

**Washington Vaccine Association – Board of Directors Meeting  
September 19, 2013, 2:00 PM – 4:00 PM  
Location: Ellis, Li & McKinstry**

**I. Attendance.** Participating in the meeting were the following individuals:

Directors:

Brian Ancell  
Jason Farber (T)  
Beth Harvey  
Dennis Kirkpatrick  
Ed Marcuse (T)  
Mary Kay O’Neill  
Norm Seabrooks

KidsVax.org®:

Fred Potter  
Margaret Lane  
Claire Roberge (T)  
Peter Smith (T)  
Terry Mills

Absent:

Suzanne Daly  
Allene Mares

Others:

Janna Bardi, DOH  
Steven Bass, CPA (T)  
Allen Gilbert, CPA  
Polly Sidwell, Morgan Stanley  
Anne Redman, Esq.  
Keith A. Kemper, Esq.  
Steven T. O’Ban, Esq.

**II. Summary of Actions Taken and / or Recommended**

**A. Actions Taken (votes adopted)**

1. To accept and authorize publication of the FYE 2012/13 Financial Statements.
2. To approve the June 27, 2013 minutes.
3. To approve the Assessment Grid Policy and Procedure.
4. To authorize KidsVax.org® to publish the 2012/2013 WVA Annual Report and to designate the report to serve in lieu of an Annual Meeting.
5. To approve the request by KidsVax® to delay the contract performance goal for distribution of the August financials until after the final DOH September draw estimate is received.
6. To authorize the KeyBank line of credit and to adopt the corresponding banking resolution.
7. To delegate KidsVax® to make the appropriate interest rate choice.
8. To increase vaccine assessment levels as recommended.

**B. Pending Matters (follow up needed)**

1. If after October 1 the TRICARE matter is not resolved and payments have not been made or are not immediately expected, Mr. Potter will schedule a follow-up Board teleconference and consider pursuing the claim.

**III. Minutes**

Welcome and Introduction

At 2:05 p.m., a quorum having been established, Chairman Brian Ancell called the meeting to order. Mr. Ancell informed the Board that Janna Bardi has been designated by the Secretary as a Board member for this meeting. She will be voting as the public health representative in the absence of Ms. Mares.

Mr. Ancell welcomed Mr. Allen Gilbert and Mr. Steven Bass of CliftonLarsonAllen to the meeting. The entire Board sat as a committee to hear the report of the independent public auditors regarding the draft financial statements for the fiscal year ended June 30, 2013. No significant changes are expected other than some minor cosmetic revisions. The noted changes to the Statement of Financial Position were the cash investments and receivables. In keeping with management’s intent to reduce assets to a more desirable level, the total assets have been reduced from the prior year’s \$28.5 million to approximately \$15 million. An item that is a bit unusual is the fact that there are no net assets of this organization. They are called “Assessments Collected in Excess of Funding.” This was done because the funds collected do not actually belong to the WVA, so if for any reason the WVA ceases to exist, the money belongs to the members.

The Statement of Activities was reviewed in detail, along with a brief review of the footnotes. The assessment activity is not revenue for the organization just as the vaccines are not the organization's expenses. Page 10 of the Audited Financial Statement indicates under NOTE 2 that on May 14, 2013, the IRS granted §501(c)(3) tax-exempt status and determined that the filing of Form 990 is not required in prior or future years. Attorney Redman suggested the wording may need to be changed to reflect that the commencement date of the tax-exempt status was as of the date of incorporation even though the decision date is May 14, 2013. Chairman Ancell disclosed to the auditors the change in the recent CDC policy requiring WVA to do advance funding versus funding after the fact. Further discussion ensued regarding disclosure of the KeyBank line of credit. A separate disclosure footnote will be added under Subsequent Events regarding the KeyBank line of credit and the assessment rate increase.

The Board then went into Executive Session with the KidsVax® staff excused.

At the conclusion of the Executive Session, the recording was continued for the general session.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To accept and authorize publication of the FYE 2012/13 Financial Statements and independent auditor's report reflecting the changes suggested at the meeting.

Consent Calendar Items

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the minutes of the June 27, 2013 WVA Board meeting.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the Assessment Grid Policy and Procedure as recommended by the WVA Operations Committee.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To authorize KidsVax.org® to proceed with publication of the 2012/2013 WVA Annual Report in the form as presented to the Board and to designate such report to serve in lieu of an Annual Meeting pursuant to section 4.2 of the WVA Bylaws.

Executive Director Updates

Mr. Potter indicated that he had previously made calls to Board members on the important issues related to the CDC funding change and the need to seek outside funding and initiate an assessment level increase. The goal sheet reflecting the policy put in place by the Board was distributed and reviewed today. Additionally, although the Board previously agreed to move the provider cost burden analysis to November, the work has already been started. The line of credit was completely renegotiated to match the cash call from CDC.

Lastly, Mr. Potter explained that although the August financial reports are ready, the final DOH number for the September draw is not yet available and thus the reports will not be completed by the due date. He asked for relief from that goal.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To approve the request by KidsVax® to delay distribution of the August financials until the final DOH September draw estimate is received and to reset contract performance goals accordingly.

Financial Status/Need for LOC Implementation and Assessment Rate Increase

Chairman Ancell thanked Mr. Potter for sending out a concise summary e-mail to the Directors prior to the meeting. Mr. Potter was asked to once again provide a summary for the Board and allow for questions.

There is nearly \$9 million of cash call coming in, including the \$8 million due to the CDC funding change. Additionally, there is a very heavy September draw, which is not that uncommon. WVA has to write a check for \$13 million and there is only \$4 million in the bank.

Extensive discussion ensued regarding the successful renegotiation of the KeyBank line of credit. At the outset, the LOC will be \$15 million rather than \$10 million due to the need to draw \$10 million and still provide flexibility. The cash collateral requirements have been lowered dramatically from \$8 million to \$4 million despite its greater size. The measurement date is the end of the quarter, which matches the cash flows perfectly. The first measurement has been deferred until 2014. WVA has been given interest choices, although the Board may decide not to use those. It was Mr. Potter's suggestion that WVA retain the flexibility to choose and the choice can be implemented on a draw-by-draw and a month-by-month basis. Mr. Peter Smith is prepared to do this as he does the treasury management function. Further discussion ensued.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To authorize the KeyBank line of credit and to adopt the following resolution:

*Resolution for Board of Directors meeting held on September 19, 2013*

*WHEREAS: the Board of Directors has determined it is desirable to establish a line of credit on terms offered by KeyBank National Association ("KeyBank") to finance timing differences between the requirements for payment to the Universal Vaccine Purchase Account for vaccine ordering expenses of the Department of Health and the collection of assessments by WVA:*

*RESOLVED: pursuant to the authority vested in this Board of Directors under Chapter 70.290 RCW the Board of Directors hereby approves WVA entering into a credit/loan and security agreement with KeyBank, substantially on the terms set forth in the letter dated September 18, 2013 ("Commitment Letter") from KeyBank presented at the meeting and providing for a Fifteen Million Dollar (\$15,000,000) revolving line of credit for a two (2) year term at a floating interest rate of KeyBank Prime Rate or based on LIBOR plus 2.75 percent as set forth in the Commitment Letter, and providing for a security interest in WVA assessment receivables;*

*RESOLVED FURTHER: that each of President Brian Ancell and Secretary/ Treasurer Dennis Kirkpatrick, as a sole signatory, are authorized and directed to execute and deliver on behalf of the corporation, with the advice of counsel, the Commitment Letter, a loan/ credit and security agreement, promissory note, and any other necessary documents, and to take or cause all other actions necessary and appropriate to be taken by the officers of the corporation to effect the action approved by this resolution.*

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To delegate KidsVax<sup>®</sup> to make the appropriate interest rate choice and to review the decision with the treasurer.

#### Approval of Assessment Level Increase

Mr. Smith, KidsVax<sup>®</sup> financial analyst, prepared a sensitivity analysis to demonstrate the impact of different rates of CDC assessments. This analysis was reviewed in detail and extensive discussion ensued. Mr. Potter indicated that TRICARE recoveries have not been factored into the analysis. Ms. Lane reported that the Operations Committee held a special meeting and understood that the decision for them was not about the actual increase, but the timing, and supported implementing on December 1, 2013. They asked for communication after this meeting so they could start updating their systems even earlier than December 1. Suggestions were also made for a communication that will give 60-day notice to providers prior to implementation.

**Upon motion duly made and seconded, it was unanimously**

**VOTED:** To increase current vaccine assessment levels 110% of the current CDC price to the State of Washington for each vaccine and make such increase effective for all vaccines administered on or after 12/1/2013.

Ms. Bardi updated the Board regarding CDC discussions. Initially the federal CDC came back with the prepayment issues, as well as the issue of segregating inventory and the related accountability issues. Through various means of discussion, including Secretary Wiesman's engaging in direct conversation with leadership at CDC, he explained to them the challenges and the need to segregate those two issues. The CDC ultimately adjusted the timeline for those changes to February 1, 2014, but they also told the Washington CDC that they may not need to make those changes if they meet certain requirements. The state CDC will need to submit a proposal for how they will meet the requirements without having to implement the inventory changes. If the proposal is approved, Ms. Bardi believes it will likely go no further to providers than what has been experienced so far.

### Annual Review of Investment Performance

Ms. Sidwell from Morgan Stanley reviewed the WVA investment performance through August 31, 2013. The fund started with \$21 million in February 2012, and Morgan Stanley invested that within about a three-year timeframe, very conservatively tailored, and looking to align with what the anticipated outflow would be. However, recent changes required that it be drawn down fully. The report shows that for the 18 months that the investments were held, they were up about 0.6%. There are no gaps and nothing that they would change.

Ms. Sidwell updated the Board regarding the Federal Reserve. Fixed income, cash, and short-term is flat to down very modestly, but the broad fixed income market is down 2% so far this year. Ms. Sidwell discussed the Portfolio Line Account (PLA). There are steps in place had there been assets there to execute this as a second backup in addition to the line of credit at KeyBank. When the time comes that assets are in the Morgan Stanley account, their terms are LIBOR rate which is about 0.18%, plus 1.75%, so a percent less than what's at KeyBank, but different terms because WVA can borrow from Morgan Stanley with assets that are actually secured in place. KidsVax<sup>®</sup> recommended it, and Mr. Kirkpatrick has approved it. Mr. Potter indicated that it allows WVA to get cash without having to prematurely liquidate assets.

### Follow up on Pending Matters

Mr. Potter provided a brief overview of the Communications RFP. Responses to the RFP are due at the end of September and all of the firms contacted have indicated that they will be quoting for WVA. Mr. Potter welcomed Board members to participate in the interview process and requested that the Board authorize KidsVax<sup>®</sup> to engage two finalists to complete sample communication plans. It may cost \$1,000-2,000 more than the budgeted annual expense, but it would ensure that the Board ultimately hires the best firm. Ms. Lane indicated that she has spoken with the Department of Health about participating in the process as well.

### TRICARE Executive Session

Perkins Coie considered whether to undertake the TRICARE matter and has declined in light of various firm policies concerning contingent fee engagements. Further discussion ensued.

Attorneys Kemper and O'Ban with Ellis, Li & McKinstry gave a brief introduction and presented a proposal to the Board for legal services with respect to the TRICARE litigation matter. Lengthy discussion ensued. Due to time constraints and a desire to allow more time for voluntary TRICARE compliance, a vote was not taken at this time. It was the sense of the Board that if after October 1 the TRICARE matter is not resolved and payments have not been made or are not expected, Mr. Potter will schedule a follow-up Board teleconference and consider pursuing further enforcement action at that time.

There being no further business, the meeting was adjourned at 4:00 p.m.