



CONNECTICUT STUDENT LOAN FOUNDATION

MINUTES OF THE BOARD OF DIRECTORS

September 20, 2017

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Wednesday, September 20, 2017 at 12:00 p.m., at the office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.

Members Present:

Dr. Peter Lisi, Chair of the Board
Martin Budd *
Steven Kitowicz (designee of the Honorable Benjamin Barnes)
Sheree Mailhot (designee of the Honorable Denise Nappier)
Julie Savino
Jeanette Weldon, Executive Director

Members Absent:

Erika Steiner (designee of the Honorable Mark Ojakian)

Other Attendees:

Denise Aguilera, General Counsel, CHEFA
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC
Randy Behm, Principal, Education Solution Partners, LLC
Tim Webb, Vice President, Hilltop Securities
Cynthia Peoples H., Managing Director, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Carlee Levin, Sr. Accountant, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Judith Blank, Esq., Day Pitney LLP
Joe Santoro, Bank of America Merrill Lynch
Todd Forgione, RBC Capital Markets*

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

I. Call to Order

Dr. Lisi called the meeting to order at 12:42 p.m. Dr. Lisi introduced Ms. Mailhot as the board designee of the Honorable Denise Nappier for the current meeting, pending the designation of a permanent replacement for Sarah Sanders who is leaving state service.

II. Administrative Actions

Approval of Minutes:

A motion was made by Ms. Savino and seconded by Mr. Kitowicz that the Board of Directors of the Connecticut Student Loan Foundation approves the minutes of the June 6, 2017 meeting.

The motion was passed unanimously, with an abstention by Ms. Mailhot who was not present for the June 6, 2017 meeting.

Election of Vice Chairperson:

A motion was made by Mr. Kitowicz and seconded by Mr. Budd that the Board of Directors of the Connecticut Student Loan Foundation elects Julie Savino as Vice Chairperson of the Board of Directors of the Connecticut Student Loan Foundation.

The motion was passed unanimously, with an abstention by Ms. Savino.

III. Auditors' Report

CohnReznick, the external auditors for CSLF, represented by Kimberly Nardone and Kristen Brown, had presented the audited financials of the Connecticut Health and Educational Facilities Authority (CHEFA) during the Board meeting of the Connecticut Higher Education Supplemental Loan Authority (CHESLA). The CHESLA Board meeting was immediately prior to the CSLF Board meeting and, by statute, has the same individuals as Board members. CSLF and CHESLA are Component Units of CHEFA and included in the audited financials of CHEFA.

As an accommodation to CohnReznick, they were permitted to discuss the CSLF audited financials, the CSLF IRS Form 990 and the CSLF Report on Management's Assertions during the CHESLA Board Meeting. The following is a summary of the discussion concerning these topics that occurred during the CHESLA Board meeting.

CohnReznick was able to provide a Non-Modified Opinion as to the financial records of CHEFA, CHESLA and CSLF for the period ended June 30, 2017. Specific to CSLF they noted that the Assets and Liability had both declined by approximately \$43 million. This is consistent with the pay down of the education loans and using the proceeds to reduce the outstanding bond balances.

For the fiscal year ended June 30, 2017 CSLF had Operating Net Income of \$2.55 million before non-operating income and expenses. The Change in Net Position (after non-operating income and expenses) was \$588 thousand, with the largest non-operating expense being contribution to CHESLA for the CHESLA scholarship program. From a cash flow perspective, CSLF had a net decrease in cash of \$736 thousand during the fiscal year.

CohnReznick reviewed the notes to the financial statements with the Board. They indicated that there were no significant changes from the prior year. They also indicated that during their audit they did not identify any deficiencies in internal control that they consider to be material weaknesses. CohnReznick also reviewed the allowance for loan losses and did not recommend any adjustments be made by CSLF.

CohnReznick next reviewed the IRS Form 990 for the fiscal year ended June 30, 2017. They discussed each of the sections of the Form 990 as well as each of the attached Schedules. She noted Schedule A indicated that CSLF, with a public support percentage of 99.49%, exceeded the public support test for being a 501(c)(3) non-profit organization.

Various Board members asked questions about specific items in the Form 990 as well as the method by which the document is made available for inspection by the public. As a result of

these discussions, a change was made to Part VI, Section B, Question 12c. In addition, ESP was directed to review any guidance from the U.S. Department of Education related to making the IRS Form 990 available for public inspection.

Finally, CohnReznick reviewed the Report on Management's Assertions on Compliance with Specified Federal Family Education Loan Program Requirements. CohnReznick had reviewed and tested the various reports and representations supplied by CSLF to the U.S. Department of Education. CohnReznick found all of the items to be in compliance. They noted that the external auditor of EdFinancial Services LLC, the servicer of the CSLF loan portfolio, had identified a finding related to documentation for eight loan deconversions and that this finding is required to be included in the report. EdFinancial rectified this issue by February 6, 2017.

[end of summary of discussion held during CHESLA Board Meeting]

Ms. Savino made the following motion, which was seconded by Mr. Budd:

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 June 30, 2017; subject to the Executive Director's satisfactory review of the correction of Part VI, Section B, Question 12c and any adjustment to sections related to public inspection of the IRS Form 990 based upon clarification of the requirements of the U.S. Department of Education.

The motion was passed unanimously.

IV. Executive Directors Report

Ms. Weldon presented a report from the internal auditor of CHEFA, Berry Dunn McNeil & Parker, LLC. Berry Dunn had reviewed the internal controls over bond redemptions for CSLF. They noted that the bank account reconciliations performed by an outside party are not reviewed by a second person. They provided this with a low risk rating and indicated that CSLF's controls over the bond redemptions was "satisfactory", the best possible rating that could be provided.

V. Bond Redemption Activity

Ms. Dimitrijevs reviewed the bond activity for the quarter ended June 30, 2017 and indicated that \$5.25 million of bonds had been redeemed in the quarter, \$2.75 million of the 2004 A-3 tranche and \$2.5 million of subordinate bonds from the 2004B tranche. She noted that the overall parity level was 110.56% compared to the required minimum in the bond indenture of 102.50%. Likewise the senior parity is at 143.49% versus the indenture requirement of 105.00%.

Ms. Dimitrijevs also reviewed the Weighted Average Coupon (WAC) and the Weighted Average Remaining Maturity (WARM) of the loan portfolio. In particular she noted that consolidation loans, which have longer maturities, now represent over 60% of the portfolio. She also noted that the private

loan portfolio is down to \$5.5 million (2.26% of the total loan portfolio) and that the last private loan that was "in school" had entered its grace period during the past quarter.

VI. Executive Session

A motion was made by Mr. Budd and seconded by Mr. Kitowicz to enter Executive Session for the purpose of discussing the responses to the Request for Proposals for the Portfolio Administrator and to discuss trade secrets.

The motion passed unanimously.

Dr. Lisi requested Ms. Aguilera, Ms. Peoples, Mr. Hurlock and Mr. Webb remain during the Executive Session.

The Board entered Executive Session at 12:55 p.m.

The Board exited Executive Session at 1:41 p.m.

Dr. Lisi stated that no actions or votes were taken during the Executive Session.

VII. Appointment of Portfolio Administrator

Ms. Savino made the following motion, which was seconded by Mr. Budd:

Be it resolved, that the Board of the Connecticut Student Loan Foundation appoints Goal Structured Solutions, Inc. as the Portfolio Administrator for CSLF subject to the negotiation and execution of a contract containing such terms and conditions as the CSLF Executive Director deems appropriate and in the best interests of CSLF. In accordance with the foregoing, the Board directs and authorizes the Executive Director to proceed with the negotiation and execution of a contract with Goal Structured Solutions, Inc. to implement this resolution.

The motion passed unanimously.

VIII. Adjournment

Mr. Kitowicz made a motion, which was seconded by Ms. Savino, to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 1:43 p.m.

Respectfully Submitted by:


Jeanette Weldon, Executive Director