

MINUTES
VSAC FINANCE COMMITTEE MEETING
Via Teleconference

Monday April 21, 2017
12:30 p.m.

Board Room, VSAC Offices
10 East Allen Street
Winooski, VT

Attendance:

Members Present:	Beth Pearce, David Coates
Members Absent:	Michael Smith
Other Board Members Present	Dodie Mitchell, Matthew Trieber
VSAC Staff Present:	Scott Giles, Tom Little, Mike Stuart

Acting Chair Beth Pearce called the meeting to order at 12:31 p.m. and said that Michael Smith was unavailable due to a scheduled vacation.

Pearce requested that Mike Stuart and Tom Little provide a presentation on the economics, purpose, structure, and documentation for the proposed 2017 bonds and Authorizing Resolution, and that a formal review be taken up by the full Board at its meeting later in the afternoon.

Reference was made to Tom Little's April 13 Memorandum, covering the financial and legal highlights of the proposed bond financing, explaining the purpose and effect of the proposed Authorizing Resolution, and which was distributed to the Committee members on April 13.

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.

Pearce asked a series of questions about the expected interest rates on the student loans to be made with the bond proceeds, expressing the desire that the rates be as low as the strength of the financing could sustain. There was further Committee member discussion about the Memorandum and the timing of the transaction.

Upon a motion made by David Coates and seconded by Beth Pearce, the Finance Committee voted unanimously to approve the 2017 Private Loan Authorizing Resolution as circulated and attached to these Minutes, and to recommend adoption of the Authorizing Resolution to the full Board of Directors.

Name	Vote
Beth Pearce, Acting Chair	Aye
David Coates	Aye

There being no other business, the Finance Committee adjourned at 1:01 p.m.

Respectfully submitted,

Mike Stuart, Assistant Secretary