash currently available in the Trust Estate (as defined in the Indenture) and that may be used for that purpose. The Series 2002 Bonds were issued pursuant to the Indenture of Trust, dated as of June 1, 1998 (the "**Master Indenture**"), by and between the Authority and Wells Fargo Bank, National Association (as successor in interest to U.S. Bank National Association (formerly Wachovia Bank, National Association)), as successor trustee (the "**Trustee**"), as supplemented by the Fifth Supplemental Indenture, dated as of June 1, 2002 (the "**Fifth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2003 Bonds were issued pursuant to the Master Indenture, as supplemented by the Sixth Supplemental Indenture, dated as of May 1, 2003 (the "**Sixth Supplemental Indenture**," and together with the Master Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, the "**Indenture**"), by and between the Authority and the Trustee. The Series 2004 Bonds were issued pursuant to the Master Indenture, as supplemented by the Seventh Supplemental Indenture, dated as of April 1, 2004 (the "**Seventh Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2005 Bonds were issued pursuant to the Master Indenture, as supplemented by the Eighth Supplemental Indenture, dated as of May 1, 2005 (the "**Eighth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2006 Bonds were issued pursuant to the Master Indenture, as supplemented by the Ninth Supplemental Indenture, dated as of April 1, 2006 (the "**Ninth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2007 Bonds were issued pursuant to the Master Indenture, as supplemented by the Tenth Supplemental Indenture, dated as of May 1, 2007 (the "**Tenth Supplemental Indenture**," and together with the Master Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture and the Ninth Supplemental Indenture, the "**Indenture**"), by and between the Authority and the Trustee.

Your decision to offer to sell your Bonds may be based on a variety of factors including financial and operating information regarding the Authority. A copy of the Loan Servicing Report dated as of December 31, 2013 may be obtained on the Issuer's website at <http://www.hesaa.org/pages/investorrelations.aspx>. Nothing contained on that website is incorporated herein.

No assurances can be given that the purchase of the Bonds will be completed. See "Conditions to Purchase" below.

To make an informed decision as to whether, and how, to offer his or her Bonds, a Bondowner must read this Invitation and, the related Questions and Answer carefully and consult with his or her account executive or other financial advisor.

None of the Authority, the Dealer Manager (as defined herein) and the Information and Tender Agent (as defined herein) make any recommendation that any Bondowner offer to sell or refrain from offering to sell all or any portion of the principal amount of such Bondowner's Bonds or at what price or prices an offer should be made. Each Bondowner must make these decisions and should read this Invitation and consult with its account executive or other financial advisor in making these decisions.

The Authority reserves the right to extend, terminate or amend this Invitation prior to the Expiration Date. See "Extension, Termination and Amendment of Invitation; Changes to Terms."

All Bonds which the Authority purchases pursuant to this Invitation will be delivered to and cancelled by the Trustee. Bondowners will not be obligated to pay any brokerage commissions or solicitation fees to the Authority or any agent of the Authority in connection with this Invitation. However, Bondowners should check with their broker or bank to determine whether it will charge them a fee.

If the Authority receives and accepts offers for the purchase of Bonds, any Bonds not purchased pursuant to this Invitation will continue to be outstanding, payable and secured pursuant to the terms of the Indenture. See "Additional Considerations — Certain Potential Effects of this Invitation on Owners of Bonds Not Purchased" below.

The Authority is under no obligation to purchase any of the Bonds offered for sale pursuant to this Invitation.

Questions regarding the process for offering Bonds for purchase and settling Bonds with respect to this Invitation should be directed to Wells Fargo Bank, National Association, which serves as information and tender agent (the "**Information and Tender Agent**") with respect to this Invitation, by contacting Corporate Trust Operations at 800-344-5128. Other information regarding this Invitation may be obtained from Merrill Lynch, Pierce, Fenner & Smith Incorporated which serves as the Dealer Manager with respect to this Invitation (the "**Dealer Manager**"), by contacting Ed Curland or James Nacos at (212) 449-7358, or via email at edward.curland@baml.com or james.nacos@baml.com, respectively.

All times in this Invitation are New York City time.

Expiration Date; Offers Only Through Financial Institutions; Information to Bondowners

This Invitation will expire at 5:00 p.m., New York City time (the "**Expiration Time**"), on March 11, 2014, unless earlier terminated or extended as to any or all of the sub-series (each designated by a unique CUSIP number in the table above, and each referred to herein as a "**Sub-series**") of the Bonds (the "**Expiration Date**"). Offers to sell Bonds received after Expiration Time on the Expiration Date will not be considered.

All of the Bonds are held in book-entry-only form through the facilities of The Depository Trust Company of New York ("**DTC**"). As a result, Bondowners who are not DTC participants can only make offers to sell Bonds through the financial institution which is a DTC participant and which maintains the account in which their Bonds are held.

The Authority may give information about this Invitation to the market and Bondowners by delivery of the information to DTC (in such capacity, the "**Information Service**"). Delivery by the Authority of information to the Information Service will be deemed to constitute delivery of this information, including the acceptance of offers to sell Bonds to the Authority, to each Bondowner.

The Authority, the Dealer Manager and the Information and Tender Agent have no obligation to ensure that a Bondowner actually receives any information given to the Information Service.

Offers at an Offer Price

A Bondowner may make an offer to sell Bonds of a Sub-series in a par amount (of \$50,000 or any integral multiple of \$50,000, in the case of Series 2002 Bonds, Series 2003 Bonds Series 2004 Bonds and Series 2005 Bonds, or \$25,000 or any integral multiple of \$25,000, in the case of Series 2006 Bonds and Series 2007 Bonds) of its choosing and at a price of its choosing (an "**Offer Price**").

Each Offer Price must be expressed in dollars per \$1,000 of the par amount of Bonds of each Sub-series offered for the relevant Sub-series of Bonds as provided in the table above. Offer Prices must be given in multiples of \$2.50 per \$1,000 principal amount of Bonds of each maturity offered.

A Bondowner may offer portions of Bonds of a Sub-series that it owns at more than one Offer Price (i.e., divide the par amount of Bonds of any Sub-series that it owns into portions and offer to sell all or any portion of the Bonds of such Sub-series by the Bondowner. A Bondowner may offer different portions of the Bonds of a Sub-series that it owns specifying a different Offer Price for each portion) so long as all of these offers do not, in the aggregate, exceed the par amount of the Bonds of the Sub-series owned by that Bondowner and so long as each such portion is a multiple of (i)

\$50,000, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000, in the case of Series 2006 Bonds and Series 2007 Bonds. If a Bondowner offers portions of the Bonds it owns at more than one Offer Price, each such portion will be treated as a separate offer for purposes of the Authority's acceptance of offers and purchase of Bonds.

An Offer Price will not be deemed to include any amount representing the interest which will accrue on such Bond to the purchase date ("**Accrued Interest**"). If the Authority purchases any Bonds pursuant to this Invitation, it shall pay both the applicable Clearing Price (as the Clearing Price is determined as described under "Determination of Clearing Price" below) for such Bonds plus the Accrued Interest.

Provisions Applicable to all Offers

Individual Bondowners should ask their account executive at the financial institution that maintains the account in which its Bonds are held or another financial advisor for help in determining whether to offer Bonds of a Sub-series, the par amount of Bonds of such Sub-series to be offered and whether they are to be offered at one or more Offer Prices and, if so, what the Offer Price(s) should be. An individual Bondowner also should inquire as to whether its financial institution will charge a fee for submitting offers or if the Authority purchases its offered Bonds. The Authority, the Dealer Manager and the Information and Tender Agent will not charge any fee to any Bondowner for making an offer or if its offer is accepted.

Each offer must include the following information: (1) the CUSIP number of the Sub-series being offered, (2) the maturity date of the Bond being offered, (3) the par amount of the Bond being offered (such par amount must be stated in multiples of (i) \$50,000, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000, in the case of Series 2006 Bonds and Series 2007 Bonds), (4) the Offer Price of the Bond being offered, and (5) a statement to the effect that the party making the offer agrees to be bound by the terms of this Invitation. See "Transmission of Offers by Financial Institutions; Authority's ATOP Account" and "Priority of Purchase". With respect to Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, if the par amount of a Bond offered for sale is not in a multiple of \$50,000, the par amount of such offered Bond shall be reduced to the nearest integral multiple of \$50,000. With respect to Series 2006 Bonds and Series 2007 Bonds, if the par amount of a Bond offered for sale is not in a multiple of \$25,000, the par amount of such offered Bond shall be reduced to the nearest integral multiple of \$25,000. Offer Prices must be given in multiples of \$2.50 per \$1,000 principal amount of each Sub-series offered

"All or none" offers are not permitted.

A Bondowner that is not a DTC participant must instruct its account executive to submit through DTC any offer to sell Bonds it wishes to make to the Authority pursuant to this Invitation.

The Authority, the Dealer Manager and the Information and Tender Agent are not responsible for making or transmitting any offer to sell Bonds or for any mistakes, errors or omissions in the making or transmission of any offer.

A Bondowner may offer to sell only Bonds it owns. By submitting an offer, a Bondowner warrants that it has full authority to transfer and sell such Bonds, and that the transferee will acquire good title, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims.

A Bondowner who would like to receive information furnished by the Authority to the Information Service must make appropriate arrangements with the Information and Tender Agent or the Information Service.

Transmission of Offers by Financial Institutions; Authority's ATOP Account

The Authority, through the Information and Tender Agent, will establish an Automated Tender Offer Program account at DTC (the "**Authority's ATOP Account**") for purposes of this Invitation promptly after the date of this Invitation. Offers to sell Bonds may only be made to the Authority through the Authority's ATOP Account. Any financial institution that is a participant in DTC may make a book-entry offer of the Bonds by causing DTC to transfer such Bonds into the Authority's ATOP Account in accordance with DTC's procedures. Concurrently with the delivery of Bonds through book-entry transfer into the Authority's ATOP Account, an Agent's Message (as described below) in connection with such book-entry transfer must be transmitted to and received at the Authority's ATOP Account by not later than 5:00 p.m., New York City time, on the Expiration Date. The confirmation of a book-entry transfer into the ATOP Account as described above is referred to herein as a "**Book-Entry Confirmation**." The term "**Agent's Message**" means a message transmitted by DTC to, and received by, the Information and Tender Agent and forming a part of the Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering the Bonds that are the subject of such Book-Entry Confirmation, stating the CUSIP number(s), the Sub-series of Bonds, the par amount(s) of the Bonds that have been offered by such participant pursuant to this Invitation, the Offer Price(s), and to the effect that such participant agrees to be bound by the terms of this Invitation.

Determinations as to Form and Validity of Offers and Withdrawals of Offers; Right of Waiver and Rejection

The Authority shall have the sole right to determine, in its discretion, the validity of any offer or withdrawal of an offer and whether any such offer or withdrawal of an offer was delivered prior to the Expiration Time on the Expiration Date, and any such determination shall be conclusive and binding absent manifest error.

The Authority reserves the right to waive any irregularities or defects in any offer or withdrawal of an offer. The Authority, the Dealer Manager and the Information and Tender Agent are not obligated to give notice of any defects or irregularities in offers or withdrawals of offers and they will have no liability for failing to give such notice.

The Authority reserves the absolute right to accept or reject any and all offers, whether or not they comply with the terms of this Invitation.

Amendments and Withdrawals of Offers

A Bondowner may amend its offer in any respect it chooses by causing an amended offer to be received at the Authority's ATOP Account by not later than 5:00 p.m., New York City time, on the Expiration Date. **Bondowners who have offered to sell their Bonds will not receive any information from the Authority, the Dealer Manager or the Information and Tender Agent concerning offers by other Bondowners. Offering Bondowners will not be afforded an opportunity to amend their offers after 5:00 p.m. , New York City time, on the Expiration Date.**

All offers to sell Bonds are deemed to be irrevocable as of Expiration Time on the Expiration Date. An offer of Bonds may be withdrawn by a Bondowner by causing notice of such withdrawal to be delivered by way of an Agent's Message to be received at the Authority's ATOP Account by not later than the Expiration Time on the Expiration Date.

An amended offer or a notice of withdrawal must be submitted by delivery of an Agent's Message.

An amended or withdrawn offer must specify the DTC Voluntary Offer Instruction number of the Bond subject to such amended or withdrawn offer, the Sub-series of Bonds subject to such amended or withdrawn offer, the CUSIP number of the Bond subject to such amended or withdrawn offer, the par amount of the Bond subject to such amended or withdrawn offer (such par amount must

be stated in multiples of (i) \$50,000, in the case of Series 2002 Bonds, Series 2003 Bonds Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000, in the case of Series 2006 Bonds and Series 2007 Bonds) of an amendment or withdrawal will be determined by the Authority in its sole discretion and will be final, conclusive and binding.

Irrevocability of Offers; Return of Bonds Not Purchased

All offers to sell Bonds will be deemed to be irrevocable as of 5:00 p.m., New York City time, on the Expiration Date.

The Authority will cause the Information and Tender Agent to instruct DTC to return to the offering institutions all Bonds that were offered but were not accepted for purchase on March 28, 2014. The Authority will cause the Information and Tender Agent to promptly instruct DTC to return to the offering institutions all Bonds that were offered in the event that the purchase is not completed on the Settlement Date. The Authority, the Dealer Manager and the Information and Tender Agent are not responsible or liable for the return of Bonds to these offering institutions or to their beneficial owners.

Determination of Amounts to be Purchased

The Authority shall be under no obligation to purchase any Bond offered for purchase. Subject to the provisions under "Priority of Purchase" below, the Authority will determine which Bonds of each Sub-series, if any, it will purchase. The Authority, therefore, has the right to purchase all, some or none of the Bonds of each Sub-series offered for purchase.

After the Expiration Date, the Authority will determine the amount (if any) of the Bonds of each Sub-series that it will purchase. This determination may be made on the basis of the principal amount of Bonds of each Sub-series that are offered for sale and the cost of purchasing each such Sub-series (such costs including, without limitation, the relevant Purchase Price (as defined below) and certain associated costs, including costs of terminating hedges related to particular Sub-series of Bonds) and any other factors which the Authority considers relevant.

Determination of Clearing Price

For each Sub-series of the Bonds purchased by the Authority pursuant to this Invitation, there will be a single purchase price (not including Accrued Interest), expressed in dollars per \$1,000 par amount (a "**Clearing Price**"), determined by the "Modified Dutch Auction" procedure described below. For each \$1,000 principal amount of Bonds purchased pursuant to the Invitation, the relevant Bondowner will receive the relevant Clearing Price plus Accrued Interest (the "**Purchase Price**").

Bonds that are purchased pursuant to this Invitation will be entitled to receive the relevant Clearing Price.

Under the "Modified Dutch Auction" procedure, the Authority may accept offers to sell Bonds that it receives in connection with this Invitation in accordance with the provisions provided under "Priority of Purchase" below. With respect to each Sub-series of Bonds for which the Authority elects to accept offers, the Authority will select the single lowest Offer Price of such Sub-series (which will be the Clearing Price with respect to such Sub-series) for which there are offers in excess of the principal amount of Bonds of such Sub-series that the Authority has elected to purchase with Offer Prices equal to or less than such single lowest Offer Price that will allow it to purchase the principal amount of such Sub-series that the Authority has elected to purchase, subject to the provisions provided below under "Priority of Purchase". With respect to each Sub-series of Bonds, the Authority will determine the principal amount of Bonds, if any, that it will accept for purchase based on a number of considerations including, without limitation, the principal amount of Bonds of such Sub-series offered for sale and the cost of purchasing each such Sub-series (such costs including, without limitation, the relevant Purchase Price and certain associated costs, including costs of terminating hedges related to particular Sub-series of Bonds) and any other factors which the Authority considers relevant. Pursuant to this Invitation, with respect to each Sub-series of Bonds, the Authority will pay the same Purchase Price

for all Bonds of such Sub-series that were offered for sale at Offer Prices at or below the Clearing Price, subject to the provisions provided below under "Priority of Purchase." The Purchase Price will be the maximum and only amount that the Authority will pay for Bonds that it purchases pursuant to this Invitation.

Priority of Purchase

The Authority may receive offers of Bonds of a Sub-series at Offer Prices at or below the applicable Clearing Price set pursuant to the "Modified Dutch Auction" process described above under "Determination of Clearing Price" that, in the aggregate, exceed the par amount of Bonds of such Sub-series the Authority has decided to purchase. In this case, the Authority will accept for purchase the Bonds of such Sub-series in the following order of priority. These priorities will be applied until the Authority has accepted for purchase the principal amount of the Bonds of such Sub-series it has decided to purchase.

- The first to be purchased will be Bonds of such Sub-series offered at Offer Prices at or below the applicable Clearing Price. These Bonds will be purchased in order of increasing Offer Prices (lowest to highest), provided that all Bonds purchased within a Sub-series will be purchased at the applicable Clearing Price for such Sub-series. With respect to Bonds of such Sub-series that have the same Offer Price, such Bonds will be accepted in the following order of priority:
 - (i) *first*, offers of Bonds in the amount of \$5,000,000 aggregate principal amount of such Sub-series or less will be accepted first. If more than one offer at the same Offer Price is received with respect to \$5,000,000 aggregate principal amount or less of such Sub-series of Bonds, and the Authority has determined to accept for purchase less than all of the Bonds of such Sub-series offered at such Offer Price, these offers will be treated equally and will be accepted pro rata (with appropriate adjustments to avoid purchases of Bonds in principal amounts other than in authorized denominations of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds); and
 - (ii) *second*, offers of Bonds in an amount in excess of \$5,000,000 aggregate principal amount of such Sub-series will be accepted next. If more than one offer at the same Offer Price is received for an amount in excess of \$5,000,000 aggregate principal amount of such Sub-series, and the Authority has determined to accept for purchase less than all of the Bonds of such Sub-series offered at such Offer Price, these offers will be treated equally and will be accepted pro rata (with appropriate adjustments to avoid purchases of Bonds in principal amounts other than in authorized denominations of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds).

Acceptance of Offers Constitutes Irrevocable Agreement; Notice of Results

Acceptance by the Authority of offers to sell Bonds will constitute an agreement between the offering Bondowner and the Authority to sell and purchase these Bonds, subject to the conditions and terms of this Invitation. See "Conditions to Purchase" below.

The acceptance of offered Bonds will be made by written notification to the Information Service on or about 11:00 a.m., New York City time, on March 13, 2014. This notification will state (a) the principal amount of each Sub-series of Bonds that the Authority has decided to accept for purchase and the applicable Clearing Price, or (b) that the Authority has decided not to purchase any Bonds of such Sub-series.

Settlement Date; Purchase of Bonds

The Settlement Date is the day on which Bonds accepted for purchase will be purchased (subject to satisfaction of the conditions to purchase set forth below under "Conditions to Purchase") and paid for at the applicable Clearing Price plus Accrued Interest. The Settlement Date has been set as 3:00 p.m., New York City time, on or about March 28, 2014. The Settlement Date will be announced at the same time as the results of the Modified Dutch Auction.

Payment by the Authority will be made in immediately available funds by 3:00 p.m., New York City time, on the Settlement Date by deposit with DTC of the aggregate Purchase Price of the Bonds accepted for purchase. It is expected that, in accordance with DTC's standard procedures, DTC will transmit the aggregate Purchase Price in immediately available funds to each of its participant financial institutions holding the Bonds accepted for purchase on behalf of Bondowners for delivery to the Bondowners. **The Authority, the Dealer Manager and the Information and Tender Agent have no responsibility or liability for the distribution of the Purchase Prices by DTC to the Bondowners.**

Purchase Funds

The Authority may use approximately \$22 million in cash that is currently available in the Trust Estate (as defined in the Indenture) for the purpose of purchasing the Bonds.

Conditions to Purchase

Notwithstanding notification of acceptance, the Authority will not be required to purchase any Bonds it has accepted for purchase, and will incur no liability as a result, if, before payment for these Bonds:

- Litigation or another proceeding is pending or threatened which the Authority believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the Authority or the Bondowners;
- A war, national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the Authority believes this fact makes it inadvisable to proceed with the purchase of Bonds; or
- A material change in the business or affairs of the Authority has occurred which the Authority believes makes it inadvisable to proceed with the purchase of Bonds.

These conditions are for the sole benefit of the Authority and may be asserted by the Authority regardless of the circumstances giving rise to any of these conditions or may be waived by the Authority in whole or in part at any time and from time to time in its discretion. The failure by the Authority at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each of these rights will be deemed an ongoing right of the Authority which may be asserted at any time and from time to time. Any determination by the Authority concerning the events described in this section will be final and binding upon all parties. If, prior to the time of payment for any Bonds any of the events described above happens, the Authority will have the absolute right to cancel its obligations to purchase Bonds without any liability to any Bondowner.

Extension, Termination and Amendment of Invitation; Changes to Terms

The Authority has the right to extend this Invitation as to any or all of the Sub-series of the Bonds to a time not past 5:00 p.m., New York City time, on the fifth business day following the Expiration Date. Notice of an extension of the Expiration Date will be given to the Information Service

by 9:00 a.m., New York City time, on the first business day following the then current Expiration Date and will be effective when such notice is given.

The Authority also has the right to terminate this Invitation at any time as to any or all of the Sub-series of the Bonds by giving notice to the Information Service of such termination. The termination will be effective when such notice is given.

The Authority also has the right to amend or waive the terms of this Invitation in any respect and at any time as to any or all of the Sub-series of the Bonds by giving notice to the Information Service of this amendment or waiver. This amendment or waiver will be effective when such notice is given.

If the Authority extends this Invitation, or amends the terms of this Invitation (including a waiver of any term) in any material respect, the Authority may (but is not required to) disseminate additional Invitation material and extend this Invitation to the extent required to allow, in the Authority's judgment, reasonable time for dissemination to Bondowners of such material and for Bondowners to respond.

No extension, termination or amendment of this Invitation (or waiver of any terms of this Invitation) will change the Authority's right to decline to purchase any Bonds without liability.

Additional Considerations

In deciding whether to offer Bonds for purchase in connection with this Invitation, each Bondowner should consider carefully, in addition to the other information contained in this Invitation, the following:

Market for Bonds. The Bonds are neither listed on any national nor regional securities exchange. To the extent that the Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondowners may be able to effect a sale of the Bonds of a Sub-series at a price higher than the Clearing Price for such Sub-series established through the process described in this Invitation.

Treatment of Bonds Not Purchased Pursuant to this Invitation. Bonds not purchased pursuant to this Invitation will remain outstanding. The terms and conditions of the Bonds will continue to be governed by the terms of the Indenture and will remain unchanged. See "--Certain Potential Effects of this Invitation on Owners of Bonds Not Purchased" below.

Certain Potential Effects of this Invitation on Owners of Bonds Not Purchased. The purchase by the Authority of Bonds of any Sub-series may have certain potential adverse effects on owners of Bonds of such Sub-series not purchased pursuant to this Invitation, including that the principal amount of the Bonds of that Sub-series available to trade publicly will be reduced, which could adversely affect the liquidity and market value of the Bonds of that Sub-series that remain outstanding.

Authority May Later Purchase Bonds At More Favorable Prices Than Those At Which It Purchases Bonds pursuant to this Invitation. The Authority reserves the right to, and may in the future decide to, acquire some or all of the Bonds not purchased pursuant to this Invitation through open market purchases, privately negotiated transactions, subsequent invitations to offer to sell, tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the Clearing Price(s) paid pursuant to this Invitation and could be for cash or other consideration. Any future purchase may be on the same terms or on terms that are more or less favorable to Bondowners than the terms of this Invitation. The decision to make future purchases by the Authority and the terms of such future purchases will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the Authority will ultimately choose to pursue in the future.

Timeliness of Offers and Availability of Bondowner. This Invitation will expire at the Expiration Time, on the Expiration Date (which is March 11, 2014), unless extended or terminated as to any or all of the Sub-series of the Bonds. Offers to sell Bonds received after the Expiration Time, on the Expiration Date will not be considered. Any Bondowner that is not a DTC participant and wishes to offer to sell their Bonds pursuant to this Invitation will need to make arrangements with their account executive to submit their offer in a timely manner.

Certain Federal Income Tax Consequences

The Authority has been advised that sales by Bondowners pursuant to this Invitation will be taxable transactions for federal income tax purposes. The tax consequences of a sale pursuant to this Invitation may vary depending upon, among other things, the particular circumstances of the selling Bondowner.

Amounts paid to Bondowners selling their Bonds pursuant to this Invitation may be subject to "backup withholding" ("**Backup Withholding**") by reason of the events specified by Section 3406 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (collectively, the "**Code**"), which include failure of a Bondowner to supply the broker, dealer, commercial bank or trust company acting on behalf of such Bondowner with such Bondowner's taxpayer identification number certified under penalty of perjury. Certification may be made by completing an I.R.S. Form W-9 which is available from the Information and Tender Agent. Backup Withholding may also apply to Bondowners who are otherwise exempt from such Backup Withholding if such Bondowners fail to properly document their status as exempt recipients.

To comply with Circular 230 of the Internal Revenue Service, Bondowners are hereby notified that any discussion of federal income tax issues contained or referred to herein is not intended or written to be used and cannot be used by Bondowners for the purposes of avoiding penalties that may be imposed on them under the Code. This federal income tax discussion is included for general information only and should not be construed as a tax opinion nor tax advice by the Authority, the Dealer Manager, the Information and Tender Agent or any of their respective advisors or agents to Bondowners. Such discussion does not purport to deal with all aspects of federal income taxation that may be relevant to particular Bondowners (e.g., a foreign person, bank, thrift institution, personal holding company, tax-exempt organization, regulated investment company, insurance company, or other broker or dealer in securities or currencies). In addition to federal tax consequences, the sale or exchange of Bonds may be treated as a taxable event for other federal as well as state, local and foreign tax purposes. Bondholders should not rely upon such discussion and are urged to consult their own tax advisors to determine the particular federal, state, foreign and local tax consequences of sales made by them pursuant to this Invitation, including the effect of possible changes in the tax laws.

Dealer Manager

The Authority has retained Merrill Lynch, Pierce, Fenner & Smith Incorporated to act on its behalf as Dealer Manager with respect to this Invitation. The Authority will pay the Dealer Manager a fee for acting as Dealer Manager with respect to this Invitation. In addition, the Authority will pay the Dealer Manager its reasonable out-of-pocket costs and expenses relating to this Invitation. References in this Invitation to the Dealer Manager are to Merrill Lynch, Pierce, Fenner & Smith Incorporated only in its capacity as the Dealer Manager.

The Dealer Manager may contact Bondowners regarding this Invitation and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Invitation and related materials to Bondowners. At any time, subject to applicable law, the Dealer Manager may trade in the Bonds for its own account or for the account of customers, and accordingly, may hold a short or long position in the Bonds.

Information and Tender Agent

The Authority has retained Wells Fargo Bank, National Association to act on its behalf as Information and Tender Agent with respect to this Invitation. Bondowners may request additional

copies of this Invitation or any document incorporated herein by reference from the Information and Tender Agent. Wells Fargo Bank, National Association will be paid a fee for acting as Information and Tender Agent with respect to this Invitation.

Miscellaneous

No one has been authorized by the Authority, the Dealer Manager or the Information and Tender Agent to recommend to any Bondowner whether to offer to sell Bonds pursuant to this Invitation, or at what price any offer to sell should be made. No one has been authorized to give any information or to make any representation in connection with this Invitation other than those contained in this Invitation. Any recommendations, information and representations given or made cannot be relied upon as having been authorized by the Authority, the Dealer Manager or the Information and Tender Agent.

[SIGNATURE APPEARS ON THE NEXT PAGE]

None of the Authority, the Dealer Manager or the Information and Tender Agent make any recommendation that any Bondowner offer for sale or refrain from offering for sale all or any portion of the principal amount of such Bondowner's Bonds, or at what price or prices an offer should be made. Each Bondowner must make these decisions and should read this Invitation and consult with its account executive or other financial advisor in making these decisions.

Questions regarding the process for offering Bonds for purchase and settling Bonds with respect to this Invitation, and requests for additional copies of this Invitation or any document incorporated herein by reference may be directed to the Information and Tender Agent. Other Information regarding this Invitation may be obtained from the Dealer Manager.

Dealer Manager: Merrill Lynch, Pierce, Fenner & Smith Incorporated
Attn: Ed Curland or James Nacos
One Bryant Park
1111 Avenue of the Americas, 9th Floor
New York, New York 10036
Tel: (212) 449-7358
Email: edward.curland@baml.com
or james.nacos@baml.com

Information and Tender Agent: Wells Fargo Bank, National Association
Corporate Trust Operations
608 Second Avenue South, 12th Floor
Minneapolis, MN 55479
Attn: HESAA Tender Offer
Tel: 800-344-5128

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By _____
Name: Eugene Hutchins
Title: Chief Financial Officer

QUESTIONS AND ANSWERS

February 18, 2014

INVITATION TO OFFER TO SELL BONDS
made by the
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(State of New Jersey)
to Bondowners to offer to sell
for cash any or all of the following Bonds

Higher Education Student Assistance Authority (State of New Jersey) Student Loan Revenue Bonds			
Series	Maturity Date	Principal Amount	CUSIP No. [†]
2002 Series A	June 1, 2037	1,000,000	429825AR3
2002 Series C	June 1, 2037	50,000	429825AT9
2002 Series D	June 1, 2037	2,450,000	429825AU6
2003 Series A	May 28, 2038	3,650,000	646080GK1
2003 Series C	May 28, 2038	3,700,000	646080GM7
2003 Series D	May 28, 2038	40,250,000	646080GN5
2004 Series A	April 1, 2039	50,000	646080GQ8
2004 Series D	April 1, 2039	34,000,000	646080GT2
2005 Series A	April 1, 2040	4,500,000	646080GU9
2005 Series B	April 1, 2040	17,650,000	646080GV7
2005 Series C	April 1, 2040	11,300,000	646080GW5
2005 Series D	April 1, 2040	1,600,000	646080GX3
2006 Series A	December 1, 2040	50,000	646080GY1
2006 Series B	December 1, 2040	2,350,000	646080GZ8
2006 Series D	December 1, 2040	2,800,000	646080HB0
2007 Series B	December 1, 2041	1,550,000	646080HD6
2007 Series D	December 1, 2041	75,000	646080HF1

1. What did I receive in this package and why have I received it?

You should have received the following items in this package:

- (a) These Questions and Answers,
- (b) A letter from the Higher Education Student Assistance Authority (the "**Authority**"), and
- (c) An Invitation to Offer to Sell Bonds.

You are an owner (a "**Bondowner**") of a portion of the above referenced Higher Education Student Assistance Authority Student Loan Revenue Bonds of a sub-series (each designated by a

[†] CUSIP is a registered trademark of American Bankers Association. None of the Authority, the Dealer Manager or the Information and Tender Agent makes any representation as to, or takes any responsibility for, the accuracy of such CUSIP numbers. CUSIP numbers are provided for convenience of reference only.

unique CUSIP number in the table above, and each referred to herein as a "**Sub-series**") in the table above (the "**Bonds**"), which were issued pursuant to the Indenture of Trust, dated as of June 1, 1998, as supplemented (the "Indenture") by and between the Authority and Wells Fargo Bank, National Association, as successor trustee.

2. What is the Invitation and what are my options?

Pursuant to the Invitation to Offer to Sell Bonds (the "**Invitation**") the Authority is inviting Bondowners to offer to sell to the Authority any (in authorized denominations of integral multiples of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds)) or all of the Bonds held by any and all Bondowners thereof. You may offer to sell Bonds of a Sub-series at an offer price or prices, provided any such offer price must be expressed as set forth below. Offers to sell Bonds must be received by the Authority on or before 5:00 p.m., New York City time (the "**Expiration Time**"), on March 11, 2014, unless earlier terminated or extended (the "**Expiration Date**"). Offers to sell Bonds received after the Expiration Time on the Expiration Date will not be considered. The Bonds the Authority accepts for purchase will be paid for by 3:00 p.m., New York City time, on or about March 28, 2014, as the Authority determines and as it shall announce along with the results of the Modified Dutch Auction (as described below) (the "**Settlement Date**"). The Authority retains the right to modify or withdraw the Invitation at any time through and including the Expiration Date as described herein.

Your options:

(i) Make an offer to sell all or a portion of your Bonds in a principal amount of your choosing (in minimum denominations of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds) and at a price of your choosing (expressed in multiples of \$2.50 per \$1,000 of the par amount of Bonds offered) for relevant Sub-series of Bonds (an "**Offer Price**") on or before the Expiration Date. After the Expiration Time on the Expiration Date, the Authority will determine the amount (if any) of the Bonds it will purchase and the Purchase Prices(s) for such Bonds.

(ii) Do nothing, and your Bonds will remain outstanding until their stated maturity or earlier redemption. The Authority has no current plans to redeem the Bonds. Additionally, the Authority reserves the right to, and may in the future decide to, acquire some or all of the Bonds not purchased pursuant to the Invitation through open market purchases, privately negotiated transactions, subsequent invitations to offer to sell, tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine.

3. How will the Clearing Price(s) be determined?

For each Sub-series of the Bonds purchased by the Authority pursuant to the Invitation, there will be a single purchase price (not including any amount which will represent the interest which will accrue on such Bond to the purchase date (the "**Accrued Interest**")), expressed in dollars per \$1,000 par amount (a "**Clearing Price**"), determined by the "Modified Dutch Auction" procedure described below. For each \$1,000 principal amount of Bonds purchased pursuant to the Invitation, the relevant Bondowner will receive the relevant Clearing Price plus Accrued Interest (the "**Purchase Price**").

Under the "Modified Dutch Auction" procedure, the Authority may accept offers to sell Bonds that it receives in connection with the Invitation in accordance with the provisions provided under "Priority of Purchase" in the Invitation. With respect to each Sub-series of Bonds for which the Authority elects to accept offers, the Authority will select the single lowest price per \$1,000 principal amount of such Sub-series (which will be the Clearing Price with respect to such Sub-series) for which there are offers in excess of the principal amount of Bonds of such Sub-series that the Authority has elected to purchase with Offer Prices equal to or less than such single lowest Offer Price that will allow it to purchase the principal amount of such Sub-series that the Authority has elected to purchase, subject to the provisions provided under "Priority of Purchase" in the Invitation. With respect to each

Sub-series of Bonds, the Authority will determine the principal amount of Bonds, if any, that it will accept for purchase based on a number of considerations including, without limitation, the principal amount of Bonds of such Sub-series offered for sale, the Offer Prices of offers for sale and the aggregate amount of Bonds the Authority elects to purchase. Pursuant to the Invitation, with respect to each Sub-series of Bonds, the Authority will pay the same Purchase Price for all Bonds of such Sub-series that were offered for sale at Offer Prices at or below the Clearing Price, subject to the provisions provided under "Priority of Purchase" in the Invitation. The Purchase Price will be the maximum and only amount that the Authority will pay for Bonds that it purchases pursuant to the Invitation.

4. How much will I receive if I tender my Bonds and the Authority accepts my offer?

If the Authority accepts your offer, you will receive the Purchase Price as described in Question 3 above. This amount, while less than the principal amount of the Bonds, may exceed the current market price of the Bonds to the extent a secondary market exists for the Bonds.

5. What will happen if I do not tender my Bonds?

All Bonds that are not tendered will remain outstanding until their stated maturity or earlier redemption. The Authority has no current plans to redeem the Bonds.

6. What is the source of funds the Authority will use to purchase my Bonds?

The Authority may use approximately \$22 million in cash that is currently available in the Trust Estate (as defined in the Indenture) for the purpose of purchasing the Bonds.

7. Will I pay a commission or fee if I offer to sell my Bonds pursuant to the Invitation?

You will not pay a fee or commission to the Authority or any agent of the Authority. However, please check with your broker or bank to determine whether it will charge you a fee.

8. What is the deadline for offering to sell your Bonds pursuant to the Invitation?

Offers to sell Bonds must be given as described in Question 12 below by the Expiration Time on the Expiration Date. The Expiration Date is March 11, 2014. Offers to sell Bonds received after the Expiration Time on the Expiration Date will not be considered. The Bonds must be delivered as described in Question 12 in order for the Purchase Price to be paid.

The Authority has the right to extend the Invitation to a time not past 5:00 p.m., New York City time, on the fifth business day following the Expiration Date, or any prior extension thereof, as to any or all of the Bonds. Notice of an extension of the Expiration Date will be given to The Depository Trust Company (in such capacity, the "**Information Service**") by 9:00 a.m., New York City time, on the first business day following the then current Expiration Date and will be effective when such notice is given.

9. Why is the Authority making the Invitation?

The Authority plans to purchase Bonds pursuant to the Invitation in order to reduce the overall debt service burden of the Authority. In addition, the Authority understands some of the holders of the Bonds may want to be able to liquidate their investment in the Bonds as soon as possible, and the Authority desires to accommodate these holders.

10. What are the benefits of offering to sell my Bonds?

If your offer to sell Bonds to the Authority is accepted by the Authority, you will receive cash for your Bonds upon delivery of your Bonds on the Settlement Date. This amount, while less than the principal amount of the Bonds, may exceed the current market price for the Bonds to the extent a secondary market exists for the Bonds.

11. Is offering to sell my Bonds a good idea?

Neither the Authority nor the Dealer Manager can advise you on whether or not this is a good idea for you. Your broker or financial advisor is probably the best person to answer that question. You should, therefore, consult with your own experts. NEITHER THE AUTHORITY NOR THE DEALER MANAGER MAKE ANY RECOMMENDATION TO YOU AS TO WHETHER OR NOT YOU SHOULD OFFER TO SELL YOUR BONDS TO THE AUTHORITY. YOU MUST MAKE YOUR OWN DECISION WHETHER TO OFFER TO SELL YOUR BONDS. You should ask your account executive at the financial institution that maintains the account in which your Bonds are held, or another financial advisor, for help in determining whether to offer to sell your Bonds.

12. How do I offer to sell my Bonds to the Authority?

The Bonds are all held in book-entry-only form at The Depository Trust Company ("**DTC**") through banks, brokers and other institutions that are participants in DTC. The Authority, through the Wells Fargo Bank, National Association, as information and tender agent (the "**Information and Tender Agent**"), will establish an Automated Tender Offer Program account at DTC (the "**Authority's ATOP Account**") for purposes of the Invitation promptly after the date of the Invitation. Offers to sell Bonds may only be made to the Authority through the Authority's ATOP Account. Any financial institution that is a participant in DTC may make a book-entry offer of the Bonds by causing DTC to transfer such Bonds into the Authority's ATOP Account in accordance with DTC's procedures. Concurrently with the delivery of Bonds through book-entry transfer into the Authority's ATOP Account, an Agent's Message (as described below) in connection with such book-entry transfer must be transmitted to and received at the Authority's ATOP Account by not later than 5:00 p.m., New York City time, on the Expiration Date. The confirmation of a book-entry transfer into the ATOP Account as described above is referred to herein as a "**Book-Entry Confirmation.**" The term "**Agent's Message**" means a message transmitted by DTC to, and received by, the Information and Tender Agent and forming a part of the Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering the Bonds that are the subject of such Book-Entry Confirmation, stating the CUSIP number(s), the Sub-series of Bonds, the maturity date(s) and the par amount(s) of the Bonds that have been offered by such participant pursuant to the Invitation, the Offer Price(s), and to the effect that such participant agrees to be bound by the terms of the Invitation.

13. Do I have to specify an Offer Price when I make my offer to the Authority?

Yes. To offer to sell your Bonds you must specify an Offer Price. Each Offer Price must be expressed in dollars per \$1,000 of the par amount of Bonds of each Sub-series offered. Offer Prices must be given in multiples of \$2.50 per \$1,000 principal amount of Bonds of each Sub-series offered.

14. What is the current rating on the Bonds?

As of February 18, 2014 the Bonds are rated BBBsf (negative outlook) by Fitch Ratings and A(sf) by Standard & Poor's Rating Services. The current ratings and additional rating information can be found on www.emma.msrb.org by entering the CUSIP in the quick search section.

15. At what prices have these Bonds recently traded?

To the best of our knowledge, the recent trading prices for the Bonds can be found at www.emma.msrb.org by entering the CUSIP in the quick search section.

16. Can I offer to sell some, but not all, of my Bonds?

Yes. The Authority is inviting you to offer to sell any or all of your Bonds in authorized denominations (integral multiples of (i) \$50,000 and integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 and integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds).

17. Can I change my mind after I offer to sell my Bonds to the Authority?

Yes. You may amend your offer in any respect you choose by causing an amended offer to be received at the Authority's ATOP Account by not later than the Expiration Time on the Expiration Date. You may also withdraw your offer by causing notice of such withdrawal to be received at the Authority's ATOP Account by not later than the Expiration Time on the Expiration Date. An amended offer or a notice of withdrawal must be submitted in substantially the same manner as an offer.

Your offer is deemed to be irrevocable as of the Expiration Time on the Expiration Date.

18. Can the Authority reject my offer to sell?

Yes. The Authority reserves the absolute right to reject any and all offers to sell Bonds, whether or not they comply with the terms of the Invitation.

19. What will be the tax consequences of selling my Bonds pursuant to the Invitation?

The Authority has been advised that sales by Bondowners pursuant to the Invitation will be taxable transactions for federal income tax purposes. The tax consequences of a sale pursuant to the Invitation may vary depending upon, among other things, the particular circumstances of the selling Bondowner. Bondholders may also be subject to back-up withholding with respect to proceeds received upon the sale of their Bonds pursuant to the Invitation.

Please consult your tax advisor with respect to the proper tax treatment of this transaction, in light of your individual tax situation. The Authority does not know all the factors that may be relevant to your individual tax circumstances and cannot provide income tax advice to you.

To comply with Circular 230 of the Internal Revenue Service, you are hereby notified that any discussion of federal income tax issues contained or referred to herein is not intended or written to be used, and cannot be used by you, for the purposes of avoiding penalties that may be imposed on you under the Internal Revenue Code. You should seek advice based on your particular circumstances from your own tax advisor.

20. Can the terms of the Invitation change?

YES. THE AUTHORITY RESERVES THE RIGHT TO EXTEND, TERMINATE, AMEND OR WAIVE THE TERMS OF THE INVITATION AT ANY TIME UP TO AND INCLUDING THE EXPIRATION TIME ON THE EXPIRATION DATE.

The Authority has the right to extend the Invitation to a time not past 5:00 p.m., New York City time, on the fifth business day following the Expiration Date, or any prior extension thereof, as to any or all of the Bonds. Notice of an extension of the Expiration Date will be given to the Information Service by 9:00 a.m., New York City time, on the first business day following the then current Expiration Date and will be effective when such notice is given.

The Authority also has the right to terminate the Invitation at any time by giving notice to the Information Service of such termination. The termination will be effective at the time specified in such notice.

The Authority also has the right to amend or waive the terms of the Invitation in any respect and at any time by giving notice to the Information Service of any such amendment or waiver. This amendment or waiver will be effective at the time specified in such notice.

If the Authority extends the Invitation, or amends the terms of the Invitation (including a waiver of any term) in any material respect, the Authority may (but is not required to) disseminate additional Invitation material and extend the Invitation to the extent required to allow, in the Authority's judgment, reasonable time for dissemination to Bondowners and for Bondowners to respond.

21. How can I receive information on the Authority?

Your decision to offer to sell your Bonds may be based on a variety of factors including financial and operating information regarding the Authority. A copy of the Loan Servicing Report dated as of December 31, 2013 may be obtained on the Issuer's website at <http://www.hesaa.org/pages/investorrelations.aspx>. Nothing contained on that website is incorporated herein.

22. When and how will I learn whether the Authority has accepted or rejected my offer to sell my Bonds?

The Authority's acceptance (or rejection) of offers to sell Bonds will be deemed made when written notification of this fact is transmitted from the Authority to the Information Service (whether or not actually received by the Bondowners) on or about 11:00 a.m., New York City time, on March 13, 2014. This notification will state (a) the principal amount of each Sub-series of the Bonds that the Authority has decided to accept for purchase and the applicable Purchase Price, or (b) that the Authority has decided not to purchase any Bonds of such Sub-series.

Acceptance by the Authority of offers to sell Bonds will constitute an irrevocable agreement between the offering Bondowner and the Authority to sell and purchase these Bonds, subject to the conditions and terms of the Invitation.

The Authority is under no obligation to purchase any of the Bonds that Bondowners offer to sell to the Authority pursuant to the Invitation. The Authority may purchase less than all of the Bonds that Bondowners offer to sell to the Authority and may decide to purchase none of the Bonds offered for sale.

23. What conditions apply to the Authority's purchase of Bonds accepted for purchase?

Notwithstanding notification of acceptance, the Authority will not be required to purchase any Bonds it has accepted for purchase, and will incur no liability as a result, if, before payment for these Bonds:

- Litigation or another proceeding is pending or threatened which the Authority believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the Authority or the Bondowners;
- A war, national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the Authority believes this fact makes it inadvisable to proceed with the purchase of Bonds; or
- A material change in the business or affairs of the Authority has occurred which the Authority believes makes it inadvisable to proceed with the purchase of Bonds.

These conditions are for the sole benefit of the Authority and may be asserted by the Authority regardless of the circumstances giving rise to any of these conditions or may be waived by the

Authority in whole or in part at any time and from time to time in its discretion. The failure by the Authority at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each of these rights will be deemed an ongoing right of the Authority which may be asserted at any time and from time to time. Any determination by the Authority concerning the events described in this section will be final and binding upon all parties. If, prior to the time of payment for any Bonds any of the events described above happens, the Authority will have the absolute right to cancel its obligations to purchase Bonds without any liability to any Bondowner.

24. What will my brokerage firm or bank do to accomplish the settlement of my tender?

Brokerage firms and banks keep the Bonds in book-entry-only form at DTC. The Authority will cause payment for such Bonds it has agreed to purchase to be made on the Settlement Date in immediately available funds by deposit with DTC of the aggregate Purchase Price of the such Bonds accepted for purchase. It is expected that, in accordance with DTC's standard procedures, on the Settlement Date, the account of your broker or bank at DTC will be credited with the amount of the purchase price for your Bonds, and your broker or bank will transmit the funds to you in accordance with their standard procedures. **The Authority, the Dealer Manager and the Information and Tender Agent have no responsibility or liability for the distribution of the Purchase Price to the Bondowners, or for when such distribution is made.**

25. What happens if the Authority rejects my offer to sell or doesn't otherwise purchase my Bonds after they have been offered for sale?

If Bonds that are offered for sale are not purchased by the Authority, the Authority will direct DTC to credit such Bonds to the appropriate DTC participants that offered such Bonds with instructions for such DTC participants to credit the returned Bonds to the account of the offering Bondowner, in accordance with DTC's standard procedures.

If the Authority does not pay for the accepted Bonds by the Settlement Date, then the Authority will direct DTC to credit such Bonds to the appropriate DTC participants that offered such Bonds with instructions for such DTC participants to credit the returned Bonds to the account of the offering Bondowner, in accordance with DTC's standard procedures.

26. Whom may I call if I have questions or would like additional copies of this document?

Your broker or financial advisor should be able to answer most questions concerning the Invitation. Questions regarding the process for offering to sell your Bonds and settling the sale of Bonds should be directed to Wells Fargo Bank, National Association, the Information and Tender Agent with respect to the Invitation, by contacting Corporate Trust Operations at (800) 344-5128. Other information regarding the Invitation may be obtained from Merrill Lynch, Pierce, Fenner & Smith Incorporated by contacting Ed Curland or James Nacos at (212) 449-7358, or via email at edward.curland@bamf.com or james.nacos@bamf.com, respectively.

NOTICE

The Authority is solely responsible for the Invitation and any documents related thereto, including but not limited to, these Questions & Answers and the cover letter from the Authority. Neither the Dealer Manager nor the Information and Tender Agent is responsible in any way for the Invitation or the contents of any documents related thereto.

The Invitation shall not constitute an offer to buy or the solicitation of an offer to sell, nor shall there be any purchase of the Bonds pursuant thereto in any jurisdiction in which such offer, solicitation or purchase would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.

PLEASE NOTE

ALL OF THE TERMS AND CONDITIONS OF THE INVITATION TO OFFER TO OFFER TO SELL BONDS FOR CASH ARE SET FORTH IN THIS QUESTIONS AND ANSWERS DOCUMENT, THE COVER LETTER FROM THE AUTHORITY AND THE INVITATION TO OFFER TO SELL BONDS (COLLECTIVELY, THE "**MATERIALS**"), ALL OF WHICH ARE PROVIDED BY THE AUTHORITY AND DATED FEBRUARY 18, 2014. YOU SHOULD READ EACH SUCH DOCUMENT THOROUGHLY IN ORDER TO MAKE AN INFORMED DECISION REGARDING THE INVITATION.

THE AUTHORITY RESERVES THE RIGHT TO CANCEL THE INVITATION AT ANY TIME ON OR PRIOR TO THE EXPIRATION TIME ON THE EXPIRATION DATE, AS EXTENDED FROM TIME TO TIME, IN ITS SOLE DISCRETION. THERE WILL BE NO OBLIGATION TO PURCHASE BONDS PREVIOUSLY TENDERED IF CANCELLATION OCCURS. NOTICE OF ANY SUCH CANCELLATION WILL BE GIVEN TO BONDOWNERS THROUGH PROVISION OF SUCH NOTICE TO THE INFORMATION SERVICE, PROMPTLY AFTER THE DATE THEREOF.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION REGARDING THE INVITATION ON BEHALF OF THE AUTHORITY, THE DEALER MANAGER OR THE INFORMATION AND TENDER AGENT THAT IS NOT CONTAINED IN THE MATERIALS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

NONE OF THE AUTHORITY, THE DEALER MANAGER OR THE INFORMATION AND TENDER AGENT MAKE ANY RECOMMENDATION AS TO WHETHER OR NOT YOU SHOULD OFFER TO SELL YOUR BONDS TO THE AUTHORITY PURSUANT TO THE INVITATION.

THE INVITATION IS NOT BEING MADE TO, NOR WILL OFFERS TO SELL BONDS FROM OR ON BEHALF OF, BONDOWNERS IN ANY JURISDICTION IN WHICH THE MAKING OF THE INVITATION OR THE OFFER TO SELL BONDS WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF THAT JURISDICTION

February 18, 2014

INFORMATION AND TENDER AGENT AGREEMENT

Wells Fargo Bank, National Association
Corporate Trust Operations
608 Second Avenue South, 12th Floor
Minneapolis, MN 55479
Attn: HESAA Tender Offer

Ladies and Gentlemen:

Higher Education Student Assistance Authority (the "**Issuer**") is inviting the holders of Higher Education Student Assistance Authority Student Loan Revenue Bonds, Series 2002, Series 2003, Series 2004, Series 2005, Series 2006 and Series 2007 (collectively, the "**Bonds**"), issued pursuant to that certain Indenture of Trust, dated as of June 1, 1998, as supplemented, (the "**Indenture**") between the Issuer and Wells Fargo Bank, National Association, as successor trustee, to offer to sell their Bonds to the Issuer for cash. The Issuer is inviting the beneficial owners of Bonds (the "**Bondowners**") to offer to sell their Bonds pursuant to the terms and subject to the conditions set forth in the Invitation to Offer to Sell Bonds dated February 18, 2014 and the related Questions and Answers, which together, as they may be supplemented or amended from time to time, constitute the "Invitation".

The Issuer hereby appoints Wells Fargo Bank, National Association to act as Information and Tender Agent (the "**Information and Tender Agent**") in connection with the Invitation. References hereinafter to "you" shall refer to Wells Fargo Bank, National Association.

The Invitation was commenced by the Issuer on February 18, 2014.

The Information and Tender Agent, on behalf of the Issuer, is to establish an Automated Tender Offer Program ("**ATOP**") account at The Depository Trust Company ("**DTC**") (the "**Issuer's ATOP Account**") for purposes of the Invitation. In order for a holder of the Bonds to offer their Bonds for sale to the Issuer, such offers may only be made through the Issuer's ATOP Account. Any financial institution that is a participant in DTC may make a book-entry offer of the Bonds by causing DTC to transfer such Bonds into the Issuer's ATOP Account in accordance with DTC's procedures. Concurrently with the delivery of Bonds through book-entry transfer into the Authority's ATOP Account, an Agent's Message (as described below) in connection with such book-entry transfer must be transmitted to and received at the Issuer's ATOP Account by not later than 5:00 p.m., New York City time (the "**Expiration Time**"), on March 11, 2014 (the "**Expiration Date**"). The confirmation of a book-entry transfer into the ATOP Account as described above is referred to herein as a "**Book-Entry Confirmation**." The term "**Agent's Message**" means a message transmitted by DTC to, and received by, the Information and Tender Agent and forming a part of the Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering the Bonds that are the subject of such Book-Entry Confirmation, stating the CUSIP number(s), the sub-series (each designated by a unique CUSIP number in the table appearing in the Invitation, and each referred to herein as a "**Sub-series**") of Bonds, the maturity date(s) and the par amount(s) of the Bonds that have been offered by such participant pursuant to this Invitation, the Offer Price(s), and to the effect that such participant agrees to be bound by the terms of the Invitation.

1. You will perform such duties and only such duties as are specifically set forth herein; provided, however, that in no way will your general duty to act in good faith be discharged by the foregoing.

2. You shall distribute the Invitation to Offer to Sell Bonds, the Questions and Answers and related materials provided to you by the Issuer to the holders of the Bonds by no later than February 18, 2014 through DTC.

3. On or shortly after February 18, 2014, you will establish the Issuer's ATOP Account in respect of the Bonds at DTC, in connection with the Invitation. The account shall be maintained by the Information and Tender Agent until all Bonds offered for sale pursuant to the Invitation shall have been either accepted for purchase or returned.

4. You shall review all Book-Entry Confirmations and Agent's Messages to confirm that offers to sell Bonds are made in accordance with the requirements of the Invitation. The Invitation includes the following requirements for offering to sell Bonds: An owner of the Bonds may make an offer to sell Bonds in a par amount (of \$50,000 or any integral multiple of \$50,000, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, \$25,000 or any integral multiple of \$25,000, in the case of Series 2006 Bonds and Series 2007 Bonds) of its choosing and at a price of its choosing (an "**Offer Price**"). Each Offer Price must be expressed in dollars per \$1,000 of the par amount of Bonds of each Sub-series offered. Offer Prices must be given in multiples of \$2.50 per \$1,000 principal amount of Bonds of each maturity offered. Each offer must include the following information: (1) the CUSIP number of the Bond being offered, (2) the Sub-series of the Bond being offered, (3) the par amount of the Bond being offered, and (4) the Offer Price of the Bond being offered.

5. In each case where an offer to sell Bonds has been improperly completed as transmitted to you through ATOP or some other irregularity in connection with the acceptance of the Invitation exists, you will endeavor to inform the party presenting such offer of the need for fulfillment of all requirements and to take any other action as may be reasonably necessary or advisable to cause such irregularity to be corrected.

6. With the approval of a designated authorized officer of the Issuer (such approval, if given orally, to be promptly confirmed in writing), you are authorized to waive any irregularities in connection with any offer of Bonds for sale pursuant to the Invitation.

7. Offers to sell Bonds may be made only in accordance with the Invitation, and Bonds shall be considered properly offered for sale only when:

(a) you have received a Book-Entry Confirmation, and a related Agent's Message in accordance with the requirements of the Invitation, with respect to such Bonds prior to the Expiration Time on the Expiration Date (which date and/or time may be extended in accordance with the Invitation) and you have not received a notice of withdrawal of such offer via another Agent's Message; and

(b) the offer to sell Bonds satisfies the requirements summarized in Section 4 above.

Notwithstanding the provisions of this Section 7, Bonds which the Chief Financial Officer of the Issuer shall approve as having been properly offered for sale shall be considered to be properly offered for sale (such approval, if given orally, shall be promptly confirmed in writing).

8. You shall advise the Issuer with respect to any offers to sell Bonds received subsequent to the Expiration Date and accept its instructions with respect to disposition of such Bonds.

9. Upon satisfaction or waiver of all of the conditions to purchase provided for in the Invitation, the Issuer will provide you with written notification of its acceptance of offered Bonds on or about 11:00 a.m., New York City time, on March 13, 2014. This written notification will state: (a) the principal amount of each Sub-series of Bonds that the Issuer has decided to accept for purchase and the applicable Clearing Price (as defined in the Invitation) for each Sub-series of Bonds or (b) that the Issuer has decided not to purchase any Bonds of a given Sub-series. In connection with the purchase of the Bonds, as provided in the Invitation, the priority of purchase described below will be followed.

The Issuer may receive offers of Bonds of a Sub-series at Offer Prices at or below the applicable Clearing Price set pursuant to the modified Dutch auction process described in the Invitation that, in the aggregate, exceed the par amount of Bonds of such Sub-series the Issuer has decided to purchase. In this case, the Issuer will accept for purchase the Bonds of such Sub-series in the following order of priority. These priorities will be applied until the Issuer has accepted for purchase the principal amount of the Bonds of such Sub-series it has decided to purchase:

- The first to be purchased will be Bonds of such Sub-series offered at Offer Prices at or below the applicable Clearing Price. These Bonds will be purchased in order of increasing Offer Prices (lowest to highest), provided that all Bonds purchased within a Sub-series will be purchased at the applicable Clearing Price for such Sub-series. With respect to Bonds of such Sub-series that have the same Offer Price, such Bonds will be accepted in the following order of priority:
 - (i) *first*, offers of Bonds in the amount of \$5,000,000 aggregate principal amount of such Sub-series or less will be accepted first. If more than one offer at the same Offer Price is received with respect to \$5,000,000 aggregate principal amount or less of such Sub-series of Bonds, and the Authority has determined to accept for purchase less than all of the Bonds of such Sub-series offered at such Offer Price, these offers will be treated equally and will be accepted pro rata (with appropriate adjustments to avoid purchases of Bonds in principal amounts other than in authorized denominations of (i) \$50,000 or integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 or integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds); and
 - (ii) *second*, Bonds that are offered for sale by a Bondowner in excess of \$5,000,000 aggregate principal amount of such Sub-series will be accepted next. If more than one offer at the same Offer Price is received for an amount in excess of \$5,000,000 aggregate principal amount of such Sub-series, and the Authority has determined to accept for purchase less than all of the Bonds of such Sub-series offered at such Offer Price, these offers will be treated equally and will be accepted pro rata (with appropriate adjustments to avoid purchases of Bonds in principal amounts other than in authorized denominations of (i) \$50,000 or integral multiples thereof, in the case of Series 2002 Bonds, Series 2003 Bonds, Series 2004 Bonds and Series 2005 Bonds, or (ii) \$25,000 or integral multiples thereof, in the case of Series 2006 Bonds and Series 2007 Bonds)

10. Subject to satisfaction or waiver of the conditions to purchase provided for in the Invitation, the Issuer will purchase on or about March 28, 2014 (the "**Settlement Date**") Bonds duly offered for sale on the terms and subject to the conditions set forth in the Invitation that it has elected to accept. Payment for Bonds duly accepted for purchase pursuant to the Invitation will be made by the Issuer in immediately available funds by 3:00 p.m., New York City time, on the Settlement Date by deposit with DTC of the aggregate purchase price of the Bonds accepted for purchase. In accordance with DTC's standard procedures, DTC will transmit the aggregate purchase price in immediately available funds to each of its participant financial institutions holding the Bonds accepted for purchase on behalf of holders of the Bonds for delivery to such holders.

Subject to satisfaction or waiver of the conditions to purchase provided for in the Invitation, immediately available funds will be deposited with you on the Settlement Date for delivery to DTC. After such payment, you shall promptly transfer any documents reasonably requested by the Issuer, including a document indicating the principal amount of Bonds validly accepted for purchase, all in accordance with written instructions from the Issuer.

As set forth in the Invitation, the Issuer reserves the right to extend, terminate or amend the Invitation at any time up to 5:00 p.m., New York time, on the Expiration Date.

11. A Bondowner may amend its offer in any respect it chooses by causing an amended offer to be received at the Issuer's ATOP Account by not later than the Expiration Time on the Expiration Date. All offers to sell Bonds are deemed to be irrevocable as of the Expiration Time on the Expiration Date. An offer of Bonds may be withdrawn by a Bondowner by causing notice of such withdrawal to be delivered by way of an Agent's Message to be received by the Authority's ATOP Account by not later than the Expiration Time on the Expiration Date. An amended offer or a notice of withdrawal may only be submitted by a Bondowner by delivery of an Agent's Message.

12. After giving the written notice provided for in Section 8 above, the Issuer will instruct the Information and Tender Agent to instruct DTC to return to the offering institutions all Bonds that were offered but were not accepted for purchase. Additionally, in the event that the purchase of Bonds is not completed on the Settlement Date, the Issuer will promptly instruct the Information and Tender Agent to instruct DTC to return to the offering institutions all Bonds that were offered for purchase.

13. The Issuer shall not be required to purchase any offered Bonds which have been accepted for purchase if any of the conditions to purchase set forth in the Invitation to Offer to Sell Bonds are not met. Notice of any decision by the Issuer not to purchase or pay for any offered Bonds which have been accepted for purchase shall be given (such notice, if given orally, to be promptly confirmed in writing) by the Issuer to you.

14. You are not authorized to pay or offer to pay any concessions, commissions or solicitation fees to any broker, dealer, bank or other persons or to engage or utilize any person to solicit tenders.

15. As Information and Tender Agent hereunder you:

(a) shall not be liable for any action or omission to act unless the same constitutes your own negligence, willful misconduct or bad faith, and in no event shall you be liable to a holder of a Bond, the Issuer or any third party for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) arising in connection with this Agreement irrespective of whether you have been advised of the likelihood of such loss or damage and regardless of the form of action;

(b) shall have no duties or obligations in your capacity as Information and Tender Agent other than those specifically set forth herein or as may be subsequently agreed to in writing between you and the Issuer, with no implied covenants or obligations to be read into this Agreement against you;

(c) will be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of any of the Bonds represented thereby deposited with you pursuant to the Invitation, and will not be required to and will make no representation as to the validity, value or genuineness of the Invitation;

(d) shall not be required to risk or expend your own funds or be obligated to take any legal action hereunder which might in your judgment involve any expense or liability, unless you shall have been furnished with indemnity satisfactory to you;

(e) may conclusively rely on and shall be protected in acting in reliance upon any certificate, instrument, opinion, notice, letter, telegram or other document or security delivered to you and believed by you to be genuine and to have been signed or presented by the proper person or persons;

(f) may act upon any tender, statement, request, document, certificate, agreement or other instrument whatsoever not only as to its due execution and validity and effectiveness of its provisions, but also as to the truth and accuracy of any information contained therein, which you shall in good faith believe to be genuine or to have been signed or presented by the proper person or persons;

(g) may conclusively rely on and shall be protected in acting upon written or oral instructions jointly by authorized officers of the Issuer;

(h) may consult with counsel of your selection with respect to any questions relating to your duties and responsibilities and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by you hereunder in good faith and in accordance with the advice or opinion of such counsel;

(i) shall in no event be responsible or liable for any failure or delay in the performance of your obligations under this Agreement arising out of or caused by, directly or indirectly, forces beyond your reasonable control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services;

(j) shall not advise any person offering Bonds for sale pursuant to the Invitation as to the wisdom of making such an offer or as to the market value or decline or appreciation in market value of any Bond;

(k) shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Issuer given under this Agreement;

(l) shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, entitlement order, approval or other paper or document;

(m) may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed;

(n) may at any time resign by giving 30 days written notice of resignation to the Issuer; upon receiving such notice of resignation, the Issuer shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release you from your obligations hereunder by written instrument, a copy of which instrument shall be delivered to the Issuer, you and the successor Information and Tender Agent; if no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, you may petition any court of competent jurisdiction for the appointment of a successor; and

(o) agree to accept and act upon the Issuer's instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, you shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing; if the Issuer elects to give you e-mail or facsimile instructions (or instructions by a similar electronic method) and you in your discretion elect to act upon such instructions, your understanding of such instructions shall be deemed controlling; you shall not be liable for any losses, costs or expenses arising directly or indirectly from your reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction; the Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to you, including without limitation the risk of your acting on unauthorized instructions, and the risk of interception and misuse by third parties.

16. Any bank, corporation or association into which you may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which you shall be a party, or any bank, corporation or association succeeding to all or substantially all of your corporate trust business shall be your successor hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or

assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

17. You shall take such action as may from time to time be requested by the Issuer (and such other action as you may deem appropriate) to furnish copies of the Invitation to Offer to Sell Bonds and Questions and Answers to all persons requesting such documents and to accept and comply with telephone requests for information relating to the Invitation. All other requests for information relating to the Invitation shall be directed to Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Dealer Manager with respect to the Invitation, at the address provided in the Questions and Answers.

18. You are authorized to cooperate with and to furnish information to any organization (and its representatives) designated from time to time by the Issuer in any manner reasonably requested by it in connection with the Invitation and any offers to sell Bonds thereunder.

19. You shall advise by e-mail or facsimile transmission the Chief Financial Officer of the Issuer (at the e-mail address Ghutchins@hesaa.org or facsimile number (609) 584-4831), and such other person or persons as the Issuer may request, daily up to and including the Expiration Date, as to, with respect to each offer to sell Bonds: (i) the Sub-series of Bonds, (ii) the CUSIP number, (iii) the principal amount of Bonds, (iv) the date and time of receipt of such offer, and (v) the Offer Price.

Additionally, you shall include in such e-mail or facsimile transmissions information with respect to any offers to sell Bonds that have not been received in proper form, including the defect in such offer. In addition, you will also inform, and cooperate in making available to, the aforementioned persons upon oral request made from time to time prior to the Expiration Date of such other information as they may reasonably request. Such cooperation shall include, without limitation, the granting by you to the Issuer and such persons as the Issuer may request, of access to those persons on your staff who are responsible for receiving tenders, in order to ensure that immediately prior to the Expiration Date, the Issuer shall have received information in sufficient detail to enable it to decide whether to modify or withdraw the Tender Offer. You shall prepare a final list of all persons whose offers to sell Bonds were accepted, the principal amount of Bonds offered for sale, the relevant Offer Price and the amount accepted and deliver such list to the Issuer.

20. Records with respect to the Invitation shall be preserved by you for a period of time at least equal to the period of time you preserve other records pertaining to the transfer of securities. You shall dispose of surplus materials relating to the Invitation as directed by the Issuer.

21. For services rendered as Information and Tender Agent hereunder, you shall be entitled to such compensation and reimbursement of your expenses as shall be agreed in writing between the Issuer and you. The provisions of this section shall survive the termination of this Agreement and your earlier removal or resignation as Information and Tender Agent.

22. You hereby acknowledge receipt of the Invitation to Offer to Sell Bonds and the Questions and Answers. Any inconsistency between this Agreement, on the one hand, and the Invitation to Offer to Sell Bonds and the Questions and Answers (as they may be amended from time to time), on the other hand, shall be resolved in favor of the latter two documents, except with respect to your duties and liabilities as Information and Tender Agent.

23. The provisions of Section 11.5(b) of the Indenture relating to reimbursement of the Trustee are incorporated herein by reference, shall apply to the performance by the Information and Tender Agent of its obligations under this Agreement, and shall survive the resignation or removal of the Information and Tender Agent.

24. You shall endeavor to comply with all requirements under the tax laws of the United States, including those relating to missing Tax Identification Numbers, and shall file any appropriate reports with the Internal Revenue Service (*e.g.*, 1099, 1099B, *etc.*). The Issuer understands that you are required to deduct 28% on payments to holders who have not supplied their correct Taxpayer Identification Number or required certification. Such funds will be turned over to the Internal Revenue Service.

25. You shall deliver or cause to be delivered in a timely manner to each governmental authority to which any transfer taxes are payable in respect of the transfer of purchased Bonds to the Issuer, a check provided by the Issuer in the amount of all transfer taxes so payable; provided, however, that you shall reimburse the Issuer for amounts refunded to you in respect of your payment of any such transfer taxes, at such time as such refund is received by you.

26. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Without limitation of the foregoing, the parties hereto expressly agree that no Bondowner shall have any right, benefit or remedy of any nature whatsoever under, or by reason of, this Agreement.

27. This Agreement and your appointment as Information and Tender Agent hereunder shall be construed and enforced in accordance with the laws of the State of New Jersey, and without regard to conflicts of laws principles, and shall inure to the benefit of, and the obligations created hereby shall be binding upon, the successors and assigns of each of the parties hereto.

28. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement.

29. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

30. This Agreement shall not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged. This Agreement may not be modified orally.

31. Unless otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing (including e-mail, facsimile or similar writing) and shall be given to such party, addressed to it, at its address or telecopy number set forth below:

If to the Issuer:

Higher Education Student Assistance Authority
P.O. Box 540
Trenton, NJ 08625-0540
Facsimile: (609) 584-4831
E-mail: Ghutchins@hesaa.org
Attention: Eugene Hutchins
Chief Financial Officer

If to the Information and Tender Agent:

Wells Fargo Bank, National Association.
Corporate Trust Operations
608 Second Avenue South, 12th Fl
Minneapolis, MN 55479
Facsimile: 612-667-6282
Attn: HESAA Tender Offer
Fax: (612) 667-6282

With a copy to:

Wells Fargo Bank, N.A.
Corporate Trust Services
7000 Central Parkway
Suite 550

Atlanta, GA 30328
Attn: Stefan Victory
Telephone: (770) 551- 5117
Fax: (770) 551-5118
Email: stefan.victory@wellsfargo.com

32. Unless terminated earlier by the parties hereto, this Agreement shall terminate 90 days following the Expiration Date. Notwithstanding the foregoing, Sections 21 and 23 shall survive the termination of this Agreement. Upon any termination of this Agreement, you shall promptly deliver to the Issuer, funds or property then held by you as Information and Tender Agent under this Agreement.

33. This Agreement shall be binding and effective as of the date hereof.

Please acknowledge receipt of this Agreement and confirm the arrangements herein provided by signing and returning the enclosed copy.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Name: Eugene Hutchins
Title: Chief Financial Officer

Accepted as of the date first
above written:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Information and Tender Agent

By: _____
Name: Stefan Victory
Title: Vice President

DEALER MANAGER AGREEMENT

by and between

Higher Education Student Assistance Authority

and

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Dealer Manager

relating to the

Invitation to Offer to Sell Bonds

by

Higher Education Student Assistance Authority

for

Higher Education Student Assistance Authority
Student Loan Revenue Bonds

Dated as of

February 18, 2014

DEALER MANAGER AGREEMENT

February 18, 2014

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
1111 Avenue of the Americas, 9th Floor
New York, New York 10036

Ladies and Gentlemen:

Higher Education Student Assistance Authority (the "**Issuer**" or "**HESAA**") hereby appoints Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "**Dealer Manager**") to act as exclusive dealer manager in connection with an invitation by the Issuer to beneficial owners to offer to sell for cash any or all of their HESAA Student Loan Revenue Bonds, 2002 Series A, HESAA Student Loan Revenue Bonds, 2002 Series C, and HESAA Student Loan Revenue Bonds, 2002 Series D (collectively, the "**Series 2002 Bonds**"), HESAA Student Loan Revenue Bonds, 2003 Series A, HESAA Student Loan Revenue Bonds, 2003 Series C, and HESAA Student Loan Revenue Bonds, 2003 Series D (collectively, the "**Series 2003 Bonds**"), HESAA Student Loan Revenue Bonds, 2004 Series A and HESAA Student Loan Revenue Bonds, 2004 Series D (collectively, the "**Series 2004 Bonds**"), HESAA Student Loan Revenue Bonds, 2005 Series A, HESAA Student Loan Revenue Bonds, 2005 Series B, HESAA Student Loan Revenue Bonds, 2005 Series C, and HESAA Student Loan Revenue Bonds, 2005 Series D (collectively, the "**Series 2005 Bonds**"), HESAA Student Loan Revenue Bonds, 2006 Series A, HESAA Student Loan Revenue Bonds, 2006 Series B and HESAA Student Loan Revenue Bonds, 2006 Series D (collectively, the "**Series 2006 Bonds**"), HESAA Student Loan Revenue Bonds, 2007 Series B and HESAA Student Loan Revenue Bonds, 2007 Series D (collectively, the "**Series 2007 Bonds**," and, together with the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2005 Bonds and the Series 2006 Bonds, the "**Bonds**"). The Series 2002 Bonds were issued pursuant to the Indenture of Trust, dated as of June 1, 1998 (the "**Master Indenture**"), by and between the Authority and Wells Fargo Bank, National Association (as successor trustee to U.S. Bank National Association (formerly Wachovia Bank, National Association)), as trustee (the "**Trustee**"), as supplemented by the Fifth Supplemental Indenture, dated as of June 1, 2002 (the "**Fifth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2003 Bonds were issued pursuant to the Master Indenture, as supplemented by the Sixth Supplemental Indenture, dated as of May 1, 2003 (the "**Sixth Supplemental Indenture**,"), by and between the Authority and the Trustee. The Series 2004 Bonds were issued pursuant to the Master Indenture, as supplemented by the Seventh Supplemental Indenture, dated as of April 1, 2004 (the "**Seventh Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2005 Bonds were issued pursuant to the Master Indenture, as supplemented by the Eighth Supplemental Indenture, dated as of May 1, 2005 (the "**Eighth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2006 Bonds were issued pursuant to the Master Indenture, as supplemented by the Ninth Supplemental Indenture, dated as of April 1, 2006 (the "**Ninth Supplemental Indenture**"), by and between the Authority and the Trustee. The Series 2007 Bonds were issued pursuant to the Master Indenture, as supplemented by the Tenth Supplemental Indenture, dated as of May 1, 2007 (the "**Tenth Supplemental Indenture**," and together with the Master Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture and the Ninth Supplemental Indenture, the "**Indenture**"), by and between the Authority and the Trustee. The terms and conditions of the Invitation (as defined below) are set forth in the form of Invitation to Offer to Sell Bonds attached hereto as Exhibit A (the "**Invitation to Offer**") which has been prepared by the Issuer. Such Invitation to Offer, as amended, modified or supplemented from time to time, including any extension thereof, is hereinafter referred to as the "**Invitation**."

The Invitation and the accompanying cover letter from the Issuer, and Questions and Answers, and any newspaper announcements, press releases and other offering materials and information that the Issuer may use, prepare, file, distribute, mail, publish, approve or authorize for use in connection

with the Invitation, as any of them may be amended, modified or supplemented from time to time with the Issuer's approval, are collectively referred to hereinafter as the "Offering Materials."

The Issuer hereby confirms its agreement with the Dealer Manager as follows:

1. **Appointment to Act as Dealer Manager.** (a) The Issuer hereby retains the Dealer Manager to act as the exclusive Dealer Manager with respect to the Invitation. On the basis of the representations and warranties and agreements of the Issuer herein contained and subject to and in accordance with the terms and conditions hereof and of the Offering Materials, the Dealer Manager hereby agrees to act as Dealer Manager in connection with the Invitation and in connection therewith, the Dealer Manager shall perform those services in connection with the Invitation that are customarily performed by investment banking firms acting as a dealer manager of invitations of a like nature to the Invitation, including, but not limited to, soliciting offers to sell pursuant to the Invitation and communicating regarding the Invitation with brokers, dealers, commercial banks and trust companies and other persons, including the beneficial owners of the Bonds (the "**Holder**s").

(b) The Issuer has caused the Trustee to furnish, or shall cause the Trustee to furnish, to the Dealer Manager and Wells Fargo Bank, National Association (the "**Information and Tender Agent**"), as soon as practicable after the date hereof, with a DTCC Security Position Report (Holder List) for each cusip showing the names of the persons who were the Holders as of February 18, 2014 and the beneficial owners of the Bonds as of February 18, 2014, together with the principal amount of the Bonds held by them and, to the extent available, their addresses. Additionally, during the period of the Invitation the Issuer may cause the Trustee to furnish additional Holders Lists.

(c) The Issuer agrees that any reference to the Dealer Manager in any Offering Materials, or in any newspaper announcement or press release or other document or communication relating to the Invitation, is subject to the prior written approval of the Dealer Manager, provided, that if such reference to a Dealer Manager is required by applicable law, such approval will not be unreasonably withheld.

(d) The Issuer authorizes the Dealer Manager to communicate with the Information and Tender Agent with respect to matters relating to the Invitation.

2. **Fees and Expenses.** (a) The Issuer agrees that the Dealer Manager shall be paid on the Settlement Date (as defined in the Invitation), as compensation for the services provided pursuant to Section 1 of this Agreement, a fee in an amount equal to \$2.50 per \$1,000 principal amount of the Bonds purchased pursuant to the Invitation, such fee not to exceed \$55,000.

(b) The Issuer agrees that the Dealer Manager shall be reimbursed promptly, upon request made from time to time, for its reasonable out-of-pocket expenses incurred in connection with its activities under this Agreement. If the Dealer Manager shall have withdrawn as Dealer Manager, the reimbursement for expenses incurred by the Dealer Manager through the date of such withdrawal shall be paid to the Dealer Manager as soon as practicable after the date of such withdrawal.

(c) All payments to the Dealer Manager shall be made in U.S. dollars in same day funds through a money transfer to an account to be designated in writing by the Dealer Manager.

3. **Certain Covenants of the Issuer.** The Issuer covenants with the Dealer Manager as follows:

(i) The Issuer shall promptly inform the Dealer Manager of (A) any request of the Securities and Exchange Commission (the "**Commission**") or any other governmental or regulatory agency or authority communicated to the Issuer to amend or supplement any Offering Materials or for additional information with respect thereto and of receipt (whether written or oral) by the Issuer (or by any of its officers or attorneys) of any other communication from the Commission or any other governmental or regulatory agency or authority relating to any Offering Materials (and if any such request or communication is in writing, the Issuer shall promptly furnish the Dealer Manager with a copy thereof), (B) the issuance to the Issuer of any stop order, injunction or restraining order or the initiation, or any threat known to the Issuer, of any proceedings, litigation or investigation with respect to the Invitation, the purchase of the Bonds pursuant thereto or the execution, delivery and performance of this Agreement by the Issuer, by or before any governmental or regulatory agency, or any court, and (C) the occurrence of any event known to the Issuer, or the Issuer's discovery of any fact, the occurrence or existence of which (1) causes the Issuer to amend, withdraw or terminate the Invitation or (2) causes any representation or warranty contained in this Agreement to be untrue or inaccurate.

(ii) The Issuer agrees that, at least two business days prior to distributing, mailing, publishing or otherwise using or permitting the use of any Offering Materials or any amendment or supplement to any Offering Materials, it shall cause copies of such documents to be delivered to the Dealer Manager and will not at any time use or permit the use of any Offering Materials, or any amendment or supplement thereto, or make any amendment or supplement to any of the Offering Materials of which the Dealer Manager shall not have been advised previously and furnished a copy a reasonable time prior to its use or to which the Dealer Manager or their counsel shall have reasonably objected in writing.

(iii) The Issuer hereby authorizes the Dealer Manager to use the Offering Materials in connection with the Invitation. The Issuer agrees that the Offering Materials have been or will be prepared and approved by, and are the sole responsibility of, the Issuer. The Dealer Manager shall have no obligation to cause copies of the Offering Materials to be transmitted generally to the Holders of the Bonds. The Issuer will deliver to the Dealer Manager, without charge, such number of copies of the Offering Materials (as supplemented or amended) as the Dealer Manager may reasonably request.

(iv) The Issuer will furnish the Dealer Manager such information concerning the Issuer, the Bonds and the Invitation as requested by the Dealer Manager as appropriate to the performance by the Dealer Manager of the services to be performed by it hereunder (all such information as so furnished, including without limitation such information contained in the Offering Materials, being referred to herein as the "**Issuer Information**"), and the Issuer hereby represents and warrants that the Issuer Information does not and will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The Issuer recognizes and consents to the fact that the Dealer Manager will use and rely primarily on the Issuer Information and on other information available from generally recognized public sources in performing the services contemplated by this Agreement. The Issuer will promptly advise the Dealer Manager if any Issuer Information previously provided becomes inaccurate in any material respect or is required to be updated.

(v) The Issuer will comply with the applicable provisions of the Securities Act of 1933, as amended (the "**Securities Act**") and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the rules and regulations promulgated thereunder, in connection with the Offering Materials and the Invitation and the transactions contemplated hereby and thereby. If at any time the Invitation is pending any event occurs as a result of which it is necessary, in the opinion of counsel for the Issuer, to amend or supplement any Offering Materials in order that such Offering Materials will not include an untrue statement of a material fact or omit to

state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer will promptly notify the Dealer Manager and prepare and publish or distribute such amendment or supplement as may be necessary to effect such amendment or to correct such untrue statement or omission.

(vi) The Issuer agrees to pay all costs and expenses incurred in connection with its performance of this Agreement and in connection with the Invitation including, without limitation, (A) the preparation, printing, filing, mailing and publishing of the Offering Materials and any amendments or supplements thereto, and the cost of furnishing copies thereof to the Dealer Manager; (B) the preparation, negotiation and execution of this Agreement; (C) the distribution of the Offering Materials to Holders; (D) the fees and disbursements of legal counsel to the Issuer; (E) the fees and disbursements of legal counsel to the Dealer Manager; (F) the fees and disbursements of the Dealer Manager as set forth in Section 2; (G) the fees and expenses of Wells Fargo Bank, National Association, as Information and Tender Agent in connection with the Invitation; (H) the fees and expenses of all dealers and brokers (including Merrill Lynch in its capacity as dealer or broker, which fees and expenses shall be in addition to all fees and expenses payable hereunder), commercial banks, trust companies and nominees for their customary mailing and handling expenses incurred in forwarding the Offering Materials to their customers, and any solicitation fees; (I) any advertising costs incurred in connection with the Invitation; and (J) all other costs and expenses incident to the Invitation incurred by the Issuer. The Issuer shall make all payments of fees and expenses referred to in this paragraph which become payable by it whether or not any of the Bonds are purchased pursuant to the Invitation and the obligation to make such payments shall survive the expiration, withdrawal, or termination of this Agreement and the Invitation.

(vii) The Issuer shall instruct the Information Agent to advise the Dealer Manager on or before 5:00 p.m., New York City time, or as promptly as practicable thereafter, daily or more frequently if requested as to major tally figures, by telephone, facsimile or other electronic transmission with respect to: (A) the amount of the Bonds validly offered for sale represented by confirmation of receipt of book-entry transfer of such Bonds into its account at The Depository Trust Company ("**DTC**") pursuant to the procedures set forth in the Invitation) on such day; (B) the principal amount of the Bonds previously offered for sale but which offers were properly withdrawn on such day; (C) details with respect to each maturity of Bonds as to the prices at which Holders are offering to sell their Bonds, and (D) the cumulative totals of the principal amount of the Bonds in categories (A) and (B) above. The Issuer shall instruct the Information Agent to furnish to the Dealer Manager on the business day following any such oral communication a written or electronic report confirming the above information which has been communicated orally. The Issuer shall furnish to the Dealer Manager such reasonable information with respect to the offering Holders as the Issuer has available or can obtain and may be reasonably requested by the Dealer Manager from time to time.

(viii) Promptly after commencement of the Invitation, the Issuer shall have made appropriate arrangements, to the extent applicable, with the registrar for the Bonds and/or DTC to allow for the book-entry movement of the offered Bonds between DTC participants and the Issuer.

(ix) On or prior to the Settlement Date, the Issuer shall provide or cause to be provided to counsel for the Dealer Manager all such documents and certificates as may reasonably be required in order to evidence the accuracy of any of the representations, warranties or statements of the Issuer under this Agreement and the performance of any covenants of the Issuer to be performed hereunder.

(x) The Issuer shall cause to be delivered to the Dealer Manager on the date of this Agreement a signed opinion of counsel or bond counsel to the Issuer, dated the date of this Agreement, with respect to certain matters related to the Issuer, which opinion shall be in substantially the form set forth in Exhibit B hereto.

4. **Representations and Warranties.** (a) The Issuer represents and warrants to and agrees with the Dealer Manager that as of the date of mailing of the Offering Materials, the date of

this Agreement, during the period of the Invitation, the date or dates, if any, on which the Bonds are accepted by the Issuer for purchase pursuant to the Invitation, and the Settlement Date:

(i) with respect to the Issuer Information and the specific terms of the Invitation, the Offering Materials, as the same may be amended or supplemented as described herein, do not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(ii) The Issuer is a body corporate and politic constituting an instrumentality of the State of New Jersey, created and existing under the Higher Education Assistance Authority Act (constituting Chapter 271 of the Pamphlet Laws of 1967 of the State of New Jersey) (the "**Act**"), and has full power and authority to execute and deliver and to carry out and perform its obligations under this Agreement and all of the transactions described herein.

(iii) When executed by the parties hereto, this Agreement will have been duly authorized, executed and delivered by, and will constitute the legal, valid and binding obligation of, the Issuer enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or obligation or similar laws affecting the rights of creditors generally and by general equitable principles which may limit the availability of specific performance or other equitable remedies (regardless of whether enforcement is considered in a proceeding at law or in equity).

(iv) Since June 30, 2013 there has not been any material adverse change in, or any adverse development that materially affects, the condition (financial or otherwise), earnings, business affairs or business prospects of the Issuer, whether or not arising in the ordinary course of business that has not been disclosed or incorporated by reference in the Offering Materials.

(v) None of (A) the execution, delivery and performance by the Issuer of this Agreement, (B) the making and consummation of the Invitation by the Issuer, (C) the use of funds required in connection with the Invitation, (D) the use of the Offering Materials, or (E) the consummation by the Issuer of the transactions contemplated by this Agreement and in the Offering Materials and compliance with the terms herein or therein (all of the foregoing, collectively, the "**Transactions**"), will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Act or any other organizational documents of the Issuer, the Indenture, or any material agreement or instrument to which the Issuer is bound, or, to the best knowledge of the Issuer, any order, rule or regulation applicable to the Issuer of any court, Federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Issuer or any of its properties or operations (except as otherwise disclosed in writing to the Dealer Manager), or will result in the creation or imposition of any prohibited lien, charge or other security interest or encumbrance upon any of the property or assets of the Issuer under the terms of any such restriction, agreement, instrument, order, rule or regulation.

(vi) The Issuer has obtained all approvals required to be obtained by it in connection with the execution and delivery of, and performance by it of its obligations under, this Agreement and otherwise with respect to the Transactions.

(vii) Except as disclosed (or incorporated by reference) in the Invitation, there is no action, suit or proceeding before or by any government, governmental or regulatory instrumentality or agency or court, now pending or, to the best knowledge of the Issuer, threatened (A) which might reasonably be expected to result in material liability on the part of the Issuer which liability would be payable from or otherwise impair any of the funds, accounts, rights and interests pledged to the payment of the Bonds under the Indenture, or (B) wherein an adverse decision, ruling or finding would (1) materially and adversely affect the Transactions or (2) adversely affect the validity or enforceability of this Agreement or the Transactions.

(viii) No stop order, injunction, restraining order or denial of any application for approval has been issued or proceedings, litigation or investigation initiated or, to the best knowledge of the Issuer, threatened with respect to the Invitation or the other Transactions by or before any governmental or regulatory agency, or any court.

(ix) The Invitation is not required to be registered pursuant to the Securities Act and the rules and regulations of the Commission thereunder.

(b) The representations and warranties set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Dealer Manager Party (as defined herein), (ii) any termination of this Agreement or (iii) any withdrawal by the Dealer Manager pursuant to this Agreement.

(c) Any certificate signed by any officer of the Issuer and delivered to the Dealer Manager or its counsel shall be deemed a representation and warranty by the Issuer to the Dealer Manager as to the matters covered thereby.

5. **Reserved.**

6. **Termination; Withdrawal.** (a) This Agreement may be terminated by (i) the Dealer Manager, at any time upon at least 15 days prior written notice to the Issuer and (ii) by the Issuer at any time upon at least 15 days prior written notice to the Dealer Manager, in either case without any further liability or obligation on the part of the terminating party, except as provided in Section 6(b).

(b) Notwithstanding termination of this Agreement pursuant to subsection (a) of this Section 6, the provisions of Section 1(c), the obligations of the Issuer to reimburse the Dealer Manager for its expenses pursuant to Section 2(b) and to pay all costs and expenses incurred in connection with the performance of this Agreement and in connection with the Invitation pursuant to Section 3(a)(vi), and the provisions of Section 5, this Section 6(b), Section 8 and Sections 10 through 15 shall survive any termination of this Agreement.

7. **Notices.** All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, mailed or transmitted by any standard form of electronic telecommunication (notices transmitted by telecopier to be confirmed in writing).

If to the Issuer:

Higher Education Student Assistance Authority
P.O. Box 540
Trenton, New Jersey 08625-0540
Telecopier No. (609) 584-4831
Attention: Eugene Hutchins
Chief Financial Officer

If to Merrill Lynch, Pierce, Fenner & Smith Incorporated:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
1111 Avenue of the Americas, 9th Floor
New York, New York 10036
Telecopier No. (212) 553-2363
Attention: James Nacos

or, as to each party, at such other address as shall be designated by such party in a written notice complying as to delivery with the terms of this paragraph.

8. **Securities Positions.** The Issuer acknowledges that it has no objection to the fact that, in the course of trading activities, the Dealer Manager may from time to time have positions in, and

buy or sell securities of the Issuer and its affiliates, *provided* that the Dealer Manager complies with all applicable securities laws.

9. **Tombstone.** Subject to the Issuer's prior written approval, the Dealer Manager may place an announcement in such newspapers and periodicals as it may choose, stating that the Dealer Manager is acting or has acted as exclusive Dealer Manager to the Issuer in connection with the Invitation. Any such announcement shall be at the sole option and expense of the Dealer Manager and shall not constitute Offering Materials under this Agreement.

10. **Governing Law; Jurisdiction; Waiver of Trial by Jury.**

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, excluding any conflicts of law provisions thereof. Each party hereby consents to the jurisdiction of a state or federal court situated in Trenton, New Jersey in connection with any dispute arising hereunder. Each party hereby waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that such proceeding brought in such a court has been brought in an inconvenient forum. Each party hereby irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or relating to this Agreement.

11. **Compliance With P.L. 2005, C. 271 Reporting Requirements and other State Requirements.**

(a) Dealer Manager represents and warrants that (i) all information, certifications and disclosure statements previously provided in connection with P.L. 2005, C. 51, enacted March 22, 2005, which codified Executive Order No. 134 (McGreevey 2004), are true and correct as of the date hereof and (ii) all such statements have been made with full knowledge that the Issuer and the State of New Jersey shall rely upon the truth of the statements contained therein in engaging Dealer Manager in entering into this Agreement.

(b) Dealer Manager is advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("**ELEC**") pursuant to N.J.S.A. 19:44A-20.13 (P.L. 2005, C. 271, Section 3) if Dealer Manager enters into agreements or contracts such as this Agreement entered into by Dealer Manager with a public entity, such as the Issuer, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Issuer, in a calendar year. It is Dealer Manager's responsibility to determine if filing is necessary. Failure to so file can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

(c) In accordance with Executive Order No. 9 (Codey 2004), the Dealer Manager certifies that it has not employed or retained, directly or indirectly, any consultant who will be paid on a contingency basis if the Authority engages such firm to provide the Dealer Manager services described herein.

(d) Dealer Manager represents and warrants that Dealer Manager has not entered into any financial or business relationships, arrangements or practices with the Authority's financial advisor or any other participant concerning or relating to the bonds described herein.

(e) Dealer Manager represents and warrants that it has complied with the requirements of N.J.S.A. 52:32-58 and has filed a certification with the Authority that it is not identified on the list of persons engaging in investment activities in Iran.

12. **Severability of Provisions.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the agreements contained herein is not affected in any manner adverse to any party.

Upon such determination that any term or provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the agreements contained herein may be performed as originally contemplated to the fullest extent permitted by law.

13. **Counterparts.** This Agreement may be executed in any number of counterparts, and by the parties hereto in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

14. **Parties in Interest.** This Agreement is made solely for the benefit of the parties hereto (including their respective successors and assigns) and no other person will have any right under this Agreement.

15. **Miscellaneous.** The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

16. **Entire Agreement; Amendment.** This Agreement supersedes all prior agreements and undertakings, both written and oral, of the parties hereto, or any of them, and constitutes the entire understanding of the parties, in each case with respect to the Invitation and the services of the Dealer Manager with respect thereto. This Agreement may not be amended or modified, or any provision hereof waived, except in writing signed, in the case of an amendment or modification, by each party and, in the case of a waiver, by the waiving a provision of this Agreement.

(Signatures appear on the following page)

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this instrument will become a binding agreement between the Issuer and the Dealer Manager in accordance with its terms.

Very truly yours,

**HIGHER EDUCATION STUDENT ASSISTANCE
AUTHORITY**

By: _____

Name: Eugene Hutchins

Title: Chief Financial Officer

Confirmed and Accepted as of the
Date first above written:

**Merrill Lynch, Pierce, Fenner & Smith Incorporated,
as Dealer Manager**

By: _____

Name: Joseph A. Santoro

Title: Director

EXHIBIT A

INVITATION TO OFFER TO SELL BONDS

(See attached)

EXHIBIT B

FORM OF OPINION OF COUNSEL TO THE ISSUER

[To be Dated the Mailing Date]

Merrill Lynch, Pierce, Fenner & Smith Incorporated,
as Dealer Manager
New York, New York

Re: Invitation to Offer to Sell Bonds relating to the Higher Education Student Assistance Authority, Student Loan Revenue Bonds

Ladies and Gentlemen:

I have acted as counsel to the Higher Education Student Assistance Authority (the "**Issuer**") in connection with the Invitation to Offer to Sell Bonds (the "**Invitation**") by the Issuer of the Higher Education Student Assistance Authority, Student Loan Revenue Bonds (the "**Bonds**"). This opinion is being furnished to you pursuant to Section 3(b)(ii)(A)(1) of the Dealer Manager Agreement, dated February 18, 2014 (the "**Agreement**"), between the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as dealer manager with respect to such Invitation (the "**Dealer Manager**"). Capitalized terms used herein without definition shall have the meanings specified in the Agreement.

In connection with this opinion, I have examined and am familiar with originals or copies, certified or otherwise, of the Agreement and such other documents and records of the Issuer and such statutes, regulations and other instruments as I have deemed necessary or advisable for purposes of this opinion. As to certain facts material to this opinion, I have relied upon the accuracy of representations of one or more officers or other employees of the Issuer. In addition, I have assumed that communications of public officials and their assistants concerning the content of public files and records and actions taken by them in their public capacities are accurate, that all signatures, other than signatures of the Issuer, on all documents presented to me are genuine, that all documents submitted to me as originals are accurate and complete, that all documents submitted to me as copies are true and correct copies of the originals thereof, that all factual information submitted to me was accurate and complete and that all persons executing and delivering originals or copies of documents examined by me, other than persons executing and delivering such documents on behalf of the Issuer, were competent to execute and deliver such documents. In addition, I have assumed the due authorization, execution and delivery of the Agreement by the respective parties thereto other than the Issuer and that the Agreement is the valid and binding obligation of each of such other parties enforceable against such other parties in accordance with its terms.

Based on the foregoing, I am of the following opinion:

1. The Issuer is a body corporate and politic constituting an instrumentality of the State of New Jersey, created and existing under the Higher Education Assistance Authority Act (constituting Chapter 271 of the Public Laws of 1967 of the State of New Jersey) (the "**Act**"), and has full power and authority to execute and deliver and to carry out and perform its obligations under the Agreement and to make and consummate the Invitation.

2. The Agreement, the Invitation, the Offering Materials executed by the Issuer and the purchase of the Bonds by the Issuer pursuant to the Invitation have been duly authorized by the Issuer and the Agreement has been executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, (a) except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the rights of creditors generally and by

general equitable principles which may limit the availability of specific performance or other equitable remedies (regardless of whether enforcement is considered in a proceeding at law or in equity).

3. (a) The execution, delivery by the Issuer of the Agreement, (b) the making and consummation of the Invitation by the Issuer, (c) the use of funds required by the Invitation, (d) the use of the Offering Materials and (e) the consummation by the Issuer of the transactions contemplated by the Agreement and the Offering Materials and compliance with the terms set forth therein (all of the foregoing, collectively, the "**Transactions**"), in each case, will not (i) conflict with or constitute a breach of or default under (A) the Act or (B) any material written agreement, or (ii) violate any existing law, rule or regulation to which the Issuer is subject. As used herein, the term "**material written agreement**" means those agreements to which the Issuer is subject that, if breached by the Issuer, could reasonably be expected to adversely affect the Transactions or the validity or enforceability as to the Issuer of, or the Issuer's performance of any of its obligations under, the Agreement, or the ability of the Issuer to make and consummate the Invitation, or to have a material adverse effect on the financial condition of the Issuer.

4. Except as disclosed in the Invitation, including any documents incorporated therein by reference, there is no action, suit, stop order, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the best of my knowledge, threatened against the Issuer (a) which would materially adversely affect the Transactions, or which would adversely affect the validity or enforceability thereof, or (b) which would have a material adverse effect on the financial condition of the Issuer.

5. No consent, approval, authorization or order of, or registration or filing with, any court or governmental or public agency, authority or body is required with respect to the Issuer for the consummation of the Transactions or, with respect to the Issuer, for the execution, delivery and performance by the Issuer of the Agreement.

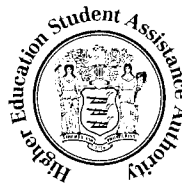
6. I have reviewed the information contained or incorporated by reference in the Offering Materials with respect to the Issuer, and nothing has come to my attention which would cause me to believe that any of such information contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is limited in all respects to the laws of the State of New Jersey and the Federal laws of the United States of America.

I am delivering this opinion to you pursuant to Section 3(x) of the Agreement, and no person other than you and your counsel is entitled to rely hereon.

[_____]

By _____



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org


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: Marnie B. Grodman, Esquire 
Director, Legal & Governmental Affairs

SUBJECT: Resolution 05:14 Approving the Extension of the Contract With Obermayer Rebmann Maxwell & Hippel LLP, Special Counsel to Assist in the Review of Materials Related to 529 Plans For One Year

DATE: February 5, 2014

Background

The Higher Education Student Assistance Authority (HESAA) administers the New Jersey Better Educational Savings Trust (NJBEST) program, New Jersey's State qualified tuition program under Section 529 of the Federal Internal Revenue Code of 1986, as well as the Franklin Templeton 529 College Savings Plan ("529 Plans").

At its November 23, 2010 meeting, as a result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans and to assist in engaging the successive investment manager should the agreement with Franklin Templeton expire during the term of their retainer agreement. The appointment was for a term of 2 years with three optional one-year extensions. At its October 25, 2012 meeting, the Board approved the initial one-year extension.

Obermayer was appointed to provide opinions and advice to HESAA on all documents prepared by HESAA's investment manager, Franklin Templeton, related to the 529 Plans. These documents include but are not limited to: investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements.

Additionally, HESAA's current agreement with Franklin Templeton is scheduled to expire on March 17, 2014 and Obermayer is assisting HESAA in procuring the successive investment manager and negotiating a contract.

Obermayer has provided prompt and professional advice in response to all requests for opinions.

Recommendation

It is recommended that the Board approve Resolution 05:14 providing a one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plans and to assist in engaging the successive investment manager at a rate of \$225-300 per hour for attorneys and \$100 per hour for paralegals.

Attachment

RESOLUTION 05:14

**APPROVING THE EXTENSION OF THE CONTRACT WITH OBERMAYER
REBMANN MAXWELL & HIPPEL LLP, SPECIAL COUNSEL TO ASSIST IN THE
REVIEW OF MATERIALS RELATED TO 529 PLANS FOR ONE YEAR**

Moved: Ms. Maria Torres
Seconded: Mr. James Allen

WHEREAS: At its November 23, 2010 meeting, as the result of a Request for Qualifications, the Higher Education Student Assistance Authority Board appointed Obermayer Rebmann Maxwell & Hippel LLP as special counsel to assist in the review of materials related to 529 Plans and to assist in engaging the successive investment manager should the agreement with Franklin Templeton expire during the term of their retainer agreement; and

WHEREAS: The Board appointed Obermayer for a term of 2 years with three optional one-year extensions; and

WHEREAS: At its October 25, 2012 meeting, the Board approved the initial one-year extension; and

WHEREAS: Obermayer has provided the Authority with prompt and professional legal advice with regards to investor handbook supplements, disclosure updates, contract amendments and supplements, and dealer program distribution agreements; and

WHEREAS: The Authority desires to continue this contract with Obermayer Rebmann Maxwell & Hippel LLP.

NOW THEREFORE, LET IT BE:

RESOLVED: The Higher Education Student Assistance Authority hereby approves a one year extension of the retainer agreement with Obermayer Rebmann Maxwell & Hippel LLP as Special Counsel to Assist in the Review of Materials Related to 529 Plans and to assist in engaging the successive investment manager at a rate of \$225-300 per hour for attorneys and \$100 per hour for paralegals.

February 6, 2014