



CONNECTICUT STUDENT LOAN FOUNDATION

MINUTES OF THE BOARD OF DIRECTORS

March 19, 2015

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Thursday, March 19, 2015 at 12:30 p.m., at the office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.

Members Present:

Barbara Rubin, Chair of the Board

Sarah Sanders (designee of the Honorable Denise Nappier), Vice Chair of the Board

Jeffrey Asher

Martin Budd (via telephone*)

Steven Kitowicz (designee of the Honorable Benjamin Barnes)

Dr. Peter Lisi

Paul Mutone

Members Absent:

Julie Savino

Erika Steiner (designee of Dr. Gregory Gray)

Other Attendees:

Jeanette Weldon, Executive Director

Paula Herman, General Counsel, CHEFA

Darlene Dimitrijevs – Principal, Education Solution Partners, LLC

Randy Behm – Principal, Education Solution Partners, LLC

Erica Tirado – Manager, CohnReznick LLP

Patricia McGowan – Partner, CohnREznick LLP (via telephone*)

Tim Webb – Vice President, FirstSouthwest

Samuel Rush – Deputy Director, CHESLA

Joshua Hurlock, Portfolio and Marketing Associate, CHESLA

Norberto Ramirez, Compliance Internal Auditor, CHEFA

JoAnne Mackewicz, Controller, CHEFA

Carlee Levin, Sr. Accountant, CHEFA

Judith Blank, Esquire, Day Pitney, LLP

William Veronda – Director, Education Finance, Bank of America Merrill Lynch

* Participated in the meeting via conference telephone that permitted all parties to hear each other.

I. Call to Order:

Ms. Rubin called the meeting to order at 12:58 p.m.

II. Approval of November 18, 2014 Minutes:

A motion was made by Dr. Lisi and seconded by Mr. Kitowicz that the Board of Directors of the Connecticut Student Loan Foundation approves the minutes of the November 18, 2014 meeting as presented.

The motion passed unanimously with one abstention. Mr. Mutone abstained from the vote as he was absent from the November 18, 2004 meeting.

III. Executive Director's Report

Ms. Weldon indicated that all of the legislatively mandated payments have been made. The \$19.0 million payment to the Board of Regents and \$1.0 million of the payment to the Governor's Scholarship were made in December. The final \$0.6 million payment to the Governor's Scholarship was made in January following receipt of the final payment to the Restricted Fund from ECMC. She noted that the final payment from ECMC was larger than anticipated. As a result there are remaining funds in the Restricted Fund of just over \$242,000.

Ms. Weldon informed the Board that effective February 10, 2015 a Public Officials Insurance Policy for \$2.0 million went into effect. As discussed at the prior Board meeting, this policy replaces the prior Directors and Officers policy.

Finally, Ms. Weldon noted that Fitch had affirmed the ratings of the CSLF Bonds on March 17, 2015. The senior bonds are rated AAA_{sf} and the subordinated bonds are rated AA_{sf}. In its report, Fitch noted the high quality of the CSLF collateral.

IV. External Auditor Reports

Ms. Tirado reviewed the audited financial statements for CSLF for the fiscal year ended September 30, 2014. She began by describing the design of their audit and other procedures which would allow them to express an opinion on the financial statements of CSLF and report on significant deficiencies or material weaknesses when necessary. She indicated that they had completed all of their areas of audit emphasis, with the exception of those concerning compliance with the FFELP requirements.

Ms. Tirado next reviewed the required communications to the Board of Directors. She noted that there were no significant audit findings. She indicated that the previous fiscal year's audit had identified three control deficiencies, none of which were considered to be material weaknesses or significant deficiencies. With the statutory consolidation of CSLF and the Connecticut Health and Educational Facilities Authority ("CHEFA"), which resulted in CSLF becoming a quasi-public subsidiary of CHEFA on July 1, 2014, all of these control deficiencies have been remediated.

Ms. Tirado then proceeded to review the full Independent Auditor's Report. She specifically noted that they were providing a "clean opinion" on the financial statements of CSLF. In reviewing the Management's Discussion and Analysis she noted several areas where the impact of the July 1, 2014 organizational changes and the Legislatively Mandated payments could be seen. In response to a question from Mr. Asher, it was indicated that Education Solution Partners was the primary author of the Management Discussion and Analysis.

Following the review of the Audited Financials, Ms. McGowan reviewed the Federal Income Tax Form for the Fiscal Year ended September 30, 2014 (IRS Form 990). She indicated that the first page is generally a summary of the financial information contained later in the report. Mr. Mutone noted that the Total Assets on the Form 990 was slightly different than the amount in the Audited Financials just presented. Ms. McGowan indicated that the difference is in the treatment of the Deferred Bond Discount. For the Financial Statements this is considered a Contra-Asset item, but for the Tax Return it is considered a Liability.

Ms. McGowan noted that several questions in Parts IV, V and VI of the Form 990 were answered "yes" due to either the statutory consolidation with CHEFA or the Legislatively Mandated payments. She also discussed the reporting of compensation in Part VII. Because the fiscal year ended on September 30, 2014, the compensation to be reported would have been from 2013. However, none of the compensation earned by Mr. Asher and Ms. Weldon from CHEFA in 2013 is reportable since it was earned prior to CSLF becoming a subsidiary of CHEFA.

Ms. McGowan indicated that Schedule I was included this year solely due to the Legislatively Mandated payments. Finally, she also noted that Schedule O contains explanations for various items throughout the Form 990 and its attachments.

A motion was made by Mr. Lisi and seconded by Mr. Mutone as follows:

WHEREAS, the Board of Directors of the Connecticut Student Loan Foundation has reviewed the report of the external auditors as of September 30, 2014;

NOW THEREFORE, BE IT:

RESOLVED, that the Board of Directors of the Connecticut Student Loan Foundation accepts the report of the external auditors for the fiscal year ended September 30, 2014 and approves the release of the audited financials for the fiscal year ended September 30, 2014 as presented.

The motion passed unanimously.

A motion was made by Ms. Sanders and seconded by Mr. Kitowicz as follows:

WHEREAS, the Board of Directors of the Connecticut Student Loan Foundation has reviewed the IRS Form 990;

NOW THEREFORE, BE IT:

RESOLVED, that the Board of Directors of the Connecticut Student Loan Foundation approves the filing of the Form 990 with the IRS for the fiscal year ended September 30, 2014, as presented.

The motion passed unanimously.

V. Approval of Funds Management Policy

Mr. Behm provided an overview of the existing Funds Management Policy and its application to the daily operations of CSLF. He noted that the current policy has an expiration date of March 31, 2015, but that earlier version of the Funds Management Policy did not have an expiration date. The Expiration Date was added to provide the reconstituted Board with an opportunity to see how the policy was administered prior to making it more permanent. The proposed Funds Management policy is identical to the previous policy, except that it has no expiration date. He also noted that the first priority for the use of funds under the policy is any action taken by the Board to release funds from the Trust to the unrestricted fund of CSLF.

A motion was made by Mr. Kitowicz and seconded by Ms. Sanders as follows:

The Board of Directors of the Connecticut Student Loan Foundation approves the Funds Management Policy, as presented without an expiration date.

The motion passed unanimously.

Mr. Behm next discussed a proposal that had been made by the Connecticut Higher Education Supplemental Loan Authority (CHESLA) for the possible use of funds for three specific projects. It was noted by several of the Board members that these projects were not yet fully approved by the CHESLA Board, but that some version of them would likely be implemented. In addition, the exact cost of each project can only be estimated at this time as market conditions in the future would impact two of them. The proposal was for up to \$10 million before the end of December to fund these projects. Discussion ensued around whether this was the appropriate time for considering this proposal since the projects were not yet fully approved by the CHESLA Board. It was noted that the requested authorization is only to make the funds available to CHESLA for the three specific projects. This would allow CHESLA to move forward with its planning of these projects since the source of funds would be known. In addition, it would allow the projects to begin once the CHESLA Board has approved them, without needing any further action from the CSLF Board. Discretion to determine the exact amount applied to each project and timing of the contributions to CHESLA would be delegated to the Executive Director of CSLF.

A motion was made by Mr. Budd and seconded by Ms. Sanders as follows:

The Board of Directors of the Connecticut Student Loan Foundation authorizes contributions of up to \$10 million by December 31, 2015 to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) in support of the following programs to improve educational opportunities:

- Equity Contribution to CHESLA 1990 Trust
- CHESLA Loan Refinancing Pilot Program
- CHESLA Scholarship Program

The Executive Director shall determine the exact time and amount of each contribution. The Executive Director shall first use any remaining ECMC Restricted Funds for this purpose. The Executive Director is authorized to withdraw funds from the trust estate as necessary to

complete such contributions, provided all obligations and procedures of the Indenture and Board polices are adhered to when taking such action.

The motion passed unanimously.

VI. Financial Report

Ms. Dimitrijevs provided financial reports for the three months ended December 31, 2014. She presented the Net Change in Position, Balance Sheet and a summary of the quarterly Surveillance Report, which included the amount of Bond Redemptions during the quarter.

She noted that the Net Change in Position for CSLF was a positive \$0.7 million for the period before extraordinary items. After extraordinary items, the Net Change in Position was a positive \$1.4 million which included \$0.75 million as the accrual for the final payment under the ECMC contract. This amount was \$0.5 million over budget. She also noted that the actual payment was received in January. For the three months CSLF was \$0.7 million over budget in Net Change in Position after the Extraordinary Item.

On the Balance Sheet she indicated the Loans Receivable stood at \$357.3 million as of December 31, 2014, which was \$60 million below prior year, but \$2.4 million over budget. She also noted that with the payment of the Legislative Mandates, the investment accounts with STIF and First Niagara had been closed and the account with United Bank, which holds the ECMC Restricted Funds, had been significantly reduced. Bonds Payable were \$335.3 million compared to \$399.15 million the prior year and a budget of \$337.4 million.

Ms. Dimitrijevs indicated that the trust parity ratio as of December 31, 2014 stands at 109.71% versus a planned level of 109.58%. Assets within the Trust exceed the Board required parity level by \$24.5 million. Of this amount \$10.1 million is in cash or cash equivalents with the remainder primarily made up of the loan balances exceeding that of the bonds outstanding.

Ms. Dimitrijevs reviewed a summary of the quarterly surveillance report that is made available publicly on the CSLF website. She indicated that \$17.1 million in bonds were redeemed in the quarter ended December 31, 2014. As of December 31, 2014, \$335.3 million in bonds remain outstanding. The original issuance was \$935.9 million. She also noted that Bank of America Merrill Lynch had sold its position in the 2004 A-1 tranche on January 29, 2015. In addition, a portion of the Pershing block in the 2006 A-2 tranche had been sold on December 8, 2014.

Dr. Lisi left the meeting at this point (1:45 p.m.).

Finally, Ms. Dimitrijevs returned to the Balance Sheet to discuss the investment in Berkshire Hills Bancorp. She noted that this investment was originally an equity investment in CBT made in 2003 when this bank holding company was created. The investment was in the amount of \$200,000 and the stock was privately held with limited public trading. CSLF received no dividends on this investment from 2003 through 2011. In April 2012 CBT was acquired by Berkshire Hills Bancorp Inc., headquartered in Pittsfield, MA. In the sale CSLF received \$28,000 in cash and 6,326 shares of Berkshire (valued then at \$142,968). Since that date CSLF has received \$12,000 in dividends and the value of the stock is \$168,778 as of December 31, 2014. The stock of Berkshire is publicly traded.

There was a question as to why this investment was ever made. There is no record that indicates why the investment occurred. It was recommended that the stock be sold. A discussion ensued with respect to the use of the funds. It was noted that CSLF currently receives credit on its balances in the operating account at the rate of 0.30%, which is higher than its investment accounts elsewhere. Since CSLF is currently incurring fees on its operating account it was suggested that the proceeds from the sale of the Berkshire stock should be placed in the operating account.

A motion was made by Ms. Sanders and seconded by Mr. Kitowicz as follows:

The Board of Directors of the Connecticut Student Loan Foundation authorizes the sale of all Berkshire Hills Bancorp, Inc. common stock shares, as soon as practical, at the prevailing market price on the sale date. The proceeds of the sale are to be deposited into the general operating account of CSLF.

The motion passed unanimously.

Dr. Lisi returned to the meeting at this point (1:51 p.m.).

VII. Adjournment

Ms. Mutone made a motion, which was seconded by Mr. Budd to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 1:52 p.m.

Respectfully Submitted by:

Jeanette Weldon, Executive Director