

## **VSAC Board of Directors Meeting**

**April 17, 2017**

**1:00 p.m.**

**Board Room, VSAC  
10 East Allen Street  
Winooski, Vermont 05404**

### ***Attendance:***

**Present:** Dodie Mitchell (Chair), Dave Larsen, Martha Heath, Pam Chisholm, Katharine Hutchinson, Dennis O'Brien, Beth Pearce, David Coates, and Matt Trieber

**Absent:** Ann Cummings and Michael K. Smith

**Staff:** Scott Giles, Tom Little, Patrick Leduc, Mike Stuart, Marilyn Cargill, and Kristi Rocheleau

**Others:** NA

The meeting was called to order at 1:02 p.m. by Chair Dodie Mitchell.

### **Approval of Minutes**

*Upon a motion made by Martha Heath and seconded by David Coates, the Directors voted unanimously to approve the meeting minutes of February 7, 2017, as presented.*

### **Chair's Report**

Chair Dodie Mitchell welcomed Representative Matt Trieber to the Board. Dodie and Scott Giles then shared the agenda planning for the upcoming June retreat and collected input from Board Members. Dodie encouraged Board Members to follow up with Scott or Dodie with additional suggestions.

### **President's Report**

President Giles briefed Board Members on the current state and federal landscape. On the VSAC front, Scott reported on two activities supporting the VSAC mission. The first event was the corporate-wide day dedicated to scholarship review. This event resulted in more than \$2 million in scholarship money awarded to selected recipients. The second event was part of Treasury Cup Challenge, where VSAC offered money toward college savings accounts to the various winners. This event is organized by the Vermont Treasurer's Office and features school teams that compete in quiz-show style on personal finance and economics topics. Both of these events showcased individuals' grit and determination and underscored the importance for VSAC programs and services.

### **Committee Reports**

### *Finance Committee*

Beth Pearce, on behalf of Chair Smith, recapped the March 27 Finance Committee meeting minutes and financials, noting nothing new or unexpected was presented.

Pearce then referred Board Members to the April 13 Memo regarding the 2017 VSAC Private Education Loan Financing which had been circulated last week to the Board by Tom Little. That Memo covered the details of the transaction, including these points:

The Committee's review and discussion covered these points:

- VSAC plans to issue fixed-rate bonds, not in excess of \$65 million par amount, to fund fixed-rate private education loans, similar to the bond issued last year for private loans.
- The new bonds are expected to be issued out of the 2012 bond indenture, as we believe that will provide the most economical funding from combining the pool of loans from that indenture (which includes the 2013 and 2016 bonds, which also were issued out of the 2012 indenture).
- The bond sale is likely to have a somewhat higher bond interest cost than last year, as the relevant interest rates have increased since then. The final rates may vary from the projected rates based on final rating agency review of the cash flow projections and bond market conditions at the time of sale. Accordingly, the rates on the student loans to be made with the bond proceeds are likely to be higher than last year (as shown in Tom Little's Memo).
- The proposed financing structure includes a subordinate bond as a means to establish the equity, or over-collateralization, needed to secure an "A" rating on the senior bonds. The subordinate bonds are expected to be rated BBB.
- The lead underwriter for these bonds again will be Bank of America Merrill Lynch. The engagement with Bank of America is for one year; the fees and costs, as presented in Tom Little's April 13 Memo distributed to the Board last week, are comparable to those of last year, adjusted for this year's somewhat larger par amount of bonds to be issued.
- The bonds are expected to be issued with a single A rating from S&P and Fitch.
- These will be revenue bonds – not a general obligation of VSAC, nor a general or moral obligation of the State of Vermont. Only the private student loans, and the revenues flowing from them, are pledged as collateral for the principal and interest payments due on the bonds.
- Management expects to have the required approval letter signed by the Governor next week.
- Also included in the documents sent to the Board are the Supplemental Indenture and the Preliminary Official Statement.
- The Authorizing Resolution authorizes the bonds, imposes maximum interest rates on the senior and subordinate bonds, and maximum underwriter fees, and identifies the individuals who complete and are authorized to sign the documents on behalf of VSAC.
- The Bonds will be priced for sale in May, with a closing set for early June. In anticipation of the sale, and in order to initiate the critical marketing effort for the new loans, we expect to announce the loan rates in the next two weeks.

Beth summarized the economics and supporting documentation for the proposed bonds and Authorizing Resolution, and concluded by explaining that the Finance Committee recommends that the Board approve the proposal as distributed.

***Upon a motion made by Beth Pearce and seconded by Martha Heath, the Board voted unanimously to approve the 2017 Private Education Loan Financing Authorizing Resolution as distributed prior to the meeting and presented during the meeting, attached to these Minutes.***

#### **Governance Committee**

Dave Larsen provided highlights of the March 27 Governance Committee Meeting record. The Committee will continue its review of the Board manual, recruitment, and chair evaluation in May. To support the May agenda, Dave will reach out to Board Members in the upcoming month to solicit input and feedback as part of the chair evaluation process. Members were also invited to provide Board manual input and suggestions for the Committee to consider.

#### **Programs & Services Committee**

Committee Chair Heath walked members through the March 27, 2017, meeting record, first focusing on the Civil Union and Self-Supporting policies requiring Board approval. Martha reviewed the background for each policy and noted no changes were made.

***Upon a motion made by Beth Pearce and seconded by David Coates, the VSAC Board of Directors voted unanimously to approve the Civil Union and Self-Supporting policies, as presented.***

Heath continued by outlining the Expected Family Contribution Cutoff for the academic year 2017-2018 that the Committee had approved; she then summarized the risk reviewed, the FAFSA & IRS data retrieval challenges, and 70x2025 initiatives.

Transitioning to the Special Committee meeting held earlier on April 17, Martha framed the Management Grant Level assumptions for FY2018, responded to questions, and conveyed the Committee's recommendation that the Board accept the grant levels as outlined in Option 1 in the previously distributed materials.

***Upon a motion made by Martha Heath and seconded by Katharine Hutchinson, the Committee, voted unanimously to approve the following Resolutions on FY18 grant levels:***

1. Resolved, that VSAC shall
  - Not change the level of aid for full-time enrollment from the level set in '17;
  - Accept 13,550 applications with an anticipated cut-off date of December 31, 2017, for full-time grants;
  - Maintain a 2% reserve;
  - Maintain the Basic Incentive Grant level at \$850;
  - Fund Non-Degree at \$1.8 million from the appropriation plus \$494,500 from Next Generation funding with an anticipated cutoff of January 31, 2018; and
  - Maintain Part-Time funding at \$1.2 million with an anticipated cutoff of January 31, 2018.
2. Further Resolved that, in addition, the Board is aware that there are unknowns at this time which could result in different choices for grant levels and cut-off dates after the staff runs the final projections. Staff will analyze projections in the live environment and the levels may be further adjusted up or down by \$100 if necessary.

**Human Resources Committee**

Chair O'Brien reported on the March 27, 2017, Committee Meeting record covering the next steps for the healthcare plan and compensation approach for fiscal year 2018, and the CEO evaluation timeline.

**Other Business & Meeting Review**

There being no other business, the meeting adjourned at 3:05 p.m.

Respectfully submitted,

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David Larsen, Secretary

AUTHORIZING RESOLUTION  
OF THE  
VERMONT STUDENT ASSISTANCE CORPORATION

BE IT RESOLVED BY the Board of Directors (the “Board”) of Vermont Student Assistance Corporation (the “Corporation”), this 17th day of April, 2017, as follows:

Section 1. Subject to Section 10 hereof, a supplemental indenture of trust (referred to herein as the “Series 2017 Supplemental Indenture of Trust”) supplementing and amending the Indenture of Trust, dated as of July 1, 2012 (the “2012 Master Indenture” and, together with the Series 2017 Supplemental Indenture of Trust and all other supplements and amendments to the 2012 Master Indenture, the “Indenture”), is hereby adopted in order to provide for the issuance of bonds, notes or other debt obligations (the “Bonds”), the proceeds of which are to be used for the purpose of any, all, or any combination of the following: (i) originating and acquiring education loans (and reimbursing the Corporation for any education loans it makes from its own funds prior to the issuance of the Bonds as may be set forth in in a declaration of the Corporation’s official intent made by the Corporation’s Vice President and CFO), (ii) funding reserves and/or interest on the Bonds, (iii) paying costs of issuing the Bonds and (iv) for other purposes allowed by the Indenture, which Series 2017 Supplemental Indenture of Trust shall be substantially in the form presented to this meeting, subject to completion and subject to the parameters set forth in Section 2 hereof.

Section 2. The Bonds shall be issued as fixed rate bonds in one or more series on a tax-exempt basis in an aggregate principal amount not to exceed \$65,000,000. The Bonds may be issued as both senior Bonds (on a parity with other bonds currently outstanding under the Indenture) and subordinate Bonds, in such respective principal amounts as an Authorized Officer (as hereinafter defined), upon advice of counsel, shall approve, the execution and delivery thereof to constitute such person’s approval thereof, except that the aggregate principal amount of any subordinate Bonds shall not exceed \$10,000,000. The maximum yield on the Bonds (giving effect to any original issue discount or original issue premium) shall at no time exceed 6.00% per annum in the case of senior Bonds and 7.00% per annum in the case of any subordinate Bonds. The Bonds shall mature no later than December 31, 2047.

Section 3. The Series 2017 Supplemental Indenture of Trust and the Bonds shall include details with respect to such other matters as the President or any other Authorized Officer, upon advice of counsel, shall approve, with such additional changes as may be approved by the Authorized Officer executing or delivering the Series 2017 Supplemental Indenture of Trust and the Bonds, the execution and delivery thereof to constitute such person’s approval thereof.

Section 4. Each of the Chair, the Vice Chair, the President, the Secretary of the Corporation and each Assistant Secretary of the Corporation is designated an Authorized Officer of the Corporation (“Authorized Officer”) for the purposes of this Authorizing Resolution. Any action taken or document signed by a person constituting an Authorized Officer at the time of such action or signing of a document authorized by this Authorizing Resolution shall remain effective whether or not such person, at the time of the issuance of the Bonds, is the incumbent of such office when the Bonds are issued.

Section 5. Each Authorized Officer is authorized to execute and deliver to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) a purchase contract or contracts for the Bonds (the “Bond Purchase Contract”) providing for the sale of the Bonds to the Underwriter at a price equal in the aggregate to par less an underwriting discount of not to exceed one percent (1.00%) of the aggregate principal amount of the Bonds (or such amount may be paid as a fee rather than as an underwriting discount), plus any original issue premium and less any original issue discount (provided that the yield on the Bonds, taking into account any such original issue discount and original issue premium, shall not exceed the maximum yield set forth in Section 2 above), plus reasonable costs and fees acceptable to and approved by an Authorized Officer.

Section 6. A Preliminary Official Statement in substantially the form presented at this meeting, with such changes as the President or one or more other Authorized Officers, upon advice of counsel, shall approve for distribution and a final Official Statement, in substantially the form of the Preliminary Official Statement, is hereby approved, with such changes and completions as shall be deemed by the President or one or more other Authorized Officers to be necessary or appropriate. The President of the Corporation is authorized to execute and deliver a final Official Statement. Use by the Underwriter of one or more Preliminary Official Statements, final Official Statements and any supplements thereto in connection with the Bonds is hereby approved.

Section 7. The Bonds shall be special, limited obligations of the Corporation and shall only be payable out of the trust estate pledged therefor pursuant to the Indenture. The Bonds issued under the Indenture shall not constitute a debt, liability or obligation of the State of Vermont or any of its political subdivisions and none of the faith and credit, the taxing power or the moral obligation of the State of Vermont or any political subdivision thereof shall be pledged to the payment of the principal of and the interest on the Bonds. For the sake of clarity, the Bonds shall not be supported by a moral obligation of the State of Vermont under Title 16, Chapter 87, Section 2867 of the Vermont Statutes Annotated.

Section 8. Each Authorized Officer is authorized to execute and deliver such additional documents or certificates as counsel to the Corporation or Kutak Rock LLP, Bond Counsel, shall advise as necessary or desirable, including, without limitation, a tax certificate, one or more continuing disclosure agreements and other closing documents.

Section 9. Any document or certificate executed or delivered by an Authorized Officer, including the Series 2017 Supplemental Indenture of Trust, the Bonds, the Bond Purchase Contract and the final Official Statement, shall be conclusive evidence of the approval of any modifications of terms submitted at this meeting of the Board and of the due authorization, execution and approval by the Corporation of any such document or certificate, subject to the provisions of Sections 2 and 5 hereof.

Section 10. While it is expected that the Bonds will be issued pursuant to the Indenture, including the Series 2017 Supplemental Indenture of Trust, if it is determined by the President or one or more other Authorized Officers after the adoption of this Authorizing Resolution that it is in the best interest of the Corporation to issue the Bonds pursuant to one or more new and separate trusts or pursuant to a supplement to any other previous indenture of the Corporation, the Board hereby authorizes the same, provided that all other provisions and limitations of this Authorizing Resolution are complied with, and provided further that if the Bonds are issued under a new and separate indenture of trust and supplement thereto or pursuant to any other

previous indenture of the Corporation, such documents are determined by the President or one or more other Authorized Officers to be substantially similar to the 2012 Master Indenture and the Series 2017 Supplemental Indenture of Trust within the intent of this Authorizing Resolution (but with such changes as may be approved by the President or one or more other Authorized Officers executing or delivering such new and separate indenture of trust and supplement or such supplement to any other previous indenture of the Corporation, which execution or delivery shall be conclusive evidence of such determination and approval of any such new and separate indenture of trust and supplement or any such supplement to any other previous indenture of the Corporation).

Section 11. This Authorizing Resolution shall take effect immediately upon its adoption, provided that the Indenture (or a new and separate indenture of trust and supplement or a supplement to any other previous indenture of the Corporation as referred to in Section 10 hereof) shall take effect immediately upon the delivery of a certified copy of the Indenture or such new and separate indenture of trust or supplement to any other previous indenture to the trustee designated therein.

Section 12. All prior acts and doings of the officers, agents and employees of the Corporation which are in conformity with the purposes and intent of this Authorizing Resolution, and in furtherance of the purposes of this Authorizing Resolution, shall be and the same hereby are in all respects ratified, approved and confirmed.