
FOR IMMEDIATE RELEASE

Contact: Amanda Covington, (801) 321-7110
December 20, 2007

Board of Regents Executive Committee to Meet Friday

The State Board of Regents Executive Committee will meet **Friday, Dec. 21 at 1:30 p.m.** at the Regents' Offices, 60 S. 400 W. in Salt Lake.

Agenda

1. Call to Order by Chair Pitcher
2. Resolution to Amend 1988 and 1993 Student Loan Master Indentures
3. Adjourn

**The media may join the meeting in person or by telephone. Please contact Amanda Covington at (801) 321-7110 for the telephone number and access code.*

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December 21, 2007

MEMORANDUM

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Approving Resolution to Amend 1988 and 1993 Student Loan Master Indentures

Issue

The liquidity crises in the financial markets has led to a very volatile market for auction securities in general and tax-exempt auction securities in particular. As a result, the Maximum Auction Rates ("MAR") that have been established and in place for more than a decade, may not be sufficient to provide the Regents with enough flexibility to re-market these securities in the current market. As a temporary measure broker-dealers around the country are working with clients, insurers, and the rating agencies to permit a waiver of the MAR through the end of January 2008. Virtually all issuers have implemented or planning to implement new temporary maximum auction rates.

Background

At its meeting on December 18, 2007, the Student Finance Subcommittee voted unanimously to recommend Board of Regents adoption of the attached Approving Resolution for the Board's Student Loan 1988 and 1993 Master Indentures. These are the only master indentures under which the Board has student loan bonds outstanding. Board of Regents adoption of the Resolution is necessary to provide authority for amending the Indentures.

Proposed Amendment

Over the years the Board of Regents has issued various series of Auction Rate Student Loan Bonds. These Bonds bear interest at rates established periodically (generally every 28 or 35 days) based upon the current market. The parameters under which the Bonds are auctioned include certain interest rate caps, which are generally tied to a percentage of certain market indexes. These caps are in addition to the maximum rates established by the Board when it approves the issuance of the Bonds.

UBS Securities LLC ("UBS") serves as Broker Dealer for the vast majority of these Auction Rate Bonds. Because of events affecting the bond market, UBS has represented to the Board that there is a need to increase (on a short term basis) certain of these interest rate caps, in order to permit the efficient auction of the Bonds. They have proposed increasing these caps through January 31, 2008.

Presented in the following table is a summary of the current auction rate market conditions. The table summarizes the Board’s current auction rates for taxable and tax exempt securities, the current maximum auction rates allowed under the indentures and the proposed maximum auction rates after applying the changes outlined in the supplemental indentures.

Tax Status	Index Description	Bond Rating	Current	Current	Proposed
			Auction Rate	Maximum Auction Rate	Maximum Auction Rate
Tax Exempt	JJ Kenney	AAA	5.63%	5.95%	9.35%
Taxable	91 Day Treasury	AAA	6.51%	6.60%	9.70%

The proposed changes in the supplemental indentures, and the resulting increases in the maximum auction rates, would provide the Regents with needed flexibility to re-market the Board’s auction rate bonds. UHEAA staff will monitor the credit market closely to determine if a further extension is required and if necessary, request additional Board approval. UHEAA staff, representatives of the Attorney General’s Office, Bond Counsel, and Underwriters will be available on the December 21 call to answer questions.

Recommendation

The Commissioner recommends that the Regents approve the attached Approving Resolution to amend the Board’s 1988 and 1993 Student Loan Master Indentures.

Richard E. Kendell, Commissioner

REK/DAF/ROD
Attachment

STATE OF UTAH
OFFICE OF THE ATTORNEY GENERAL



MARK L. SHURTLEFF
ATTORNEY GENERAL

RAYMOND A. HINTZE
Chief Deputy

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KIRK TORGENSEN
Chief Deputy

December 17, 2007

Richard E. Kendell
Commissioner of Higher Education
Two Gateway Office Center
60 South 400 West, 5th Floor
Salt Lake City UT 84101-1284

RE: Executive Committee

Dear Commissioner Kendell:

We have been asked to provide advice concerning the authority of the Board of Regents Executive Committee.

By statute, the Board of Regents is authorized to take action either directly or through its Executive Committee. The law provides:

“All matters requiring Board determination shall be addressed in a properly convened meeting of the Board or its Executive Committee.” Utah Code Ann. § 53B-1-104(7)(c)

As permitted by statute the Board has adopted bylaws granting specific authority to the Executive Committee. **Regents Policy 3.6.2.2. Authority** - states:

“The Executive Committee shall have the full authority of the State Board of Regents to act upon routine matters during the interim between Board meetings, but shall act upon non-routine matters only under extraordinary and emergency circumstances.”

We understand it is now necessary for the Board to take action to revise the terms of certain indentures relating to the issuance of student loan revenue bonds. The interest rates fluctuate based on periodic auctions. In light of current liquidity issues in the marketplace in general, there is a possibility that in the next few weeks the maximum allowable rates established in these indentures may be too low, in light of rates established in upcoming auctions. We

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understand it is necessary for the Board to take immediate action to, at least temporarily, raise the interest rate ceilings established in these indentures. This is to permit efficient auction of these auction rate bonds.

It is our opinion that the Executive Committee has authority under the statute and bylaws to convene and consider this matter and take action with respect to this issue. It is not clear whether this would be considered "routine" within the meaning of Regent Policy 3.6.2.2. Therefore, we suggest that at the meeting there be a finding made that the matter considered is routine and that the Executive Committee is meeting under "extraordinary and emergency circumstances". Although this may appear to be redundant, we believe it will clearly bring the meeting and action of the Executive Committee under the authority of the bylaws.

Please let us know if we can provide further assistance in this regard.

Very truly yours,



THOMAS C. ANDERSON
Assistant Attorney General

TCA/da

cc Mark Spencer
David A. Feitz
Richard O. Davis
William T. Evans