

1 STATE OF NEVADA

2 OFFICE OF THE STATE TREASURER

3 BOARD OF TRUSTEES - COLLEGE SAVINGS PLANS

4 WEDNESDAY, FEBRUARY 27, 2019

5
6 CHAIRMAN: Good morning everybody. I'd like to call
7 to order the meeting of the Board of Trustees of the College
8 Savings Plan, to order. Can I ask Beth to please call the
9 roll?

10 YEATTES: Member Klinger is excused. Member Seale.

11 SEALE: Here.

12 YEATTES: Member Martin.

13 MARTIN: Here.

14 YEATTES: Member Greenameyer.

15 GREENAMEYER: Here.

16 YEATTES: Chairman Haag.

17 CHAIRMAN: I'm here. And, Madam Secretary, do we
18 have a quorum?

19 YEATTES: Yes, we do.

20 CHAIRMAN: And, was the meeting properly noticed?

21 YEATTES: Yes, it was noticed both in Las Vegas and
22 in Carson City.

23 CHAIRMAN: Great, thank you very much. So, before I
24 go on to public comment, I'd like to welcome Ms. Greenameyer
25 to the College Savings Board. She comes to us from the

1 Governor's Finance Office and we're excited to have your
2 participation in this Board.

3 I'd also like to take the opportunity to welcome
4 Treasurer Conine, to the Board. Very happy to have your
5 leadership here with us, sir, and I know this body is very
6 excited to work with you.

7 With that, I'll go to Public Comment here in Carson City.
8 Do we have anybody who wishes to make a comment? Seeing none.
9 Do we have any public comment in Las Vegas? I don't see
10 anybody down there. How about on the phone? Oh, go ahead.

11 CONINE: I just--this is Treasurer Conine for the
12 record. Just wanted to thank everyone for being here today.
13 You know, as we--one of the main reasons why I ran for this
14 Office is because of the work that is done in College Savings
15 here in Nevada, that's been done for over a group of
16 Treasurer's. I'm really interested in taking an active role
17 in the Board. I think it's a very important Board, given the
18 work that you all do. I'm very happy to be here. Thank you
19 all for your service. I know this takes away from lives and
20 everything else, so thank you for being here. Thanks for
21 having me.

22 CHAIRMAN: Thank you for that. Do we have any public
23 comment over the phone? All right. Hearing none.

24 We'll go on to the Consent Agenda. Do any members wish
25 to pull an item from the Consent Agenda for further

1 discussion?

2 SEALE: I'd like to pull Item No. 3, please.

3 CHAIRMAN: Member Seale has asked for further
4 discussion on Item No. 3 which is the Board review and
5 approval of the Fiscal Year 2018 Annual Audit of the Nevada
6 Prepaid Tuition Program by ID Bailey. Do we have somebody,
7 over the phone, to speak to this agenda item?

8 SPEAKER: Dan, are you there?

9 SEALE: So, can we put this off until towards the
10 end—let's go ahead and vote on the other ones, I guess, huh?

11 CHAIRMAN: Yeah, that was going to be my
12 recommendation as well. Maybe we can hold this until later in
13 the meeting. So, can I have a motion to approve Agenda Item 2
14 and 4 on the Consent Agenda and we'll hold No. 3 for later in
15 our meeting.

16 MARTIN: Motion to approve Items 2 and 4 on the
17 Consent Agenda.

18 SEALE: I'll second that motion. Bob Seale.

19 CHAIRMAN: So, I have a first from Member Martin and
20 a second from Member Seale. Any discussion on the item?
21 Hearing none, all in favor, please say aye. [ayes around]
22 Any motion—or, any opposed? With that, the motion is
23 unanimous.

24 We will go on to Agenda Item No. 5 which is on the
25 Discussion Agenda. Board review and approval of the following

1 investment change in the Vanguard 529 Plan. This is the
2 merger of the Morgan Growth Fund and the US Growth Fund into a
3 new fund to be named the Vanguard US Growth Fund. Please go
4 ahead sir.

5 WHITE: All right. Eric White for the record with
6 PCA. So, Vanguard reached out to us with a proposed merger of
7 two of their funds. They have two overlapping funds that are
8 both what we would term a fund of funds. So, they do not have
9 a portfolio manager that is buying individual securities.
10 Instead, they invest in different mutual funds, sub-advised
11 portfolios, in actuality.

12 Essentially, Vanguard has two large cap growth funds that
13 are very similar in terms of their holdings, their underlying
14 managers and their characteristics. So, essentially they have
15 overlap in their product line up and because of that, they
16 want to essentially create more efficiency, reduce that
17 redundancy in their product lineup.

18 So, they are in the process of merging two of their
19 funds. One of those funds is held within the program which is
20 the Morgan Growth Fund. If you actually turn to Page 2 of our
21 memo, which I believe is on Page 76 of the PDF. What you'll
22 see is the two Vanguard Funds up at the top. The Morgan
23 Growth Fund which is the one the plan is currently invested in
24 and then the US Growth Fund. Those two will be merging
25 together. Of the subadvisors, you'll see that the Morgan

1 Growth Fund had four subadvisors whereas the US Growth Fund
2 had five. The new fund will have five subadvisors.

3 Two of the subadvisors will be removed. One of the
4 subadvisors for the Morgan Growth Fund and one of the
5 subadvisors for the US Growth Fund. You will also see that
6 there is a reweighting of the individual subadvisors within
7 the portfolio.

8 The other thing I would note is that, within Wellington,
9 both of them have Wellington as subadvisors. The largest
10 subadvisor actually for each of them. Those are actually
11 separate mandates, historically, up until the end of December
12 2018, the Wellington, within the Morgan had one portfolio
13 manager and then the Wellington within the US Growth Fund had
14 a different portfolio manager. At the end of 2018, the
15 manager that was in charge of the sub-portfolio for the US
16 Growth Fund became the subadvisor or the lead portfolio
17 manager for the Morgan Growth Fund as well.

18 So, that's just one little kind of caveat there. Based
19 on looking at the subadvisors, we predict that the fund
20 overall will have a slightly higher growth orientation. So,
21 very technical term, it's going to be "growthier". One way to
22 think about that is, if you think about the spectrum of value,
23 core and then growth on this side, it's farther on the growth
24 spectrum, or it should be. That being said, it's still
25 providing the exposure that participants want out of this

1 fund, which is, you know, broad based growth exposure.

2 So, we think the combined fund will be a very solid
3 choice for participants. We don't really see any issues with
4 that. There is the potential that it will be slightly more
5 volatile. So, as you get farther down on the growthier
6 spectrum, there's likely going to be more volatility and you
7 have seen that through some of the subadvisors that will now
8 have larger weights. They do tend to exhibit higher
9 volatility in their strategies.

10 All that told though, we think this change is probably
11 for the positive. There's no apparent drawbacks. It probably
12 gives a slightly even purer exposure for participants. So, we
13 don't really see any issue. That being said, this is kind of
14 a major change, so we will be recommending the fund be placed
15 on watched, just so we can kind of do additional due diligence
16 and watch it closer with time.

17 CHAIRMAN: Thank you for that. Do we have any
18 questions from Board Members? Go ahead Mr. Martin.

19 SEALE: Yes. I do have a--this is Bob Seale. Is
20 there any cost to us, from this merger?

21 WHITE: Not that I'm aware of.

22 SEALE: Okay, thanks.

23 MARTIN: Okay, looking at the--Andrew Martin for the
24 record. Looking at these two funds, both of which I'm
25 familiar with, are either of them currently on our watch list?

1 WHITE: No.

2 MARTIN: Okay. And, what are the comparisons
3 between their performances? I mean, I know you may not know
4 that off the top of your head, but maybe you do.

5 WHITE: Let me see if we have it in here. We have
6 characteristics, but no, it does not have the performance.
7 Over time, they've been very comparable. The US Growth Fund—
8 they're investment styles are so comparable that they have
9 very long-term track records that are similar. They tend to
10 produce different returns, during different time periods, that
11 are slightly different. Just based on their subadvisors.

12 That's information we could get for you. We're trying to
13 avoid that comparison because we don't want to focus on the
14 two legacy funds because they're kind of basically going away.
15 It's not like the assets are just merging from one to the
16 other. It is a—it's going to be a new fund completely. It
17 has a different subadvisor lineup and will have different
18 characteristics based on that.

19 MARTIN: Okay. I just wanted to make sure we're
20 not creating one big watch fund and I appreciate your
21 clarification. I like the fact that it's US Growth. You
22 know, I've been an outspoken critic of holding foreign assets
23 given the taxation effects. I realize there are rates of
24 return that need to compare but still, I'm very happy to see
25 this. Thank you.

1 CHAIRMAN: Any other questions from Board Members.

2 Seeing none, do I have a motion for Agenda Item No. 6?

3 SEALE: This is Bob Seale, I'll move approval.

4 GREENAMEYER: Second approve.

5 CHAIRMAN: All right. So, we have a first from
6 Member Seale and a second from Member Greenameyer. Do we have
7 any discussion on the motion? Hearing none, all those in
8 favor say aye. [ayes around] Any opposed? The motion passes
9 unanimously.

10 With that, we'll move on to Agenda Item—well, actually
11 before I do, Tara, have we been able to get in touch with
12 anybody for Agenda Item No. 3, or should we put that a little
13 further?

14 HAGAN: Thanks Mr. Chair, Tara Hagan for the
15 record. No, we're still working on the conference line, so
16 I'll let you know. Thank you.

17 CHAIRMAN: Okay, great. So, we'll move on to Agenda
18 Item No. 6 which is the Board to receive a presentation from
19 USAA and Victory Capital regarding the impending acquisition
20 of USAA Asset Management Company, including the USAA 529 Plan
21 by Victory Capital Holdings, Inc. Please go ahead when you're
22 ready.

23 ENGLEHARDT: Good morning, my name is Brooks Englehardt
24 and I have the privilege of being the President of USAA's
25 Investment Management Company. On behalf of both the team

1 from USAA and from Victory Capital Management, I first of all
2 wanted to say thank you all so much for your time and for your
3 partnership over the many years that we've had an opportunity
4 to work together on the Nevada USAA 529 College Savings
5 Program.

6 I wanted to first of all just introduce our team and I'm
7 going to talk very slowly because we have one individual who
8 is actually--was planning on dialing in, so I'm hopeful that
9 the technology will catch up with my introduction here at some
10 point in time.

11 The most important part or member of our team as far as
12 this relationship is concerned is on my right, Salma Meraz,
13 has been a USAA employee for eight years and has been
14 responsible for the relationship with our partners both from
15 the State as well the Board, as well with a census now for two
16 and a half years. Salma started at USAA as a Member Service
17 Representative, so when you called USAA for any of your needs,
18 there was folks like Salma that would've been there and they
19 really are our first line of defense and great representatives
20 of all that means to be a USAA member.

21 As I said, Salma has responsibility both for the
22 responsibility of the outward relationship but she also serves
23 as a front door to all the resources of USAA that are put to
24 bear as far as this important relationship, this partnership
25 is concerned.

1 Wasif Latif has been with USAA for 13 years now. Wasif
2 is in our Portfolio Management area. So, while Salma's
3 responsibility is on the relationship side, Wasif takes
4 responsibility for the investment, the portfolio management
5 side of the relationship of this account.

6 We've also got with us as well, Mannick Dhillon. Mannick
7 is actually from Victory Capital Management. As the Board is
8 aware, one of our objectives here today is to further educate
9 on the proposed transaction between USAA's Asset Management
10 Company and Victory Capital Management.

11 So, Mannick's responsibility is as President of Victory's
12 Solutions Group and Victory Shares. So, the product
13 management of which the 529 Program will be one of our core
14 products will fall under his responsibility in our target
15 organization as well.

16 To the extent that we have anybody on the phone who is
17 able to me, we were planning on bringing in Michael Merwath
18 [phonetic], who is our Executive Vice President at USAA.
19 Michael is actually in San Antonio, where we're headquartered
20 today. Michael's responsibility is as Head of Strategy and as
21 well as Head of Marketing for USAA. So, the strategic
22 imperative of this partnership between USAA and between
23 Victory Capital Management was something he was a key
24 contributor to. So, we were hoping that he could join us. If
25 not, we'll move forward.

1 Okay. As far as our deck today, we did put a
2 presentation in place, I'm hoping that everybody has had an
3 opportunity to at least see that. You'll see that our very
4 first slide in our presentation, Slide 2 is the USAA Mission
5 Statement. That's very deliberate.

6 At USAA we are first and foremost a mission driven
7 company.

8 CHAIRMAN: If I could, my apologies for interrupting
9 you. So, it doesn't appear that all the Members have a copy
10 of the presentation. Is it possible for us to get them a
11 copy? I thought maybe it would be available electronically,
12 but—

13 ENGLEHARDT: Was it not in the 202 pages that—

14 CHAIRMAN: No, it's not.

15 ENGLEHARDT: So, we needed—I thought we were getting
16 away easy this time with not 400 pages, but—

17 [audio silence]

18 CHAIRMAN: Just, I think for the sake of time, as
19 Tara goes and gets that sir, if you could maybe just continue
20 through with your presentation and we'll get those copies when
21 available. Tiffany, do you have—you have a copy, okay, great.
22 You're good, okay. Oh, there we go.

23 ENGLEHARDT: Excellent. Well, thank you for snuggling
24 and for your patience here. As I mentioned, first and
25 foremost, USAA is a mission driven company. The mission of

1 the Association is to facilitate the financial security of our
2 members and their families through a provision of a full range
3 of highly competitive financial products and services. In
4 doing so, USAA seeks to be the provider of choice for the
5 military community.

6 We've also included our USAA standards. If our mission
7 statement is our north star and what we aspire to do, our USAA
8 standard really provides the guardrails as to the how. It
9 performs our culture statement. There's a couple of things
10 that I would really call out both between the mission
11 statement, as well as the USAA standard that directly pertain
12 to the 529 College Savings Program.

13 First and foremost from a mission standpoint, again, our
14 responsibility is to provide a full range of highly
15 competitive financial products and services and clearly, a 529
16 College Savings Plan would qualify within that full range.

17 Then as it relates to the USAA Standard, we stand, first
18 and foremost, on our core values. So, Service, Loyalty,
19 Honesty and Integrity will sound familiar to all of you in
20 public service. Those are really the foundational to how we
21 proceed and we engage with our members on a going forward
22 basis.

23 SPEAKER: Pardon me just one moment. We have a
24 technical need to just stop for a moment while they conference
25 line-

1 CHAIRMAN: We can do that.

2 [audio silence]

3 [teleconference set-up]

4 ENGLEHARDT: Michael, can you hear us now?

5 MERWATH: I'm on the line. Thank you.

6 ENGLEHARDT: Excellent. So, again, Michael Merwath is
7 in San Antonio. Our Executive Vice President. Michael,
8 thanks so much for your patience. We're on Page 2. We were
9 just connecting the mission and the USAA standard back to the
10 529 Program, specifically and talking about both the highly
11 competitive products and services and also from a standards
12 standpoint, the importance of innovation.

13 As we talk about kind of the "why" of the Victory Capital
14 Management transaction, you'll see that it has a lot to do
15 with our—our aspiring to continue to be innovative and to
16 continue to get stronger in terms of this program.

17 Just from a grounding standpoint, I felt it was important
18 to set the agenda on Page 3. You'll see we've got an
19 Executive Summary of exactly what it is that we're trying to
20 accomplish here today.

21 As I mentioned in our kickoff, on November 6th, Victory
22 Capital Management did announce its intent to acquire USAA's
23 Asset Management company at the end of Q2. As of right now,
24 that transaction still is on track for end of Q2. I would say
25 we could take ourselves into Q3, but we do anticipate within

1 that timeframe is when we'll actually close the sale of this
2 transaction.

3 As part of that transaction, of course and as it relates
4 to this Board specifically, what we're asking is really three
5 things. One is the confirmation of the sale, of AMCO to
6 Victory Capital, as it relates to the College Savings Plan.

7 Secondly, confirming that after the sale, that AMCO's
8 multi-asset team and as I mentioned, that's really Wasif's
9 area of opportunity here, responsibility rather and as well as
10 Mannick's. And will be continued to be responsible for
11 determining those model allocations and managing the
12 underlying mutual funds that are core to the program from an
13 investment perspective.

14 Lastly, as it relates to the assignment of
15 responsibilities, from a distribution standpoint, from some of
16 our distribution partners at USAA. So, that's really the ask
17 of this presentation.

18 In terms of how we'll accomplish that, we're going to
19 start off again, with a grounding. I know we have a number of
20 folks who are new to the USAA name and to that relationship,
21 so we'll start off with an understanding of the association
22 first and foremost. Then we'll turn it over to Michael to
23 talk about kind of the strategic imperative as to why we
24 engaged in this transaction and kind of what was the rationale
25 to begin with. As well as, why Victory Capital Management,

1 amongst all the different firms that were out there, that we
2 could have partnered with, why were we confident that Victory
3 was the right firm. We'll actually close with an introduction
4 to Victory and we'll let Mannick take us through that as well.

5 So, as I said, USAA—I'm on Page 4 now of the
6 presentation. USAA is a—first and foremost—a mission driven
7 company. We were founded in 1922 by 25 US Army Officers who
8 knew even 100 years ago that knowing that being in the
9 military had some certain aspects of it that really required a
10 very focused service level and required a certain set of
11 products and services that were uniquely built and maintained
12 for the military community.

13 So, over time, what hasn't wavered in the growth of the
14 association is that commitment to that same core vocation and
15 that same military community. As you can see, over time we
16 have diversified our company. So, going from what was a
17 property and casualty company to now a full service financial
18 services company with life insurance capabilities, obviously
19 investment company capabilities, real estate and then more
20 recently, our bank.

21 From a member perspective, we actually—while this is a
22 presentation that's somewhat dated in terms of its timing, we
23 actually ended 2018 with close to 13 million members now
24 within the Association. One of the questions that we're
25 often asked is, given that extraordinary growth, are there

1 still opportunities to grow further? In fact, the answer is
2 yes. If you look at all of the folks who would be eligible
3 for USAA membership today, so anyone who has ever served, as
4 well as their immediate family member, that pool is actually
5 60 million members.

6 So, while we're proud of the growth that we've
7 experienced to get to 13 million, there's still plenty of
8 upside, plenty of other members out there who we would love to
9 find a way to do business with them. Both on a broader USAA
10 contact as well as through the 529 Program.

11 I'll pause there to see if there's any questions
12 regarding USAA from an Association standpoint before turning
13 it over to Salma to talk about the Program itself?

14 CHAIRMAN: Any questions from Board Members? Please
15 proceed.

16 MERAZ: This is Salma Meraz from USAA for the
17 record. So, starting on Slide 5, the Plan, the USAA 529 Plan
18 was established in 2002 and today, through the end of January,
19 we have over \$3.7 billion in assets, serving over 293,000
20 members.

21 What we've experienced is consistent growth year over
22 year. From last year to this year, we've seen a growth of 3%
23 in the assets under management and from the account
24 perspective, an increase of 5% in overall accounts. For the
25 State of Nevada, specifically, we have over 3,000 accounts and

1 that's continued to grow. Last year we saw an increase of 6%
2 from 2017 to 2018 in the overall Nevada accounts.

3 What we proudly celebrate within the 529 Plan is the
4 participation of our members and actually consistently
5 contributing to the Plan. So, of all the plans that we have,
6 about 59% of those plans actively contribute on a month-to-
7 month basis to their USAA 529 Plan. The minimum there, that's
8 required to be contributed is \$50. So, we're definitely
9 seeing that there is a desire to continue to contribute to the
10 USAA 529 Plan.

11 From our overall investment option standpoint, we have
12 two options available for members. The first being a fixed
13 allocation, or an age-based allocation. So, member lets us
14 know what their child or the beneficiary age is and we
15 recommend a portfolio based on that age that of course becomes
16 progressively more conservative as they get closer to college.

17 Then we also have 10 fixed allocation portfolios that the
18 member is also allowed to contribute to and they can actually
19 do a mix of any of them. What we do see is, most members,
20 two-thirds to be exact, of our members actually go through the
21 age-based option so they select the age-based portfolio and
22 kind of let USAA continue to handle the investments from
23 there.

24 Specifically to the State of Nevada as well, we do offer
25 a distinguished valor matching grant. Very specific in

1 regards to, you have to be a Nevada resident. You do have to
2 have either served and be a purple heart recipient or be
3 active duty military to be able to participate in this grant
4 which actually matches \$300 per year for five years within the
5 account.

6 Last year we saw—we've been on the sixth year of this
7 grant. Last year we saw over \$37,000 in funds matched. This
8 year, because we did reach a lot of those folks hitting their
9 five year anniversary, so they fell off; our match program did
10 decline slightly to \$26,000, but we're hoping that we will
11 continue to see an increase in participation moving forward.

12 Now, I'm actually going to pass it to Michael Merwath who
13 is on the phone, he's going to talk a little bit more about
14 the overall strategy between Victory Capital and USAA.

15 MERWATH: Yeah, thank you very much. Good afternoon
16 everyone. This is Michael Merwath. I lead Strategy for USAA
17 as an enterprise. I'm sure you're aware that USAA is an
18 integrated financial services company that includes a large
19 property and casualty insurance company; fairly large consumer
20 retail bank operations; a life insurance company and of
21 course, or investment management company.

22 The financial services industry, just like every other
23 industry is being disrupted in pretty significant ways.
24 Multiple fronts at an increasing pace. So, we're looking at
25 situations where all of those lines business that I just

1 talked about where we're seeing companies with scale who are
2 bringing sort of increased margin compression into the
3 environment making it pretty challenging to compete on price.

4 We're also seeing, our members preferences are continuing
5 to shift from phone to digital, from active to passive
6 investments. All of that of course is driving a tremendous
7 amount of digitization of business from end to end. Which is
8 also creating an opportunity for new disruptive competitors to
9 come in and change the game up in ways. Especially for some
10 of the larger established financial institutions like USAA.
11 They're moving pretty quick.

12 And then, at the end of the day, we're also looking at
13 increased regulation that's driving a lot of cost and
14 complexity. So, that's happening in all of our lines of
15 business and you know, we've really concluded that
16 strategically, some of these business models that have served
17 us so well in an environment that wasn't changing quite so
18 rapidly now really need to be reevaluated in order for us to
19 continue to stay competitive, to continue to fulfill our
20 mission, to serve these military families.

21 I would say that historically, USAA had a build it
22 ourselves mentality to fulfilling our mission, but over the
23 last few years because of all of the things I just described
24 our CEO and our Senior Executive Team have been very
25 consistent in challenging that traditional mindset, realizing

1 that status quo really isn't going to cut it in this
2 environment.

3 So, strategically, we've come to the conclusion that a
4 lot of these business models that have served us so well are
5 going to need to evolve to stay relevant. We believe that
6 strategic partnerships will become increasingly important for
7 us in order to deliver member value, through best-in-class
8 advice, investment banking and insurance solutions.

9 I'll say this though, we don't enter into strategic
10 partnerships lightly. Our members trust is the most important
11 asset that we have, we say that a lot at USAA. You won't see
12 it on a balance sheet, but it's certainly the most precious
13 asset that this company has earned for nearly 100 years.

14 We hold all of our partners to the same high standards
15 that we hold ourselves and would only enter into a
16 relationship where we have confidence that that partner can
17 live up to those expectations.

18 So, there's kind of a litany of criteria that we will
19 work through when vetting a partner for a strategic
20 partnership. First, the partner has a strong brand and a
21 strong reputation because typically, we're looking to develop
22 and a deploy a co-branded experience for our members. So, to
23 pull at the USAA brand, up to another company's brand, they
24 would need to match our standards in terms of our own brand
25 and reputation.

1 We're also looking for relationships where our members
2 will get as good or better service in terms of the experience
3 they have with that partnership, as they would receive from
4 USAA. As you know, one of our great competitive advantages is
5 the way we serve our members and that reputation for service
6 excellence is what makes USAA special, so we definitely
7 wouldn't compromise on that.

8 We're also though looking at this from a competitiveness
9 angle. Will the partner allow us to be highly competitive.
10 When you say that, it's as good or often better pricing and
11 fees. In the case of investments, you know, as good or better
12 investment performance. Then just the depth of the offerings
13 that they would provide to our members.

14 Last but not least, USAA has a strong and unique culture,
15 so we certainly would be looking for a culture match with
16 anyone who we would strategically partner with. So, this is
17 the idea of a member first mindset, shared military values and
18 a strong culture of compliance. These are all things that
19 matter a lot to us.

20 So, I would also add that we've had some successful
21 experience with these kinds of partnerships in our P&C
22 business. For example, we have members who have special
23 insurance needs around-maybe it's a high-value home or a boat,
24 or a motorcycle insurance. We've found that there are other
25 providers who can meet our high standards and actually deliver

1 more value for those particular products. So it was very
2 consistent with our mission to develop strategic partnerships
3 with other companies that then we can help co-brand and serve
4 our members with.

5 We think it's a similar situation here with this part of
6 our investment business. So, after a lengthy due diligence
7 process that was closely overseen by the USAA Board of
8 Directors, we did conclude that Victory Capital could deliver
9 on all those fronts that I just described. Brooks is going to
10 provide a little bit more insight into the specifics of
11 Victory Capital and why we chose them.

12 I'll just step back and from an enterprise perspective
13 and a strategic perspective to say, at the end of the day,
14 this course of action was motivated first and foremost because
15 it benefits our members and we think we can deliver more value
16 to them. So, that's sort of the strategy in a nutshell.

17 CHAIRMAN: Thank you sir, for that, if I could ask
18 you to pause, we have a question from Member Martin.

19 MARTIN: Thank you, Mr. Chair. Okay. I just want—
20 I need some clarification on USAA and where it might be going
21 with Victory. Is the prohibition of non-military people who
22 try to sign up for an account still in effect? So, I know
23 that you get a bank account if you're—and, by the way, I'm
24 able to get one—not wanting to get into those reasons, but
25 that's not why I'm asking.

1 Is there a prohibition for let's say John Q. Public or
2 Jane Q. Public to be fair, if they want to sign up for a 529
3 Plan through USAA, can they do it if they have no military
4 connection?

5 MERWATH: Yes, they can. So, this is going to be
6 available to all. We will continue to stay focused on
7 members, but we will serve you.

8 MARTIN: To follow up, thank you. What are the
9 prohibitions? Is it just a bank account? Is it life
10 insurance? Car insurance? I'm trying to figure out the
11 public access nature of it.

12 MERWATH: Yeah, it's primarily our property and
13 casualty business is where the eligibility restrictions are
14 kind of written into the bylaws of the company. There's more
15 flexibility in the other parts of our business.

16 MARTIN: Okay. So, the general public can—for the
17 record, the general public coming in and wanting to sign up
18 for a 529 Plan and say, I want to use USAA for part or all of
19 my investment, they can do it.

20 MERWATH: Yes. Correct.

21 MARTIN: Thank you.

22 MERWATH: You're welcome.

23 ENGLEHARDT: So, this is Brooks Englehardt again, for
24 the record, from USAA. So, yes, we should've been more clear
25 upfront with that, in terms of the general public is eligible

1 today to invest through the USAA 529 Program with the State of
2 Nevada and they will continue to be through this transition
3 going forward as well.

4 MARTIN: But do they know it, is the question.
5 Because obviously if I brought up the question as being
6 financially sophisticated and involved with people who have
7 plenty of experience with USAA, I was unaware of that. I
8 appreciate the clarification, but maybe we want to make sure
9 that the potential 529 Plan people—it's good marketing for
10 you, are aware that you're an open fund in that situation.
11 And, I'm assuming, Victory will continue that openness.

12 MERWATH: Correct.

13 MARTIN: If I'm wrong, let me know. Thank you.

14 MERAZ: So, just to add to that, this is Salma
15 Meraz from USAA. So, 98% of the 529 Accounts today are USAA
16 Members, 2% are what we call, not eligible for P&C for the
17 property and casualty. So, we do have a great opportunity to
18 continue to market outside of just USAA members, but we've
19 been focusing on USAA members for the time being.

20 DHILLON: This is Mannick Dhillon from Victory
21 Capital. To add to that, our intent is, from a product
22 perspective, from an investment performance perspective, from
23 a fee competitive perspective, to have it standalone and be an
24 option that anyone would want to choose and select outside of
25 just being a member.

1 To the specific question, our intent is to keep that
2 availability open. And furthermore, educate the market that
3 it is available.

4 ENGLEHARDT: This is Brooks Englehardt again with USAA.
5 I'll keep us moving, on Page 7 of the presentation, as Michael
6 Merwath just set up, the strategic imperative for the
7 partnership on Page 7, we've documented the more specifics as
8 to why Victory Capital Management. As Michael eluded, we did
9 go through a very thorough due diligence process, as you can
10 imagine, when USAA decides to partner with somebody, there are
11 a lot of firms out there that would love to associate with
12 this brand and do business with this member base.

13 So, we were very fortunate in that there were a number of
14 very significant investment folks out there who wanted to do
15 business with us. We went through a due diligence process in
16 combination with our investment bankers and with our outside
17 counsel and narrowed down to a very short list. It became
18 very clear to those of us who were on the team, and I was
19 fortunate to be a member of that small group along with Wasif,
20 that Victory was the right fit for us.

21 I would boil it down to, we've given you a number of
22 reasons on Page 7 to really three things that stuck out with
23 me personally. The first of those was the cultural alignment
24 that Michael had mentioned and the fact that Victory does have
25 a long history of putting clients first. Coming out of a

1 banking environment, they had a culture of compliance as well,
2 that again, really set well with us when we were considering
3 future investment partners.

4 Secondly, was their unique business model. I'll let
5 Wasif and Mannick talk a little bit more about that.
6 Essentially, what that enabled us to do is feel much more
7 comfortable that many, in fact, most of the investment
8 professionals and the service professionals that are working
9 with the plan today as USAA employees, will transition over to
10 Victory Capital Management as part of this transition. And in
11 fact, both Wasif, Salma and myself, all three of us who
12 combined have over 20 years of service to this particular plan
13 and program have all been offered opportunities to join the
14 Victory team and we've all accepted those opportunities. So,
15 we truly look forward to that continuity in this partnership
16 on a going forward basis.

17 The last thing that really appealed to us about Victory
18 had to do with its commitment to the membership and to the
19 members themselves. There's a few examples of that but I
20 would highlight the fact that one, Victory has announced,
21 subsequent that they're going to relocate their headquarters
22 to San Antonio, to be a great steward of the community,
23 similar to how USAA is today in San Antonio. So, we look
24 forward to that combination. As well as the fact that they've
25 announced the establishment of a program where they'll

1 actually be contributing, similar to the matching grant
2 program that Salma referenced earlier, they'll actually be
3 contributing on behalf of the Military Literacy efforts. So,
4 they've announced \$1 million commitment and an ongoing
5 commitment as well. That's something that we look forward to
6 spending more time with both the State and a census in terms
7 of building out that program and thinking about how that
8 commitment could also benefit the residence of Nevada, as
9 well.

10 A lot of reasons to be excited about Victory Capital.
11 I'll now turn it over to Salma to get into the next level of
12 detail regarding the impacts and the transition timeline.

13 MERAZ: So, Salma Meraz from USAA for the record.
14 So, one of the primary items that we mentioned at the
15 beginning of the executive summary was that we are looking for
16 the Board to approve an assignment of the current contract
17 between USAA and a census over to Victory Capital.

18 As Brooks previously mentioned, Victory or AMCO, under
19 Wasif Latif will continue their responsibilities of the
20 portfolio management. They have done that currently for over
21 eight years. So, he will continue to do that at Victory
22 Capital as well.

23 One of the questions that I know we've been trying to
24 address with Tara through various calls is in regards to what-
25 how does this impact our USAA members in regards to a

1 transition service agreement and a transitional trademark
2 licensing agreement that has been mentioned multiple times.

3 So, the first, I'll take a stab at the transition service
4 agreement. That is in place for 18 months between USAA and
5 Victory Capital with the intent to potentially extend longer
6 term if necessary. What that means to our membership is that
7 today, they go to USAA.com, they see their USAA 529 Account.
8 They will continue to see their USAA 529 Account after close.

9 If a member is interested in learning more about the USAA
10 529, they will have that storefront, like they do today, on
11 USAA.com. They'll be acquisition process on USAA.com. Again,
12 through--then transitioned over to a census to complete that
13 acquisition process.

14 So, we're trying to disrupt--we are not trying to disrupt
15 sorry, any of the experience that the member currently has
16 today. The biggest disruption will be for those who like to
17 read disclosures, because we will be just changing the
18 disclosures to let members know that this is a product offered
19 by Victory Capital, versus USAA.

20 In regards to even keeping from the transitional
21 trademark licensing agreement--the name of the plan will
22 continue to stay the same, USAA 529 College Savings Plan.
23 Victory Capital will be cobranding its marketing. So, as it
24 continues to reach out to members, to try to educate them and
25 to be able to offer them a 529, it will be branded with USAA

1 and with strict guidelines that USAA has provided. With that
2 of course, that agreement lasting three years, with a
3 potential of a 12-month winddown if the agreement were not to
4 be renewed. I know that Brooks and Mannick will continue to
5 reiterate that that is not the intent. That the intent is to
6 continue to renew the transitional trademark licensing
7 agreement, beyond that initial three-year period.

8 CHAIRMAN: So, if I could stop you there for a few
9 questions. Before I jump in, do any members have questions at
10 this point? Treasurer Conine?

11 CONINE: Thank you. Treasurer Conine for the
12 record. What sort of metrics are you going to be looking at
13 when it comes to extending both the licensing agreement and
14 the transitional agreement? I guess, it is hard for me to
15 feel comfortable, it's hard for the State to feel comfortable--
16 and not intending to pick on you ma'am--but, from a--our intent
17 is to potentially extend if necessary is not a definitive
18 statement.

19 So, I think we're trying to get comfortable as to what
20 the metrics would be around that sort of decision and how are
21 we going to know from the period between, you know, when it
22 starts and then whether or not we're trending in a direction
23 of continuing or not.

24 MERAZ: So, one of the things that we currently
25 are using in regards to the servicing agreement is, we will

1 continue to take a look at everything from the funnel
2 perspective. So, how many members are coming into our
3 sessions? How many are actually closing or starting up a USAA
4 529? That will be metrics that we'll continue to measure, as
5 we do today post-close.

6 In regards to the servicing agreements, so the intent
7 there is that it's really to give—that 18-month period is to
8 give time for Victory Capital to build their infrastructure.
9 When I say "infrastructure", I mean databases, so that they
10 can then start storing USAA member information on their
11 databases. The intent would be that even outside of that 18-
12 month period, that USAA will continue to have the USAA 529
13 Plan on that storefront page. Maybe there would need to be—I
14 know Mannick may jump in on this, but that there may be a page
15 where we, you know, inform them that this is a USAA/Victory
16 Capital product and then redirect them, as we do today, over
17 to a census.

18 DHILLON: This is Mannick Dhillon from Victory
19 Capital for the record. So, I think it's important to
20 separate the two agreements. The transition services
21 agreement and the licensing agreement and talk about them
22 separately.

23 The transition services agreement is specifically for the
24 infrastructure that allows us to support the acquisition
25 servicing of the member. So, things like the website, mobile

1 experience, phone, call center, etc. Our goal and USAA's goal
2 was because the intent to not disrupt the service to the
3 members, to allow Victory Capital time to stand up our own
4 infrastructure and processes that in our mind together would
5 be worked on as an enhancement.

6 In the meantime, while that 18-month TSA, transition
7 service agreement exists, it's the same experience that the
8 member has received before. It just allows us time to
9 replicate and enhance all of the technology and plumbing, so
10 to speak, that goes along with servicing the members.

11 So, with all things—with the goal, the hope would be for
12 the TSA not to need to be extended, that we can stand up and
13 set up that infrastructure, a seamless infrastructure for the
14 members before that 18-months is up. That's specific to the
15 TSA.

16 CONINE: Treasurer Conine again. So, post-TSA is
17 the intention for what's currently in the private label
18 product agreement to remain exactly the same, to provide a
19 higher level of service, a lower level of service? I guess,
20 we just want to be very comfortable that your intention for
21 that service level to remain the same or get better.

22 DHILLON: This is Mannick Dhillon from Victory
23 Capital for the record. Our intention is to enhance that
24 service. So, one of the reasons, as Michael and Brooks have
25 talked about, the impetus for the transaction was to make sure

1 that with focus and investment, the service to members around
2 the investment products that they receive can be enhanced.

3 That is our goal and mission as well.

4 So, for us, for this to be successful is, that during the
5 TSA, the member experience is exactly what they've experienced
6 before. Post the TSA, when our infrastructure is in place,
7 they actually come back and say, I actually think this is an
8 enhanced experience for me.

9 CONINE: And, are you assuming that private label
10 product agreement as part of this transaction?

11 DHILLON: Yes, we are.

12 CONINE: So, that's the transition service
13 agreement. Moving back over to the license agreement. What
14 are your intentions there, post this three-year process?

15 DHILLON: Again, this is Mannick Dhillon from
16 Victory Capital for the record. Our intention is to service
17 the members through the actual service they receive digitally
18 through the call centers and through the investment outcomes
19 they face to be able to keep that agreement in place for an
20 extended period of time.

21 Our goal and mission is to not only maintain the service
22 so that USAA feels comfortable with those first three years
23 but feels that we've also contributed to the enhancement of
24 the brand, so we can continue to use it post that three-year
25 agreement. We're going to do that through everything we've

1 talked about in terms of the investment performance, the fee
2 competitiveness of products, the service level they receive
3 through the call centers, their experience through the digital
4 interactions they have with Victory Capital.

5 And, if realistically, if you step back, if this
6 licensing agreement only lasts three years, I'll probably
7 speak for both organizations, we failed at this partnership.
8 It is nobody's intent for this to last in that finite window,
9 but I won't speak to the specifics of why it was set up in
10 that way.

11 ENGLEHARDT: Yeah, this is Brooks Englehardt, for the
12 record with USAA again. I would echo Mannick's comment that
13 if this is a three-year deal, then we have failed miserably.
14 That is certainly not the intent, but however, our Board felt
15 very strongly that given the nature of the USAA brand, and the
16 fact that this is a new partnership for us on the investment
17 side, that we needed to have a three year term in place, an
18 agreement that specified that tenure. We have every intention
19 and expectation that this will continue well, well beyond a
20 three-year time period and we will renegotiate a trademark
21 agreement in advance of that three-year timeframe.

22 CONINE: So, maybe if--Treasurer Conine for the
23 record. Maybe we could go one at a time here. What would be
24 a scenario in which you wouldn't? Which USAA wouldn't want to
25 extend this licensing agreement.

1 ENGLEHARDT: I think it begins, this is Brooks
2 Englehardt again with USAA. I think it begins with the
3 competitiveness. I'll go back to the mission statement which
4 requires us to maintain a competitive product set to the
5 extent that the competitiveness of the product is no longer
6 where it needs to be from a USAA standard perspective. That
7 would be my first flag. And that competitiveness could be
8 through the lens of investment performance or that could be
9 through a servicing arrangement as well.

10 Again, I would echo that it's our every intention and we
11 can share some more specifics as to things that we have been
12 working on that we intend to work on quicker now that we have
13 this partnership in place that would enhance both the service
14 level, the acquisition and servicing experience that members
15 have today with the program, as well as the investment
16 performance.

17 CONINE: And, continuing to walk down that path, if
18 for some reason the service level of the competitiveness did
19 not exist, would USAA be interested in setting up a new 529
20 Plan somewhere else, potentially taking existing members or
21 new members floating in?

22 ENGLEHARDT: So, that would certainly be--this is Brooks
23 Englehardt again. That would certainly be an option for us.
24 It's not one that we would look forward to. Clearly, we would
25 prefer to work with the Victory team to end up in a better

1 place than putting anybody through that type of an experience
2 and the transition. But yes, that would be a possibility for
3 us. Absolutely.

4 CONINE: Thank you. And, on the Victory side, I
5 could understand why, if you're unable to perform,
6 hypothetically, that USAA would want to pull that brand. What
7 are the circumstances where Victory wouldn't want to continue
8 using that brand?

9 DHILLON: This is Mannick Dhillon from Victory
10 Capital for the record. A partnership like this is truly a
11 partnership in our eyes. So, the—we recognize wholeheartedly
12 the value of the brand that the firm, USAA has built since
13 1922. The magnitude of that responsibility is not lost on us.

14 However, as a partnership, we would have similar
15 expectations that that brand maintain the quality, the
16 standards and frankly, what it represents in the marketplace
17 that it does today.

18 CONINE: Treasurer Conine, for the record. Are you
19 comfortable with the long-term financial viability of the
20 licensing agreement? In other words, are you comfortable with
21 what you are paying USAA for the access to the brand and these
22 customers?

23 DHILLON: This is Mannick Dhillon from Victory
24 Capital. We are.

25 CONINE: Thank you. Sorry, this is the prosecutor

1 in me. So, I was watching the hearing this morning, I got all
2 ramped up. So, the—if that's the case, why not have some sort
3 of built in extension in the deal? Right, why not set metrics
4 and quantitative factors so that if everyone's comfortable in
5 three years, we don't have to be nervous for the next 35
6 months.

7 DHILLON: For the record, this is Mannick Dhillon
8 from Victory Capital again. One of the things about brands
9 is, it's very difficult to objectify standards. Service level
10 agreements between, how are interaction with the members is
11 evaluated, how our investment products perform; those are
12 fairly objective where you can measure call center
13 satisfaction. You can measure wait times, hang-ups, etc. You
14 can measure investment performance relative to peers.

15 There are many, however, intangible aspects around
16 whether a brand is being supported well or it's not. And, for
17 us, what we hope to do is view this as a continually
18 renewable agreement and control what we can control.

19 So, for example, there are things that we've already put
20 into place to work towards that. One being the retention of
21 the investment professionals. To retain the culture and the
22 continuity on the investment products and outcomes. Folks
23 like Wasif joining our solutions team to be able to continue
24 to do that specifically for the 529 Plan here.

25 The other being the service representatives that we are

1 bringing into our organization and setting them up in our new
2 headquarters in San Antonio. So, we have that proximity to
3 USAA. We have individuals who have serviced the members
4 today, joining our organization to maintain that continuity of
5 culture and service.

6 So, we're working towards things like that. As far as
7 also during the TSA, looking at building that seamless
8 interaction. So, as far as a member is concerned, they really
9 don't know, except for as Salma mentioned, maybe if they're
10 looking deep in the disclosures that they're now, you know, be
11 serviced by Victory Capital Advisors.

12 CONINE: Treasurer Conine, I appreciate that. I
13 think from a—from the State's perspective, it would make us
14 much more comfortable to have a more clearly defined set of
15 metrics, so to the extent that you could share those with
16 staff, I think that would help us get comfortable. Thank you
17 Chair.

18 CHAIRMAN: Thank you Treasurer Conine. Any other
19 questions? Member Martin?

20 MARTIN: Thank you Mr. Chairman. To pick up and
21 drill down a little bit off of Treasurer Conine's questions.
22 I just want to clarify, who is working for who at this point,
23 or is it whom? I'm not the English major, I'm an accountant.
24 I get the feeling and I'm going to butcher your names—Monique?
25 Mannick, thank you. And, Wasif, I got that one? Okay. Are

1 you currently working for USAA?

2 LATIF: This is Wasif Latif from USAA for the
3 record. I am currently a USAA employee. When this deal
4 closes, my contract or my Victory with begin and USAA will
5 end. My responsibilities and my role as it pertains to the
6 management of the 529 Plan will continue uninterrupted. That
7 will not change. My team that has been in place for several
8 years that has managed this fund together will continue on and
9 that will be ongoing as well.

10 So, from our vantage point, for members and the programs,
11 the clear message is the continuity of the team, the
12 continuity of the process as we currently have in place with
13 greater tools and opportunities that we can use with this
14 merger.

15 MARTIN: And, how about yourself, are you part of
16 Victory Fund, Victory excuse me, or--

17 DHILLON: This is Mannick Dhillon of Victory
18 Capital. So, I'm a Victory Capital employee today and will be
19 post-close as well.

20 MARTIN: Okay. And you two gentlemen are primarily
21 responsible for the 529 plans and the investments that our
22 State entrusts with, I'll say you, USAA/Victory, is that
23 correct?

24 DHILLON: That is correct. This is Mannick Dhillon
25 with Victory Capital. So, the team that manages the current

1 plan, the asset allocation and the investment selection at the
2 underlying manager level will be a part of the solutions
3 business that I oversee.

4 So, together we are responsible for the ongoing
5 investment outcomes of this plan. Overseeing the business and
6 the overall product platform for Victory Capital. I'm also
7 responsible for the growth of the 529 Plan.

8 MARTIN: Okay. I'm trying to drill down into the
9 investment level as well. Very concerned about licenses and
10 experience. Can you articulate what licenses you hold—what
11 security licenses you both hold and your length of tenure.
12 And if you want to comment on other things, it's hard to do on
13 performance I realize, but if you just want to educate us in
14 terms of your background. We're entrusting you with a lot of
15 money, so I just want to make sure that the fund management is
16 not being kicked down to a junior investment advisor who
17 barely knows what a Series 7 is. So, I would appreciate your
18 commentary on that. Thank you.

19 LATIF: This is Wasif Latif from USAA for the
20 record. I have over 20 years of investment experience. My
21 prior employment was at Deutsche Bank in New York for almost a
22 decade doing asset allocation and investment management, as
23 well as doing manager due diligence and manager selection. In
24 programs that were very similar to the mutual fund structure
25 that we have in the 529 Plan today.

1 I started my employment with USAA in 2006, so this coming
2 June, I will be a USAA employee for 13 years. Through that
3 entire period, I have been involved with the investment
4 management activities at USAA. No other job has been part of
5 what I've done. It's been all investment management and it
6 has spanned asset allocation of various portfolios, including
7 the 529 Plan, manager due diligence and selection of
8 investment managers and funds that we select to employ into
9 programs like the 529 Plan and that will continue onwards.

10 I am the head of the team that is responsible for the 529
11 Plan. Everybody else reports to me. That will continue on.
12 I have been managing directly this program since I have been
13 with USAA for 13 years and will continue to do so. There are
14 various members of my team who have helped me and they will
15 continue to help me in that manner. I will be ultimately
16 responsible for the program.

17 MARTIN: Okay, follow-up question, which I did ask,
18 if you can highlight, both of you gentlemen, it would be
19 appreciated if you can do this, your--this should be an easy
20 question, it's not what's going on in Washington, don't worry.
21 The question really is, do you have master's degrees? PhDs?
22 Are you Series 7, Series 24? 66 and any other crazy numbers
23 that might be out there. I'm trying to get to the commitment
24 to the licensure and the ongoing continuing education, which I
25 know is not necessarily a requirement, holding some of those

1 licenses myself, but as a former compliance officer for a
2 small securities company, I'm always interested in hearing
3 about those kind of background things. So, if you can
4 articulate--this is a chance for you to shine, so shine away.
5 Thanks.

6 LATIF: This is Wasif Latif again for the record.
7 In the role my team and I service, we are not required to have
8 Series 7 licenses because we do not talk directly with
9 members. So, I do not have a Series 7 license currently. I
10 have had one in the past, but my current role does not require
11 me to have one as we manage overall mutual funds and programs
12 such as this and do not--are not required to speak with--
13 directly with individual investors. Our advisors, who will
14 continue with us, go over to Victory with us and service our
15 members are absolutely licensed and that is going to continue
16 on as they will be talking directly with members and providing
17 them that advice.

18 I have a bachelor's degree and a master's degree in
19 business and finance. And, as I said earlier, I have over 20
20 years of experience in managing these types of portfolios with
21 varying success, with great success over time. Over full
22 market cycle.

23 Our approach to investment management, our philosophy is
24 one of being ground and focused on the investment
25 fundamentals. The stuff that works over time, such as being

1 focused on quality of investment, such as being focused on the
2 valuation of what you're paying for those investments and
3 those type of philosophical tenants will continue onwards in
4 the new team and those tenants have helped us serve really
5 well in our portfolios over time.

6 DHILLON: This is Mannick Dhillon from Victory
7 Capital for the record. So, let me start off with a little
8 bit about my background and then I'll talk about licenses and
9 designations if it's okay.

10 I have just over 17 years of experience in the industry.
11 I began my career with defined contribution plans and on the
12 institutional consulting side of the business. That later
13 transitioned at a firm called Hewitt to strictly focusing on
14 manager selection.

15 From there I joined Wilshire Associates and was their
16 head of manager research for that business. That included all
17 the multi-manager side of the business, as well as the
18 institutional consulting business. A total of roughly \$1
19 trillion in assets under advisement management. At Wilshire,
20 I also had the privilege of doing the investment allocation
21 and selection for two 529 Plans. That being one in the State
22 of Alabama and one in the State of Illinois.

23 From there, I've been with Victory Capital for four
24 years. So, bringing that asset allocation and institutional
25 consulting and manager research background to what we do in

1 the multi-boutique, multi-franchise structure of Victory.

2 As far as my educational background and designations go.
3 We-so, I completed my bachelor's degree at the University of
4 Georgia and I have my Chartered Financial Analyst Designation
5 and my Chartered Alternative Investment Analyst Designation.
6 Those two designations for those that are unfamiliar have very
7 strict standards in terms of the continuing education that
8 goes along with it, the rigor that goes through obtaining them
9 and then also the ethical standards you have to meet on an
10 ongoing basis to keep those designations.

11 If you look on our Slide 27, which is our combine team
12 going forward, the Solutions Team that will be servicing the
13 investment allocation and selection for the 529 Plan, you'll
14 see many members hold that or similar designations. That is
15 something that further education, whether through master's
16 Programs or these types of programs is very important to me in
17 building a team. It's been important to Wasif. If you look
18 across that page, you'll see that we are very well resourced
19 from an educational perspective, at least a designation
20 perspective as well.

21 Similar to what Wasif mentioned, my current role does not
22 require any securities specific licenses because I don't sell
23 securities directly to clients.

24 MARTIN: Just one more follow-up to Wasif. You had
25 the Series 7 and then you just let it go. It's not that hard

1 to maintain. I still maintain mine. I mean, I'm just
2 curious.

3 LATIF: Sure, this is Wasif Latif for the record.
4 My role--this happened at Deutsche Bank. I had the Series 7
5 and when I joined Deutsche Bank, I was part of the Private
6 Bank and Asset Management Division. That Division did not
7 require and was not supporting licenses being hung for
8 investment professionals because their roles did not require
9 direct interaction with individual investors. That is why my
10 license lapsed. I did not let it lapse myself. I really
11 wanted to keep it. It was something that I prized very much.
12 But, as my role evolved and grew into a more responsible type
13 of a role, where I was overseeing more broader and
14 institutional level investments with next to no direct contact
15 with individuals who would be making those decisions that I
16 would be selling to, that license was not required and my
17 employer decided not to keep it.

18 ENGLEHARDT: This is Brooks Englehardt with USAA for
19 the record. We have a bright line at USAA that our compliance
20 and legal team has established. That bright line is, if you
21 are engaging directly with members and promoting the products
22 and services associated with the investment company, such as
23 the 529 Program, then you will be licensed. If you are
24 instead, focused on the day-to-day portfolio management, the
25 oversight of the underlying securities, then you do not need

1 to be licensed.

2 So, in my case, for example, as President of the firm, I
3 am out engaging with members advocating for the brand and
4 advocating for this program. I'm licensed, I carry both a
5 Series 7 as well as a 24 and have for decades now, with over
6 30 years in the industry. There is a method to that
7 bifurcation if you will between licensed and non-licensed
8 professionals. Thank you.

9 CHAIRMAN: Questions? No. Okay, now it's my turn.
10 Thank you to my fellow Board Members, I—

11 SPEAKER: Turn it on.

12 CHAIRMAN: I'm on. I see the red light.

13 [crosstalk]

14 CHAIRMAN: How can you fall asleep with such good
15 discussion? Thank you guys. Thank you for the conversation.
16 Thank you for your thoughtful answers to the questions from
17 the Board Members. I hope it's evident to you how important
18 this topic is to us.

19 I'm going to do my best not to repeat the questions that
20 my colleagues have asked but I would like to step back a
21 little bit as it relates to the transition service agreement.
22 I think I heard you say as you were articulating that process
23 that existing members, those 293,000 members, at the point
24 that this transition is completed will have the option to opt
25 into the—if you will—the new Victory/USAA Program. Is that—

1 did I understand that correct?

2 MERAZ: They won't necessarily opt in because the
3 Board holds one, the proxy vote for the move over to Victory
4 but we will inform them of the plan, through the plan
5 description, we will let them know that the USAA 529 Plan is
6 transitioning over to Victory Capital.

7 CHAIRMAN: Thank you for that clarification. Was
8 encouraged to hear that the three existing USAA folks are
9 transitioning over to Victory. Not to get into your personal
10 business, but is it safe for this body to assume that your
11 employment contracts are for three years?

12 ENGLEHARDT: This is Brooks Englehardt with USAA for
13 the record. We're not privy to disclosing length of contract,
14 but I will commit that all of us are committed to being part
15 of this program for much longer than three years. We are—we
16 are all-in on this deal but we don't have signed agreements
17 with a tenure for three years, that was not part of the
18 discussion.

19 CHAIRMAN: So, there's no limitations on your current
20 employment contracts. Thank you for that. Is the
21 transitional trademark license agreement, has that document
22 and the terms within it been solidified or is that still going
23 through negotiations?

24 MERAZ: This is Salma Meraz from USAA for the
25 record. So, it's still in draft mode. The copy that we have

1 provided to your staff is still the current draft. They will
2 actually finalize it at close.

3 CHAIRMAN: Thank you for that. I think just to kind
4 of reiterate a comment that Treasurer Conine had made and I—
5 not to speak for my fellow Board Members but to speak for my
6 fellow Board Members, I think we share the sentiment in that
7 the transition service agreement, we too hope that it doesn't
8 extend past 18-months because I think that would indicate that
9 there's problems in that transition.

10 It's my assumption that one of the—one of the primary
11 reasons that Victory was chosen was because of the, if you
12 will, infrastructure that you brought organically to the
13 relationship. Given the focus of USAA and how they're trying
14 to evolve this program, I'm going to assume that those assets
15 and capabilities that you bring organically to this
16 transaction should simplify that transition agreement. So,
17 I'm good with the 18-months. I think three years is woefully
18 short.

19 My day job is contracting. I'm very familiar with
20 various terms and clauses that can be put in those agreements.
21 I think that on the surface, the three-year term demonstrates
22 to me a lack of commitment to the relationship. I think to
23 the comment that Treasurer Conine made, we would be comforted
24 by a longer term or at least language articulated in the
25 agreement that allows for a more seamless extension of that

1 relationship because we want to assume success, as I assume
2 you want to assume success. Three years just makes me feel
3 like you're done after three years, because it is a really
4 short period of time. I don't think it demonstrates long-term
5 commitment to the members.

6 I would like to be bold, to make a request, given this
7 agreement is still in draft mode that you heartily review that
8 with your respective teams and understand what the comfort
9 level will be in there. Obviously in all agreements, there's
10 the opportunity to get out if we need to get out and we should
11 be confident in that ability to get out if things aren't going
12 the way that we want to them to do.

13 I do think that we need to lead by example and give
14 ourselves the longest runway possible. So, that's how I coach
15 my customers in state government as we work through
16 contracting initiatives, that we assume success on the front-
17 end. We have confidence in the contract documents if there
18 isn't success, but we allow nimbleness in that contractual
19 relationship to extend it, when that success has proven to be
20 successful.

21 I think all of the thinking and questions that you're
22 hearing is driven by a profound commitment to veterans in
23 Nevada. Right, Governor Sandoval and I'm sure Governor
24 Sisolak have a very purposeful goal to make Nevada the most
25 Veteran friendly state in the country. We're very concerned

1 that this acquisition is going to jeopardize that goal and is
2 not going to provide the level of service to the military
3 members that USAA has provided historically.

4 And so, we will continue to be focused on ensuring that
5 commitment to that population and ensuring that the
6 Victory/USAA relationship, USAA/Victory relationship, whoever
7 wants to lead there, has a long-term commitment to this body
8 because quite honestly, we have other plans that can meet
9 other members needs. We don't have any other plan that's
10 specific to the military. You know, dare I say, but I think
11 you would agree, very few organizations that support military
12 members to the degree that USAA does. I don't think Victory
13 can do it without you, no offense sir.

14 So, I think that's why we will continue to push and hold,
15 if necessary, until we see a longer commitment to the
16 marketing agreement. Treasurer Conine?

17 CONINE: And, if I could echo the Chair's
18 statements, on behalf of the State, that is assuredly
19 something we are worried about. In addition, it's just sort
20 of ruminating on what you both said as to what criteria would
21 cause you to not consider the licensing agreement. It seems,
22 perhaps, there is a solution.

23 I don't think USAA's brand is going to have some sort of
24 serious deterioration in the next three years, right? Okay,
25 good. We have on the record, right, that he nodded?

1 With that said, it seems that the more likely scenario
2 would be they aren't comfortable with the servicing that you
3 all are doing. And so, since the agreement is still in draft
4 form, if there was an ability to put in there, something to
5 the effect of, the agreement will extend in perpetuity, so
6 long as you meet these service metrics. And then to give
7 Victory an opt out that says, if USAA goes to pot in the next
8 few years, just tell us. Tell us that you see that there's a
9 big problem there because I'm sure, USAA is going to be more
10 committed than anyone else in the room to make sure that USAA
11 doesn't have brand deterioration, right. So, if that is a
12 concern that you have, it could be brought well before the
13 time that that ran out. That sort of commitment, that sort of
14 automatic renewal makes us much more comfortable.

15 ENGLEHARDT: This is Brooks Englehardt for the record.
16 I really appreciate this feedback, specific to the licensing
17 agreement. As Salma had mentioned earlier, this is still a
18 work in progress. I can't commit to changes that our
19 attorneys may or may not be contemplating right now, but you
20 are an incredibly important partner to us and your feedback is
21 invaluable, so I appreciate the opportunity to bring that
22 back.

23 I think the one clarifying comment I would make is when
24 we talk about the transitional service agreement and how we
25 evolve to this target state, when we talk about Victory and

1 their deterioration of service—to be clear, Victory is
2 actually hiring USAA's own customer service representatives
3 who are performing these functions today. Our own marketing
4 people who are performing these functions. Salma as a point
5 from a relationship standpoint. So, in this context, the
6 "them" is really "us", as it relates to Victory's employees
7 being current USAA employees.

8 CONINE: Thank you. I appreciate that and that is
9 another reason why it seems like creating that sort of long-
10 term licensing arrangement would be very easy. Right?
11 Because you are effectively agreeing with yourselves.

12 CHAIRMAN: Yeah, you bet, thank you Treasurer. So,
13 just if I could, two more questions. So, looking back at
14 Slide 4, five unique business portfolios, if you will, that
15 you offer to your members. You're looking to outsource the
16 investment company, obviously with this transaction. Does
17 that continue to be a long-term strategy for USAA in the terms
18 of products for your members?

19 ENGLEHARDT: Brooks Englehardt with USAA. Clarifying
20 in terms of, does it continue to be our strategy specific to
21 the investment company or really on a broader enterprise USAA
22 perspective?

23 CHAIRMAN: A broader USAA perspective.

24 ENGLEHARDT: So yes, and that's really why I was
25 excited that Michael was able to join us earlier is that,

1 again, I bring us back to the mission statement, is very
2 specific as to our responsibilities to provide competitive
3 products and services. It is purposefully not specific in
4 terms of how we accomplish that.

5 So, Michael had mentioned that historically we had a
6 tendency to build our own, as the business models have
7 evolved, competitiveness bars have been moved on us. We have
8 felt it would be more prudent to start partnering on a more
9 aggressive basis. So, my anticipate—I anticipate that the
10 type of partnership that we're talking about here today with
11 Victory Capital Management is one that the life insurance
12 company is looking at, that the bank is looking at and even
13 the property and casualty company is doing as well.

14 CHAIRMAN: So, thank you for that. If I could
15 maybe talk about a hypothetical, if you will. One that I am
16 very confident isn't going to happen but for some reason
17 Victory does not deliver to the degree I think that we're
18 confident—you're a very reputable organization, you manage
19 your portfolios very well. If they don't perform to your
20 desires, are you having conversations now, at that three-year
21 point that would allow you to continue to provide another 529
22 Plan because you realize that your members want a 529 Plan and
23 if this partnership with Victory is not successful then—again,
24 not ideal as we mentioned earlier—but that you would be
25 pursuing another avenue to continue to provide a 529 or do you

1 think this is a program that your members could do without?

2 ENGLEHARDT: That's a great question, thank you.

3 Brooks Englehardt again. We will absolutely remain in the
4 College Savings Plan Program business. How we do that,
5 whether it's through Victory partnerships or with a player to
6 be named later if this Victory partnership doesn't deliver as
7 we intended is to be determined, obviously.

8 What we do know is how important these programs are to
9 our members. One of the things that we do a very good job of
10 at USAA is listening to our members and we survey constantly.
11 What we hear from our member is how they define financial
12 security and what keeps them up at night is consistently in my
13 10 years in being on board with this company comes back to
14 three things.

15 The first has to do with retirement savings, the second
16 is debt repayment and the third has to do with, how am I going
17 to finance my children's education. In all of my tenure here,
18 those have been the top three. So, what's not wavering is for
19 us to continue to provide the tools that our members need to
20 deliver on that financial security commitment.

21 Yes, we will be in this business long-term.

22 CHAIRMAN: Thank you for that. We hope the licensing
23 agreement will reflect that with Victory. So, if could, I'm
24 going to ask you three questions, to Victory and if this is
25 going to be in your presentation, which I'm sure you're

1 anxious to get into, then I'm happy to wait until that time.

2 Where are you currently headquartered? As you move to
3 San Antonio, will you all be cohabitating in USAA's existing
4 space? Have you gotten your own space? How many employees
5 will be transitioning to San Antonio as a part of this move?

6 DHILLON: This is Mannick Dhillon from Victor
7 Capital for the record. We're currently headquartered in
8 Cleveland, Ohio, just outside in a town called Brooklyn.
9 That's where the firm became independent from Key Bank. It
10 was the Asset Management business, so we've stayed there.

11 As a result of this transaction plus the ongoing
12 development and security of our firm, we felt a move to San
13 Antonio was very important.

14 First and foremost, the continuity of service,
15 interaction with military affairs, marketing efforts; from our
16 perspective, we want to be so to speak, joined at the hip with
17 USAA in everything we do from an investment product
18 perspective and servicing the members on their various
19 investment products, mutual funds, ETFs and 529. So, for us,
20 it was very important to move there.

21 At close, we will cohabitate for some period of time, but
22 we will be getting our own location in San Antonio, which has
23 not yet been finalized.

24 The number of people that will be coming along. So, the
25 majority--this new headquarters for us will be the largest

1 concentration of employees for Victory Capital in any one
2 location. The majority of those employees, 300-400 or so will
3 be from USAA Legacy. As far as folks that are moving, my
4 boss, the COO, the leader of the firm is relocating with the
5 headquarters, naturally. Myself and a few other executive
6 members also.

7 We have in—and we'll talk about how we're structured a
8 little bit later in the presentation but we still intend to
9 maintain a lot of the trading operations, compliance aspects
10 that happen today in Cleveland there, but this is more to
11 service the investment side, so all of the investment people
12 will move into this new office. We have call center,
13 servicing people will move into this new office in San Antonio
14 and then our leadership team will be in this office.

15 CHAIRMAN: Thank you for that. Any other questions
16 from Board Members before we move on to Victory's piece of the
17 presentation? Okay, thank you guys, please proceed.

18 DHILLON: So, this is Mannick Dhillon from Victory
19 Capital for the record. We're on Slide 14. So, I wanted to
20 talk a little bit about Victory Capital, what we stand for,
21 what we bring in our opinion to the transaction and to the
22 members in the 529 Plan.

23 One of the first things and the most important things
24 that we look for in any partnership or acquisition that we've
25 done is cultural alignment. The business we're in is very

1 much a people business. We're not manufacturing widgets to
2 put up on a factory shelf. It is driven by the human capital
3 that goes up and down our elevators every day and that
4 cultural alignment with any firm that we've acquired or not
5 acquired is very important over time.

6 We had to go into this partnership confident that we
7 could enhance the experience for USAA members and we felt
8 comfortable we could do that through a few different ways.
9 First and foremost, unlike USAA which is a very diverse
10 financial services firm, Victory Capital is focused solely on
11 investment management. All we're built for, all we do every
12 day is deliver investment outcomes to our investors, which
13 today span retail and institutional clients.

14 The other way that we see this partnership benefitting
15 USAA members is the complimentary fit of the investment
16 capabilities that came together. We today, as we'll see in
17 some of the subsequent slides, are very strong, particularly
18 in the equity space. USAA is very strong in the fixed income
19 and multi-assets space. The individual who is responsible for
20 the multi-assets sitting here next to me.

21 Together, the two organizations can provide a more
22 comprehensive toolkit for members. Whether that be in their
23 retirement plans or their 529 Plans. So, enhancing the high-
24 quality investment options available to the team building
25 those portfolios is very critical to delivering those

1 investment outcomes.

2 We have structured our business as a multi-boutique firm,
3 an integrated multi-boutique firm. So, our investment
4 franchises, these are the investment teams, they operate
5 independently from one another. So, there's no overarching
6 CIO that tells them what to do because we do not want to alter
7 their secret sauce as a stock picking or bond selection
8 process.

9 We service everything else for them, to leave them
10 undistracted from that. It's hard enough in today's day and
11 age and how efficient the markets are becoming to—you know, to
12 win. We don't want them to be distracted with things that are
13 operational in nature, compliance in nature, etc. So, we take
14 care of that.

15 The other benefit that that provides is, being focused in
16 that space, our team has gathered and developed the best in
17 class processes, procedures, infrastructure in investment
18 management and we can continue to do that for the USAA
19 members.

20 The other aspect of our relationship is, through this
21 partnership we will be reopening access to the direct member
22 channel. That means, part of what we're committing to do,
23 part of our intent to enter this business is to further
24 educate and enhance the financial outcomes of the USAA member
25 base directly.

1 So, from the financial literacy program that we're
2 undertaking, committing \$1 million on an ongoing basis, to be
3 able to educate on the importance of savings, saving for
4 retirement, saving for college education. Because it's
5 something that over time, we realize a lot of—a lot of the
6 hurdles to preparing for the future are just simply not
7 knowing what's available and kind of how to go about it. So,
8 very much important for us to continue that effort.

9 If you flip to the next slide, to give you a sense of the
10 clients and investors we serve today. We cater to the
11 institutional community. We cater to the retail community
12 through financial advisors today. So, the member base will be
13 our third, call it channel, or distribution avenue.

14 Those end-clients today are pension plans I serve,
15 teachers, firefighters, police officers. We have corporations
16 whose defined contribution plans, whose pension plans that we
17 serve. And then as far as individuals as well, through that
18 intermediary space. Going out, who are saving for retirement,
19 saving for life goals, like college education and so forth.
20 Just—they have a different demographic than a USAA member
21 today.

22 On Slide 16, I'd like to touch on some of our cultural
23 pillars. The first one is building trust. I think that's
24 very important in this context and what I want to say is,
25 relative to all the questions that have been asked, I as a

1 representative of Victory Capital am not going to sit here and
2 say, trust me today, or trust us today. We're going to build
3 that trust with the Board and with the participants in the 529
4 Plan, day-by-day, through the actions that we undertake. We
5 recognize that.

6 We recognize that USAA is a known entity to the Board and
7 to the State and Victory Capital may not be. Building trust
8 is what we are committed to doing across the board from an
9 investment aspect. We do that through delivering those
10 outcomes that clients want and making sure that they are
11 getting the service they want, the risk adjusted outcomes they
12 want and being able to closer meet their goals that they've
13 set out.

14 The other is respecting the autonomy of the investment
15 decision-makers. I talked about the integrated multi-boutique
16 structure. That's very important. So, relative to other
17 organizations that have elected to centralized investment
18 decision-making, we feel decentralized investment decision-
19 making is a much better way about going about it so the folks
20 are undistracted and they can continue to focus on their
21 particular area of the market. They're specialists in what
22 they do. That's another aspect of what stands out in our
23 structure versus other asset managers sometimes is that we've
24 committed to letting them be specialists in those areas of the
25 market where they can add value.

1 Another aspect of our firm which I'm very proud of is, we
2 have significantly invested personally alongside our clients.
3 What I mean by that is, it's not a mandate within the firm
4 that we have our own capital invested in our mutual funds and
5 EFTs. It is a byproduct of the culture that exists in our
6 firm that we have—being a 300 person firm, approximately over
7 \$100 million invested in our own capital, in our investment
8 product. So that, when our investment professionals come in
9 every day, they know the decisions they're making for the
10 portfolio are going to impact their own net worth, just as
11 they are the end client that are sitting beside them in that
12 fund or that product.

13 All of this together for us is about creating alignment.
14 If our goals and objectives are misaligned with the end
15 investor, that's not a sustainable business. We want to make
16 sure that we, along with everybody in the organization, are
17 aligned with our clients in terms of driving those outcomes.
18 It's very important to us.

19 On 17, you'll see we're roughly \$53 billion in assets
20 under management at the end of 2018. We have 109 investment
21 professionals spread out across the globe, mostly concentrated
22 in the United States. We've done three successful
23 acquisitions, prior to the ones we've announced, they're soon
24 to be closed and we went public as a firm in 2018, in the
25 beginning.

1 That was an important step for us in making sure that we
2 could have a permanent capital structure for our clients, so
3 they are not having to worry about what is going to be the
4 next ownership change, etc., that goes along with the firm.
5 So, about driving continuity and stability to our investors.

6 We have 71 investment products to date, delivered across
7 retail institutional clients. The highlight here on the
8 middle of the page that I like to talk about is our dedicated
9 sales and marketing efforts. So, out of a firm of
10 approximately 300 people, 92 are in sales and marketing. That
11 means we have the infrastructure focused on the investment
12 products to be able to drive awareness of the 529 Plan, into
13 the Nevada market. Whether that will be digitally or
14 directly, we have the experience in educating clients on
15 financial products and we have the focus to be able to do that
16 100% of the time, versus it being a marketing department that
17 has to also serve other financial business lines and so forth.

18 If you look on Page 18, you'll see a quick snapshot of
19 our various investment teams, what we call franchises.
20 They're all distinct in terms of their brand, the areas of the
21 market that they traffic in and again, they're not—they're not
22 made to talk to one another. They don't rely on a central
23 investment resource. So, they can staff and build their
24 portfolios as they see fit and we leave them alone from how
25 they manage their teams and their portfolios. We think that's

1 very important. When you identify highly skilled investment
2 professionals, not get in their way but resource them
3 adequately.

4 On Page 19 is a little bit of our record of driving some
5 of those investment outcomes. I'm not going to sit here and
6 say stars are the best way to buy products for the future, but
7 they are an objective way to evaluate how a product has
8 performed relative to peers, on a net of fee basis. 23 of our
9 funds and EFTs have four or five star ratings, as rated by an
10 objective agency like Morningstar. 65% of our assets are in
11 those corresponding four and five star ratings.

12 That's important, I think because, you know, often times,
13 good performance can be concentrated in small products in
14 certain organizations, we've been able to deliver it on an
15 asset weighted basis. If you look below, over long periods of
16 time, three, five 10-years, a significant majority of our
17 investment strategies outperform their benchmarks.

18 We think that's a testament to the model we've built.
19 Allow highly skilled professionals to remain autonomous in
20 their decision-making. Take all the distracting features of
21 asset management out of them and centralize it and in the end,
22 you can provide those positive outcomes for clients.

23 If you look on 20, you'll see a snapshot of how our asset
24 base is split up today across asset classes and types of
25 clients. Similar to what I was talking about earlier, you'll

1 see that we are very much focused in the equity space today.
2 Particularly, in those areas of the equity market that we deem
3 are less efficient. US Small Cap Equity International,
4 Emerging Markets and so forth, where we've assembled, not by
5 accident, teams that we think are highly qualified specialists
6 there. Because we believe active management can still win in
7 a meaningful way in those less efficient parts of the market.

8 Our assets are fairly split between institutional and
9 retail clients. Institutions do access our strategies through
10 mutual funds as well. So, you'll see about \$30.5 billion at
11 the end of the year in mutual funds, about \$19 billion of our
12 assets in separate accounts and then, a smaller but growing
13 part in ETFs, make up the pie.

14 Our history of acquisitions is on 21. It is a part of
15 our model to go out and acquire asset managers and put them on
16 to our integrated platform so they can excel at what they do
17 from an investment making standpoint and take the rest out of
18 the equation.

19 So, our first acquisition was Winder Capital [phonetic].
20 Then we got into the rules based, strategic beta and ETF
21 business with the acquisition of Kemp in 2015. Then we
22 announced RS Investments and a minority investment in
23 [inaudible] Capital in 2016 and '17. In 2018, we made the
24 announcement of the USAA acquisition, the one we're talking
25 about as well as another firm called Harvest.

1 It is a part of our ongoing growth strategy to both
2 organically grow products for clients and access to financial
3 products, but also to inorganically increase the capabilities
4 inside the firm so we can go out and meet those objectives for
5 clients.

6 Let me stop there, maybe pause and see if there are any
7 questions up to this point and—

8 CHAIRMAN: Thank you for that. Go ahead, Member
9 Martin.

10 MARTIN: Thank you, Mr. Chairman. Andrew Martin
11 for the record. With all this merger activity, I'm kind of
12 curious to gain your perspectives both on the Victory side and
13 the USAA side about what you think the most challenging aspect
14 will be. Is it a cultural thing between the firms? Is it—I
15 guess, that would include investment management style. Are
16 there any area of potential conflict that you've identified?

17 Certainly you've identified areas where there's a
18 synergy, but I'm kind of curious to hear if there's any
19 expectations of any corporate cultural issues. That will
20 effect performance and that will effect, you know, obviously
21 our children who are basically have their funds invested with
22 you. So, if you could comment on that, I'd appreciate it.
23 Thank you.

24 DHILLON: So, maybe I'll start and then Brooks, you
25 want to jump in. This is Mannick Dhillon from Victory Capital

1 for the record. So, any time two organizations are coming
2 together there are a lot of things to consider. There are
3 things from a technology standpoint, operations standpoint.
4 Those admittedly are probably more complicated with the USAA
5 transaction then they have been with any other transaction.
6 That was the impetus for the transition services agreement as
7 well.

8 So, we feel that there's ample time for us to stand up
9 the infrastructure needed to enhance the service for members.
10 That is something that is very important, but it's also part
11 of the culture and the experience that USAA members have been
12 used to and we want to make sure we can take that forward.

13 As far as the human beings, I talked about this being a
14 very human capital intensive business. And now, especially
15 with the individuals servicing the members, that is something
16 that we're very mindful of. So a lot of the things that we've
17 already put in place, in terms of the offers to be able to
18 bring across the line existing members of USAA so that we can
19 maintain continuity of that culture, it's very important to
20 us.

21 One of the things that us moving headquarters to San
22 Antonio does, it closer aligns us to the culture of USAA. So,
23 if you think about future hires that we can make, I would love
24 to say that there may be opportunities for people seeking
25 career development, to come down the road a little bit from

1 main campus, to where we might be, to maintain that culture.

2 Also, we have the ability to learn and grow with USAA as
3 they enhance the culture because of our proximity to them.
4 That is something that we're very mindful of and always in a
5 human based business, is the most challenging. We've done it
6 before and we feel that with the support of our partners at
7 USAA and the close proximity we'll have, we'll be able to
8 maintain that.

9 ENGLEHARDT: Brooks Englehardt with USAA. I would just
10 echo. The culture is probably my least area of concern right
11 now. We've done our homework. We've done a lot of due
12 diligence. Spoke with some of the firms that Victory has
13 acquired over their business model and feel that we are in
14 very close cultural alignment.

15 We had an opportunity to spend a significant amount of
16 time with their senior management team. Both within USAA
17 employees, but also with our various governing bodies. So,
18 our USAA Board of Directors, at the parent company level, as
19 spent a significant amount of time with the Victory
20 executives, as well as our mutual fund trustees and we'll
21 actually now meet for the third time tomorrow, actually, in
22 San Antonio, again with the Victory executive team as well.
23 Thank you.

24 CHAIRMAN: Treasurer Conine.

25 CONINE: Thank you, Chair. You mentioned that that

1 was your area, lowest, smallest area of concern. What's your
2 greatest area of concern?

3 ENGLEHARDT: I think it goes back to what Michael had—
4 Brooks Englehardt for the record. Michael had mentioned that
5 we have a historical preference at USAA to build it ourselves.
6 So, if you look at many of our underlying systems, the
7 infrastructure on which we serve is—our systems which we have
8 been developing ourselves, particularly as it relates to the
9 front-end of our member interactions.

10 So, we have a great partnership with a census in that
11 while we do rely on our front-end, from a USAA infrastructure
12 systems perspective, we ultimately transition to a censuses
13 platform for fulfillment and transfer agency services and the
14 like. So, there is precedent for these handoffs, but I think
15 going through the scale of a transition that we're going
16 through it would be naïve to say that the systems work, the IT
17 infrastructure, when we have three parties involved, is not
18 going to be an area of concern because it will be. Again, I
19 go back to what we've consistently referenced here is this
20 transition services agreement. We're not going to force that
21 until we're all comfortable that we're ready.

22 Again, it's still a USAA branded product, to the extent
23 that we trip here, those calls are going to come back to San
24 Antonio, they're not going to Cleveland. So, we're going to
25 get that right. If it means that we have to extend that TSA,

1 then we'll extend that TSA. That's the area that has a lot of
2 us more anxious than not, is just the systems integration.

3 Thank you.

4 CONINE: Thank you, I appreciate that. On the
5 Victory side, within these acquisitions, are there other 529
6 plans that you're currently out there promoting and if so,
7 what are they?

8 DHILLON: This is Mannick Dhillon from Victory
9 Capital for the record. No, there are no other 529 plans that
10 we support.

11 CONINE: Thank you, that kind of gets rid of a
12 number of my follow-up questions. As a public company who is
13 clearly growing through acquisitions, talk to us a little bit
14 about your bandwidth. As you continue the acquisition plan,
15 how do future and past acquisitions interact with each other
16 and then I guess, conceptually at what point do you stop or is
17 the plan to continue to acquire? Which is obviously
18 completely fine. If that's the case, how do we make sure that
19 the bandwidth and the resources are there to make sure this
20 acquisition is as successful as we need it to be?

21 DHILLON: Mannick Dhillon from Victory Capital for
22 the record. So, the acquisition model for us is important
23 because we see the stresses that the industry of asset
24 management is facing. Part of the impetus for this, for USAA
25 to go out and find a suitable partner for the investment

1 products was the recognition, the size and scale are critical
2 to delivering investment outcomes for investors going forward.
3 It's just too difficult to do it in a fragmented way.

4 So, we've decided to set up part of our strategy to be on
5 the consolidator side of that equation. Over time, we will
6 look to add investment capabilities to our lineup that makes
7 sense for our overall investor base. And also, what we feel
8 we can handle from an operational and servicing perspective.
9 We do not have an intent to be everything to everyone. We
10 want to focus on what we know and slowly go through that
11 progression as you could see.

12 Obviously USAA, the acquisition of their asset management
13 business is the biggest one to date. So, it will take some
14 time to integrate the transition services agreement, the
15 infrastructure, the technology and we have a lot of work to do
16 to further enhance the awareness of these products in the
17 member channel. This is a lot.

18 Does that mean that we will cease from doing
19 acquisitions? I can't say, we don't know. But what I would
20 like to say is that, we're always mindful of the resources we
21 have inside the organization. We're always looking for
22 opportunities that we can look at to enhance their outcomes.
23 We're—we also want to make sure we're delivering to every
24 client.

25 So, it's not just about USAA members for us going

1 forward, post-close. We are always mindful of the existing
2 investor base that we have to date. So, we'll want to make
3 sure that once we feel comfortable that they have been served,
4 along with the members, we'll take every size, type of
5 acquisition into consider and move forward. They're all
6 different.

7 CONINE: Thank you, I appreciate that. From a size
8 of capital pool, from an assets under management standpoint,
9 as you continue to grow, obviously your performance against
10 benchmarks continues, right, they're sort of inversely
11 related, do you believe that's a product of additional
12 programs and services? Do you think that the longer that
13 someone is under your—that assets are under your control, that
14 that starts to normalize? Could you speak to that a little
15 bit?

16 My specific question is in regards to scaling and sort of
17 the ability to deploy that capital effectively as it continues
18 to grow.

19 DHILLON: This is Mannick Dhillon from Victory
20 Capital for the record. So, we look at acquiring our
21 investment teams over time as building a portfolio. We think
22 that diversification comes in many different forms, not just
23 style boxes and things like that, but in terms of approaches,
24 the way people think may be different from one another. So,
25 we're very careful about how we put things together.

1 We have no expectation that all of our investment
2 products and strategies and teams will be performing at the
3 same time at the same level. What we do know is that, if we
4 can continue to resource them, adequately, then those
5 outcomes, if they are skilled at what they do, should continue
6 to come about.

7 One of the things that we look for in anything, I used to
8 look for when I was a manager as a selector is consistency.
9 It's not about trailing numbers always, it's about being able
10 to consistently deliver for clients. What we'll continue to
11 do is look at all the areas where we can invest capital.

12 So, one area could be the investment teams themselves.
13 Sometimes, depending on the particular asset class or what's
14 happening in the particular market, we might need additional
15 resources, data, technology. If you think about the minority
16 investment we made in the firm called Cerebellum Capital, it's
17 an AI and machine learning asset manager. The real reason to
18 do that was also to be able to bring what they do from a
19 forward thinking perspective to our franchises. Some of our
20 franchises have already started to use some of their
21 technology to help them better make decisions.

22 The other is the operational platform. We want to make
23 sure the operational platform is scaled enough to support all
24 of those assets and clients as they grow. So, we're always
25 making sure that we can invest in the technology we need to

1 service that. Then there's also capital around the education
2 of the products themselves and the marketing.

3 So, there's always this balance between all these areas
4 of the business, but what we want to make sure is promote
5 longevity and we want to make sure that we can promote the
6 resources and tools that those teams, first and foremost need
7 to be able to execute on our mission of building that trust
8 with clients.

9 CONINE: Thank you, I appreciate that.

10 CHAIRMAN: Go ahead, Member Martin.

11 MARTIN: Thank you, Mr. Chairman. We've heard—we
12 can see a lot of merger activity and acquisitions and so
13 forth. These are obviously the success stories. I have to
14 ask the question, have there been any failures and if so, can
15 you comment on what happened? If there have been no failures,
16 then I probably don't have any follow-up questions either.
17 Thank you.

18 DHILLON: This is Mannick Dhillon from Victory
19 Capital for the record. Since we've become an independent
20 firm in 2013, the acquisitions you see on this page are the
21 acquisitions we have made and the ones that we have closed are
22 still part of the organization.

23 There's one exception. There was a franchise that came
24 along. It was called Diversified Equity that came through the
25 Key Bank days into the firm. It was a large cap core active

1 franchise. The issue there was, there was a very seasoned
2 individual who was the CIO of that organization, of that
3 franchise and was looking for a succession plan. So, we had a
4 succession plan named for him, somebody else on that team.
5 When that individual decided that he no longer wanted to be in
6 the investment management business, it did not make sense for
7 us, because there were more junior members on the team to say,
8 we think this is right for clients to just keep this going.

9 So, we actually moved away from Diversified Equity as a
10 franchise and transitioned those assets to other franchises to
11 continue managing them and the investment outcomes have
12 actually improved significantly.

13 So, that wasn't related specifically to an acquisition
14 but I mention it because it was part of the management buyout
15 that happened in 2013.

16 MARTIN: So, we basically have a company in
17 Victory—that's probably why I really haven't—I'm not familiar
18 with the entity because obviously some of the groups you've
19 acquired like Munder and so forth, I am familiar with. So,
20 what we have is a rapidly growing consolidator of investment
21 firms and it's only been—it's been active for about five or
22 six years approximately.

23 I'm just trying to make sure, you know, I mean—let's just
24 say, theoretically you were building a house and you built it
25 really, really fast. Kind of would raise concerns about

1 stability, structure and Brook mentioned the technological
2 issues. I mean, I face that myself. I've bought and sold
3 several businesses, both—all in the CPA space, which I operate
4 in and I can only imagine—because we experienced it at a small
5 level, what you all must be dealing with, with the different
6 technologies and platforms and so forth. Never mind the human
7 personnel which we've spoken about, but—it sounds like it's a
8 rapidly growing enterprise that's actively trying to seek
9 other investment firms and funds.

10 I don't know, I guess I have some concerns with that, but
11 at least I know that your track record so far has been good.
12 So, I appreciate the candor. Thank you.

13 DHILLON: If I may comment on that. This is Mannick
14 Dhillon from Victory Capital for the record. Victory as a
15 firm actually goes back through proceeding firms, maybe in
16 some cases through different names, back to the early 1900s.

17 So, Victory Capital itself is not new. I mention that,
18 in its last instance, prior to 2013, it just happened to be
19 the asset management business within Key Bank, which is a
20 Midwest based bank. So, the history of the firm and the
21 evolution goes a long way back in time.

22 The other aspect of this is, we wouldn't characterize our
23 growth necessarily as fast, we'd say it's measured. So, we
24 don't necessarily have the intent to bite off something that
25 we cannot undertake. The point around the technology is very

1 well taken. I think the concept around the complexity of that
2 aspect of this acquisition is to Brooks point, what he
3 mentioned about a lot of the legacy systems that we will be
4 relying on in the TSA to which we have to improve upon were
5 built in house.

6 So, it's not to say that we don't have the technological
7 capability or we don't have the technological advancements
8 necessarily to do this, we're looking at building this for the
9 next generation of investors and not necessarily relying on
10 how it had been done.

11 So, as far as that goes, one of the things that we took
12 away wholeheartedly from USAA leadership is, look, they've
13 built something that's very strong, but don't assume the way
14 they've done it is the way to do it in the future. We took
15 that to heart to say, we have the ability to improve the
16 technology infrastructure, which we've been using best in
17 class for investment management, the marketing aspects of
18 this, the digital storefront that's going to be exposed to the
19 members, and really take it to the next step forward.

20 CHAIRMAN: Thank you, Member Martin. So, I'd like to
21 try to flush out fast versus measured. Where does USAA rank
22 in the context of size to your other acquisitions?

23 DHILLION: This is Mannick Dhillon from Victory
24 Capital for the record. It is the largest to date.

25 CHAIRMAN: Thank you for that. Not asking for

1 specifics, but do you have other acquisitions in the pop line
2 that aren't articulated on this slide?

3 DHILLION: This is Mannick Dhillon from Victory
4 Capital. I can't comment on acquisitions in the pipeline, but
5 as I mentioned before, I can comment on what our growth
6 strategy is, both organic and inorganic. Particularly, I
7 mean, being a public company, there are things that we can't
8 comment to.

9 CHAIRMAN: Thank you for that. So, how much time as
10 an organization are you allowing yourself for this acquisition
11 before you would contemplate doing another or could there be a
12 scenario that you envision where there could be another
13 acquisition ongoing, as you are finalizing the acquisition
14 with USAA?

15 DHILLION: This is Mannick Dhillon from Victory
16 Capital. As you can see on this page, the other acquisition
17 that we have announced last year is the Harvest Volatility
18 Management. We're expecting that one to close sometime in the
19 second quarter as well. Likely prior to the close of the USAA
20 transaction. So, when it comes time to close the USAA
21 transaction, we don't anticipate that one being pending out
22 there.

23 As far as the time, the question to time, there's a lot
24 that remains to be seen, right. So, as we enter the post-
25 close period and we integrate the investment professionals, we

1 settle into our new headquarters, we stand up the
2 infrastructure during the TSA, how that's progressing will
3 signal us as to how we can approach future acquisitions.

4 CHAIRMAN: That's fair. Okay, thank you Members, I
5 appreciate the thoughtful engagement. I will remind my
6 colleagues we have 63 slides to go. So, we may want to just
7 push through the presentation and save some questions until
8 the end. Please proceed.

9 DHILLION: Thank you. This is Mannick Dhillon from
10 Victory Capital. We were on Slide 22 and what I would like to
11 mention here is that the combined organization of USAA's asset
12 management business today which is very fixed-income and
13 multi-asset solution heavy, combined with our organization
14 offers a more balanced toolkit to our clients and to our
15 members, going forward.

16 On 23, I'd like touch on our notion that insourcing
17 investment management drives better outcomes, in our opinion,
18 than outsourcing investment management. We think it can lead
19 to better outcomes for members and fund shareholders because
20 it allows for enhanced oversight. More day-to-day risk
21 management of those and we have more direct control over,
22 again, the human capital issues that are very important to
23 asset management.

24 So, as an example, you know, today, there are certain
25 funds that use subadvisors in the USAA platform. The reason

1 that is, is because they did not have the internal
2 capabilities, historically, when they set out to manage those
3 funds. So, naturally what you do is you outsource.

4 Well, going forward in a combined organization where we
5 do have highly skilled investment professionals that we can
6 maintain closer oversight for. We also run less risk for
7 members in the overall continuity of those teams. The reason
8 being, I or nobody else in the firm, Victory Capital, has any
9 control over what decisions somebody is making over personnel
10 at firms like MFS or QS, etc. We do have more direct control
11 over what we do.

12 We also can more actively monitor and provide oversight
13 to what our franchises do, versus what somebody is doing
14 externally because they will simply tell you, that's how we do
15 it, that's what we're going to do. We're more conscious of
16 being able to deliver a more customized outcome to our
17 clients.

18 Our integrated multi-boutique promotes the autonomy that
19 we believe can lead to better outcomes by insourcing than
20 outsourcing in the investment management function. And our
21 exercise to evaluate or recommendations the additions that
22 we've made to the fund is specifically with the desire to
23 enhance those member outcomes at the end of the day.

24 Our current investment platform and franchises, I'd like
25 to add, are commercially recognized. We have been vetted by

1 some of the most stringent investment consultants, public and
2 private pension plans, as well as advisor fund clients that we
3 sub-advise for as well.

4 Flipping over the next few pages, I'd like to talk about
5 the Victory Solutions teams of which the Legacy USAA Multi-
6 Asset Team, that Wasif leads will be a part of. So, solutions
7 for us means anything that is multi-asset, multi-franchise,
8 rules based, factor oriented. It's around using those
9 capabilities to drive these outcomes in a more objective way
10 for clients.

11 The solutions business sits alongside the investment
12 franchises as you can see on this page. The reason is that
13 all of those franchises and their strategies are mere parts of
14 the toolkit that our team has available to us to meet those
15 multi-asset objectives for members and clients going forward.

16 As far as the 529 investment process on Slide 26, both
17 organizations are committed to helping participants achieve
18 the educational savings goal. The process that has been
19 utilized by USAA today in the multi-asset team to drive the
20 asset allocation and fund selection, in my opinion, doesn't
21 need to be altered. They've done a great job. All we hope to
22 do in the new phase of this organization is better resource
23 that team. So now the solutions team will have more resource
24 than they did as standalone and also have access to more
25 investment capabilities, high quality investment capabilities

1 to drive those outcomes. As well as a diversified set of
2 vehicles.

3 Victory Capital today has an ETF business that is over \$3
4 billion size which we grew organically. Many of those
5 products have—will have this summer, track records. So, it is
6 an established ETF business and the reason we're in that
7 business is because we can deliver tax efficient low cost
8 investing to the clients that want it. And now it just
9 enhances the toolkit, those type of products, the different
10 investment asset classes that we have exposure to, just make
11 the investment team's job that much easier, in my opinion.

12 So, as far as the asset allocation changes, I wouldn't
13 expect the members in the 529 Plan to experience anything
14 meaningful in the terms of asset allocation changes. The only
15 things that should drive asset allocation changes are Wasif
16 and team's view on the overall macro-economic environment, the
17 objective of those various portfolios. Nothing specific to
18 the transition itself.

19 The enhanced proximity of investment management via
20 insourcing will allow our solutions team to better serve
21 members. So, not only will the asset allocation process stay
22 the same but the underlying management of those investments
23 will no longer be in a separate firm, in many cases. We'll
24 have access to franchises and investment teams that are inside
25 Victory Capital who will be colleagues of Wasif and the rest

1 of the team. It's a very different conversation when you're
2 thinking about investment due diligence and how do you use a
3 particular strategy in a portfolio then if, you know, it's on
4 the other side in another firm.

5 On the next slide, on 27, you see the team. I referenced
6 this slide earlier. So, I lead our solutions business and the
7 investments vertical, the portfolio strategy vertical will
8 report up through me. We are supported by a risk analytics
9 and support team. Now, I think what should be evident here,
10 compared to a prior state is the extensive addition of
11 resources to—to what is directly available to the 529 Plan.

12 So, to date, I'll talk about this slide. The existing
13 members of the USAA team, and Wasif, you can feel free to jump
14 in wherever you'd like—are Wasif, Lance, Lela, Raymond and
15 Tony. That is who is on the team today serving the 529 Plan,
16 from an investment allocation and selection perspective. All
17 of the other resources are additive as part of this
18 acquisition. And they have very distinct responsibilities.

19 So, risk analytics and support. Well, understanding
20 where intended and unintended risks in the portfolio sit is
21 very important to the managing and outcomes for clients. So,
22 we have a dedicated team that does that, and can support
23 further quantitative techniques, quantitative strategies that
24 we have.

25 Our portfolio strategy team is there to unload some of

1 the burden that a team might have from a communicating with
2 clients perspective, so they can focus on managing money and
3 not have to deal with those aspects, but also sitting
4 alongside and making sure that we're serving our clients in
5 the best way possible and catering to their own needs.

6 To the aspect that Brooks talked about, about listening
7 to members, we have no intent of changing that. There's no
8 better person to tell us what do than our clients. So, to be
9 able to combine that information with the investment
10 capabilities we have to further enhance those outcomes, that
11 is what the portfolio strategy team is intending to do.

12 The implementation team that's down below is designed to
13 add resources to take a lot of the burden off an investment
14 professional's hands from things like, managing a model or
15 managing some of the rules based passive strategies.

16 So, overall, we view this business as a very strategic
17 part of our business. It's a growing part of our business and
18 we wanted to make sure that we had the adequate resources to
19 do so.

20 With that, we can transition to the existing funds on the
21 watch list, if that's acceptable to the Board. If there are
22 no other questions.

23 CHAIRMAN: Do we have questions from Board Members
24 before we move on? Treasurer Conine.

25 CONINE: Treasurer Conine for the record. Just a

1 quick question, in your earnings call on the 6th of February
2 you mentioned \$100 million synergy in the acquisition of USAA.
3 How much of that is associated with the move to San Antonio?
4 How much of that is—I guess, what makes up that number with
5 specific attention, if you could to—you're obviously acquiring
6 a whole bunch of individuals, you're bringing on a lot of
7 team. Where are you saving the money?

8 DHILLION: This is Mannick Dhillon from Victory
9 Capital. So, there's a number of different places. The move
10 itself is not necessarily one because if you think back to
11 what we talked about, there are only a handful of people from
12 the existing Victory Capital organization that are moving.
13 So, that is not expected to be a significant source of synergy
14 for us.

15 Really where it comes, the bulk of that is around the
16 subadvisors that are external today which will be internalized
17 at close.

18 CONINE: So, from a percentage of assets under
19 management—sorry, Treasurer Conine for the record—you don't
20 expect that the percentage that is spent on outreach, customer
21 service or the rest is going to adjust—

22 DHILLION: Again, Mannick Dhillon with Victory
23 Capital. We intend to redeploy expenses where we think
24 appropriate and we think technology, the digital experience
25 and the marketing of the USAA products is where frankly, they

1 may have been underserved historically. So, that's where we
2 actually hope to use some of those—those resources going
3 forward.

4 The other interesting thing about the synergies is, you
5 know, maybe Brooks can touch on how existing expenses and so
6 forth are allocated, but there's opportunity for us to avoid
7 certain redundancies and things like that as well.

8 ENGLEHARDT: Yeah, Brooks Englehardt with USAA for the
9 record. What I will share is that, in the process of putting
10 together the financials, the performance for this transaction,
11 what we did do was an accounting autopsy of looking at the
12 expense base that the asset management company at USAA is
13 currently bearing. Without going into too much painful
14 detail, I will say that over half of the expense base that our
15 business absorbs today is associated, not with the direct
16 support of the fund company and the direct servicing of our
17 clients and marketing of those products, but instead have to
18 do with enterprise expenses.

19 As you can imagine, being part of a large organization,
20 we bear our performer's share of a lot of those expenses and
21 as we step out of that enterprise environment, frankly, we
22 won't be paying for things like softball fields and the like
23 that may not directly benefit a 529 shareholder. Thank you.

24 CONINE: Thank you, I appreciate the [inaudible].

25 LATIF: This is Wasif Latif with USAA for the

1 record. Slide 28 discusses, highlights some of the funds that
2 are currently on the watchlist. The date as of the watchlist
3 criteria is as of September end, 2018. We are in February 27,
4 2019, so there have been some performance changes during that
5 ensuing period and you will notice those changes whenever the
6 watchlist is updated for the next quarter.

7 With that backdrop, I can go fund by fund or just talk
8 high-level of our views on those funds. Whatever the Chair
9 would like.

10 CHAIRMAN: Why don't you give us a global overview,
11 that would be fine.

12 LATIF: Thank you. So, at the global level, the
13 funds that are highlighted here that are on the watchlist are
14 primarily for two reasons. One is underperformance because—as
15 I mentioned earlier in my comments, our manager, we tend to
16 focus on an emphasis on valuation and an emphasis on quality.
17 With the run up in the market that we saw through September of
18 last year, there was some underperformance and lagging in the
19 performance because of that.

20 In the ensuing volatility that we experienced in the
21 fourth quarter, particularly in the month of December, that
22 has given a lot back and we have improved our performance in
23 some of the funds that were lagging because of that and that
24 will show up in the next quarterly update that you receive.

25 The other high-level comment would be, some of the

1 managers in a few of the funds had been underperforming and we
2 have been reviewing them. We have made a couple of manager
3 changes that took place up a year ago and that really hasn't
4 shown up in the longer term numbers. As the time passes, that
5 will show up and bring that improvement to bear.

6 The last thing I would leave you with is and Mannick will
7 touch on that as well is that, with this acquisition, we on
8 our team have a much greater toolkit if you will at our
9 disposal. We have much more managers to pick from and be able
10 to use them in these programs to be able to diversity and add
11 increasing value to members in these programs. So, it allows
12 us a greater choice, if you will, of managers of great skill
13 that we can deploy and substitute out or add to the funds
14 with—from the existing managers.

15 CHAIRMAN: Is the next quarterly report April? Is
16 that—when will we see the next quarterly report that updates
17 the watchlist? March? Okay. Any questions from Board
18 Members on the watch list before we proceed? Please go ahead
19 sir.

20 DHILLION: This is Mannick Dhillon from Victory
21 Capital. Before we start talking about how we anticipate
22 expanding the utilization and education of the plan, the one
23 thing that I do want to touch on is, in the context of
24 improving the investment performance of some of the funds that
25 we just talked about and others, we are proposing certain

1 manager additions to the multi-manager funds where we can take
2 advantage of the benefits of insourcing.

3 So, around the heightened oversight and risk management
4 and the specialization, first and foremost. So, as-all those
5 years that I was looking at asset managers, there are really
6 two different models. There's the model of, get a whole bunch
7 of analysts together and then every PM can pick off that same
8 pool of analysts. Okay, that's great, you can be industry
9 specialists and maybe there's some style specialties and so
10 forth in there.

11 Our view is that, further segregating and specializing is
12 much better at driving those outcomes. So, for example, in
13 the growth space, one of our franchises is RS Growth.
14 Obviously we acquired them through the RS acquisition. All
15 they focus on every day is growth companies up and down the
16 cap spectrum. Large, mid, small. That's all they do. So,
17 those analysts are not having to weigh, should I pitch this to
18 a value PM or should I pitch this to a growth PM or the core
19 PM. We do not have a centralized analyst pool like that.
20 They are specialized in their areas.

21 Same thing, for example, with RS International. All that
22 team does is focus on international and global investing, off
23 their existing process. [inaudible] our emerging market
24 specialist, similarly. All that team is focused on doing is
25 emerging market equities.

1 We believe that focus is very important to driving those
2 outcomes and that's how we've gone about and recommended these
3 manager additions.

4 Now, as far as a specific allocation and so forth, our
5 team is working on that now. So, what we do know is that
6 these additions are what's being requested or asked to be
7 approved through the proxy, but as far as how these separate
8 strategies and teams will come together and specific
9 allocations, we'll be determining that over the next few
10 months.

11 MERAZ: So, now on Slide 31, we have the overall
12 marketing of what is this done. This is Salma Meraz for USAA
13 for the record. So, today USAA concentrates on really
14 marketing to members three times a year. In May/June
15 timeframe to tell members, hey congratulations on your child
16 graduating pre-K. The second step is in August and September.
17 Hey, it's back to school time, it's time to start thinking
18 about your college savings. The third time is around what we
19 call our gifting season, so November/December timeframe.

20 That's been the focus of what our marketing team has been
21 doing over the course of the past few years. I think one of
22 the things that Victory Capital will bring, as Mannick has
23 mentioned is an enhanced marketing opportunity for us to be
24 able to continue that marketing campaign that has been so
25 successful in the past but to be able to expand and really tie

1 into the military as well through things like Military.com,
2 which has a strong presence and a strong aptitude to military
3 members. Continuing our campaigns or starting campaigns with
4 Nellis Air Force Base because we know that is one of the
5 largest bases for military here in Nevada.

6 We look to continue to even just-to Member Andrew's
7 point, continue to broaden our marketing as well through
8 things like, Saving for College, where a lot of folks go out
9 to just find out information on 529s. Right now, USAA has
10 their plan out there but there's not really any marketing.
11 So, what can we do, how can we partner with Saving for College
12 moving forward, to really be able to highlight to maybe non-
13 USAA members, those who don't know who USAA, that this plan is
14 an option and it is available for them.

15 On Slide 32, we want to continue to emphasize that
16 Victory Capital will continue to focus on the military. Their
17 plan is to continue to support the distinguished valor
18 matching grant. Come time of-or, at post-close and we'll
19 continue with the same requirements that we have today. So,
20 Nevada resident, purple heart recipient or active duty and
21 continue to focus on providing the match of up to \$300 for the
22 five years for those participants who meet the requirements.

23 As mentioned earlier, there will be a financial literacy
24 foundation established by Victory Capital to support the
25 military foundation and really help educate the military

1 community in regards to just basic financial and investing
2 principals. Part of that as well is the importance of saving
3 for college.

4 CHAIRMAN: If I could just stop you there for a
5 question. So, I may have missed something. Help me
6 understand, on Slide 31, what of these marketing strategies is
7 new?

8 MERAZ: So, the first one is the ones that we do
9 today and then the second and third would be things that we
10 would look—that Victory Capital would look to add.

11 CHAIRMAN: So, you're—currently, you're not marketing
12 with Military.com, MilitaryTimes.com. You're not working with
13 Nellis Air Force Base.

14 MERAZ: So, we've had—this is Salma Meraz from
15 USAA, for the record. We have in the past partnered with our
16 military—the USAA Military Affairs Group to go out to Nellis
17 Air Force Base to do various campaigns but they haven't been—
18 we haven't been continuing to do that from a 529 perspective.
19 The Military Affairs Group is still going out there and
20 providing just broad education but not specific to 529.

21 CHAIRMAN: Okay. And then you're not currently
22 marketing with SavingForCollege.com.

23 MERAZ: Correct. We have, in the past, done
24 marketing with SavingForCollege.com, but we haven't had that
25 partnership in place in a while.

1 CHAIRMAN: So, again on Slide 31, 2 and 3, these are
2 the only new marketing initiatives we should expect to see?

3 MERAZ: Not necessarily the only new marketing,
4 it's just the thing that we're looking to focus at, at first,
5 when we move over to transition over to Victory Capital.

6 CHAIRMAN: And, have you discussed growth goals in
7 this acquisition that you would like to see, maybe over the
8 first three years? I know you can't share specifics, but you
9 know, to what degree are you anticipating the benefit of these
10 marketing strategies, these new marketing strategies, helping
11 your member acquisition rate?

12 DHILLION: This is Mannick Dhillon from Victory
13 Capital. You know, we haven't set out yet, hard and fast
14 growth targets for the 529 Plan or haven't communicated
15 anything specific to the acquisition.

16 What we set out here are in conjunction with working with
17 our marketing department to say, how can we enhance what was
18 being done historically to build awareness of the 529 Plan.
19 We don't know yet if these are going to work. Right, we hope
20 they're going to work. And then what we'll continue to do and
21 we commit to the Board to do is to continue to enhance that
22 marketing effort, to make sure we can grow awareness.

23 The one thing I can tell you is, this is an important
24 part of the acquisition of the product capabilities for us, it
25 is an important area of the growth we see going forward. It

1 is not anything that we—that competes with anything we do
2 internally today. So, it is completely additive for us as an
3 organization and we want to make sure we can do all the things
4 we can to contribute to that.

5 There will be other venues, periodicals, websites,
6 tactics, that we'll bring to the Board and say this is how we
7 think they've been working. I always view this as a
8 partnership around distribution and marketing. So, I don't
9 sit here and say, we know all the answers, as to the best way
10 to reach Nevada potential members for the 529 Plan. So,
11 feedback from the Board, from Staff, is incredibly welcome and
12 we can come back with information at our meetings on how those
13 statistics are working.

14 What I can commit to you is that we are going to be
15 committed to growing this business.

16 ENGLEHARDT: This is Brooks Englehardt with USAA just
17 for the record here. Maybe take a half-step back. As it
18 relates to the broader marketing strategy, I would just like
19 to reinforce that USAA still is—still has a broader commitment
20 to enterprise marketing. So, the USAA brand will continue to
21 be in front of potential members, potential 529 donors through
22 their typical branding work that they do through mass media.

23 What we're talking about here is how do we complement
24 that through some of the direct marketing techniques that
25 Salma has already—those plays have already been run. We know

1 they're successful in terms of some of the email campaigns for
2 example and then layering on an addition, some of these
3 tactics that we're talking here.

4 So, we really do feel like we're doing--going from a
5 position of strength today and getting even stronger. Thank
6 you.

7 CHAIRMAN: So, I'm just going to make a comment. I
8 see this as a weak point. To your point, marketing and
9 marketing it appropriately and investing in that marketing
10 strategy is key to your long-term success, is key to the long-
11 term success of this relationship. I guess I just struggle to
12 see how spending some money on three websites and better
13 engaging with Nellis Air Force Base is going to drive that
14 long-term success.

15 I appreciate the partnership comments around your
16 marketing strategy, however, we're trying to find confidence
17 in this acquisition. At least from my perspective, the
18 marketing is a big piece of that. This is just very weak.
19 Very weak and does not give me personal confidence that,
20 again, from a sales and marketing perspective that your
21 setting yourselves up for long-term success.

22 SPEAKER: So, in Nevada, we've had a difficult time
23 in selling 529s. Our citizens sometimes aren't interested in
24 the 529 and perhaps our approach has not been adequate. To
25 follow-up what we've been talking about, I would hope you

1 would consider multi-language approaches and looking at a
2 different segment of the population that we have not been able
3 to reach. So, that's my hints on to what you might give some
4 consideration to.

5 DHILLION: This is Mannick Dhillon from Victory
6 Capital. That's very helpful feedback. I mean, that's the
7 type of guidance that we'd be looking for because nobody knows
8 the constituent base here better than I think folks in the
9 actual state. So, that type of feedback is warranted and I'm
10 going to take that back to our marketing team and make sure we
11 can evolve it.

12 Also, in the ongoing marketing efforts, we're committed
13 to doing, using whatever format is the most impactful to drive
14 the long-term success of the plan. So again, looking for
15 feedback, looking for ideas, as to how to do that. This was
16 our initial look at what had been done, to say what could
17 immediately be done, but it's not where we would stop.

18 CONINE: Treasure Conine for the record, I echo all
19 of the Board's comments. I think this is an area where
20 certainly sharpening your pencil would give us additional
21 comfort. As you know, the rate of growth in the US plans has
22 been declining for some time, right, the finite number gets
23 bigger but the rate is slowing down.

24 From a--let me ask a broad question. In Section 2 and 3,
25 these new initiatives, are you spending a greater amount of

1 money or are you redistributing money from 1 into 2 and 3?

2 Intending to spend, excuse me.

3 DHILLION: This is Mannick Dhillon from Victory
4 Capital for the record. For us, this is incremental new
5 spend.

6 CONINE: Can you help us quantify that? I mean,
7 just functionally, right, being on MilitaryTimes.com is
8 probably not the world's most expensive thing, given USAA's
9 buying power. Links, Facebook—

10 DHILLION: This is Mannick Dhillon from Victory
11 Capital. I don't have the specific numbers but we can, as we
12 formulate what the frequency, the magnitude of the placement
13 will look like, we can refine that for you. Unless, I don't
14 know if you Salma have, or if you guys have historical rough
15 numbers.

16 CONINE: I appreciate that. I think having a
17 little bit more clarity into those programs, or frankly, a
18 commitment from Victory and USAA to help fund some of the
19 other outreach efforts that we have on the state level would,
20 you know, make us feel a little more comfortable that we were
21 going to be in those communities. Thank you Chair.

22 CHAIRMAN: Member Martin?

23 MARTIN: Thank you, Andrew Martin for the record.
24 If I heard you right earlier, this is the first entry into the
25 529 market that you have and we're starting off, I think—one,

1 we've been talking about the marketing, I'm also looking at
2 the performance of these funds which you addressed earlier.
3 The pick up on Treasurer Conine's comments and the Chairman's
4 comments, the marketing is going to be essential. I mean,
5 this is your first entry into this 529 world. It is a very
6 different investment than your traditional fund managers and
7 whatnot. So, that's why we're honing in on the marketing
8 effort and also the experience level. We appreciate the—you
9 know, the honesty and the integrity, but we need to really
10 understand how this is going to be successful for our
11 participants. That's more a statement than a question, but if
12 you want to respond to it, I welcome it. Thank you.

13 DHILLION: This is Mannick Dhillon from Victory
14 Capital for the record. Your sentiment is not lost on us.
15 It's for that reason that we wanted to—at least from two
16 aspects of the 529 Plan maintain continuity. One was the team
17 that's been responsible for the asset allocation and
18 selection, Wasif and others, continuity. Bring them in.

19 The other was, Salma, who has been a part of this plan as
20 well and has driven a lot of the historical marketing
21 campaigns and outreach, wanting to make sure she's a part of
22 the team and ongoing effort.

23 So, at least from a starting point we can say to
24 ourselves, we're no worse off than we would've been prior and
25 then build from there.

1 MARTIN: I would certainly agree with that. It
2 just seems the way—I don't mean to speak for the Board or our
3 State Treasurer, but it seems like we're trying to jam a round
4 peg in a square hole and we're all trying to figure out how to
5 make it work because everyone has a positive working
6 relationship here. I think that's where our mindset might be.
7 If anyone disagrees with what I'm saying, now would be a great
8 time. I apologize if I'm stepping over anybody else's
9 opinions, but that's where I'm at with this, anyway. Thank
10 you.

11 CHAIRMAN: Treasurer Conine.

12 CONINE: To echo Member Martin's take on this. I
13 feel comfortable with your ability to manage money, to deploy
14 it appropriate, to generate a return. I am less comfortable
15 with the longevity of the agreement between USAA and making
16 sure that we continue to reach as many members as effectively
17 as possible.

18 And so, as you move closer to this transaction, provide
19 us more information, the more information you could provide on
20 those two items, because you know—selling past sold on the—on
21 the—at least on my behalf, I don't want to speak for the rest
22 of the Board, but from an investment experience we're good,
23 I'm good. But I'm not in any way, shape or form comfortable
24 on the marketing side and I'm definitely not comfortable on
25 the longevity of the license side.

1 CHAIRMAN: I'm going to give a big ditto to Treasurer
2 Conine on that. Thoroughly agree. A high-degree of
3 confidence in your ability to manage the assets. I have a
4 growing degree of confidence in the technology solutions that
5 you'll bring in complement to the program.

6 I can't find the slide but in my feeble mind I have that
7 you have 92 existing sales and marketing professionals in your
8 Victory organization, is that correct? And I believe you also
9 stated in context to Slide 31, that these marketing
10 initiatives outlined in 2 and 3 were above and beyond
11 historical marketing initiatives that your organization has
12 taken on.

13 So, are your 92 sales and marketing folks really sales
14 people that are part of the marketing department, or what have
15 they been doing historically and what of those historical
16 practices do you anticipate leveraging to ensure success for
17 this acquisition?

18 DHILLION: So, our sales professionals are distinct
19 from our marketing professionals. So, the marketing
20 professional's role is to support the sales of our products,
21 whether in the field or digitally through the website,
22 collateral. Think about things like, thought pieces,
23 leadership, aspects around the literacy initiative that we'll
24 have. So, marketing is distinct from those folks that are
25 actually designed to align a product to an end client.

1 So, of the 92 people, you know, you have institutional
2 sales people, you have retail and retirement sales people and
3 you have marketing folks. Our marketing effort is led by
4 Carolyn Churchill, she's our Chief Marketing Officer. She has
5 extensive experience in the asset management business. She
6 joined us, her prior experience was at Janus.

7 So, marketing in asset management for investment products
8 is something that she is very experienced in and the team that
9 she's assembled is very experienced in. So, some of the
10 things that they've done, so whether it's around aspects such
11 as creating collateral to support the awareness of our
12 strategies and our brand. The entire branding aspect that we
13 went through in our multi-boutique structure, she led that as
14 we created those brands so that we could go out to the
15 institutional community, for example and educate them on the
16 segregated investment specialties we have.

17 You know, we do not today do things like, television. We
18 do not do things like radio today. The reason is, for a firm
19 like ours, as specialists in the investment management space,
20 those aren't as relevant. It doesn't mean that we don't have
21 the capabilities or a team in-house to be able to execute on
22 those. And also leverage the experience of our partners at
23 USAA who have done those things.

24 So, that is one important aspect of this that I'd like to
25 mention is that, we—our marketing team is very much engaged

1 with the marketing team and will be at USAA. Carolyn is one
2 of the individuals anticipated to also move to San Antonio.

3 So, it's one of those things for us that because of the
4 nature of our business historically, we may not have done all
5 of the same things. We have not done anything on Military.com
6 or on the Facebook of Nellis Air Force Base, but those similar
7 tactics around web, periodicals and things like that we have
8 done.

9 CHAIRMAN: So, what marketing resources from USAA
10 will be part of this acquisition?

11 ENGLEHARDT: We're still working through what the
12 marketing support mechanism looks like but the intent is that
13 we would continue, from a people standpoint, that's still work
14 to be done but the intent is that the marketing tactics that
15 Salma eluded to as it relates to the direct marketing to USAA
16 members via the website, via email, via banner ads and the
17 like will continue on a going forward basis.

18 This is the, still the USAA 529 Program that we intend to
19 bring to market, to our member base.

20 CHAIRMAN: Thank you for that. So, I just—I think to
21 echo Treasurer Conine's comments, based on where we are, Slide
22 31, 53 more to go, I'm a hard stop on the marketing strategy,
23 on the longevity of the agreement between Victory and USAA.
24 As I know you are taking this back to your organizations, as
25 the Chair of this Board, I need to see more on that. I think

1 there's--there needs to be a lot more thought into how this
2 relationship is going to improve the marketing strategy of the
3 organization and how that marketing strategy is going to
4 contribute to growth in the participation of this plan.

5 I just think that these are two areas, the longevity of
6 the relationship, the weakness of the marketing strategy that
7 does not give me the confidence to support this acquisition.

8 ENGLEHARDT: This is Brooks Englehardt for the record.
9 I just--we had not intended, just to be clear, on going through
10 the appendix pages, so we could certainly take that to a
11 future meeting if you care to. Our prepared comments are
12 done.

13 I would just like to close with three comments. First of
14 all, I wanted to thank both the staff as well as the Board for
15 a partnership which has existed since 2002. We're incredibly
16 proud of this program. I mentioned how we consistently hear
17 from our members how important college savings is to their
18 financial security. So, having this program in place is
19 something that's--something that this team is incredibly,
20 incredibly proud of.

21 Secondly, I'd like to reinforce that we hear you loud and
22 clear in terms of, we still have work to do, in terms of
23 sharpening the pencil, both in terms of the licensing
24 agreement and we will take this feedback to our lawyers. As I
25 mentioned, that is still a work in progress document. One.

1 Then two, as it relates to the marketing campaigns, I'm
2 confident with Salma in this role and the experience that she
3 has had in navigating those marketing commitments from our
4 internal partners and with the strength of Victory's marketing
5 resources, which we hadn't had access to until the past—I
6 mean, clearly we're still trying to understand some of the art
7 of the possible as it relates to some of these marketing
8 options. We have every intention to coming back with you and
9 look forward to coming back with more definition around what
10 marketing could look like in the future.

11 Again, the last thing I would say is, we as a team,
12 remain fully committed to this program. We are confident in
13 our ability to take what we feel is a very strong program
14 today and even get stronger into the future. I will tell you
15 that, I'm personally invested in this program. My two
16 children's entire college savings investments are invested in
17 this particular program. So, we're in it for the long-haul,
18 personally and professionally.

19 Thank you very much for your service on the Board.

20 CHAIRMAN: Thank you for those comments. I think
21 our—you know, we share your sentiment. We've enjoyed a really
22 good relationship for quite a long time. As we should, we're
23 pausing at this time of acquisition to ensure that success.
24 So, we just wanted to, hopefully provide you guys with the
25 insight into our thinking process as we go through this to

1 ensure that you have the ability to provide whatever you have.

2 Listen, I've been through two very large acquisitions
3 over my career. I understand the difficulty of what we're
4 asking you at this stage in the process. I certainly
5 appreciate that there's a lot more to be flushed out and
6 there's, you know, a lot of this relationship that you may not
7 know about each other, given where you are.

8 So, it does not fall lightly on this body that we're
9 asking difficult questions and asking for information that you
10 know, you would probably rather not provide. Unfortunately,
11 we are a public body. We're forced to do our business in the
12 public and that's going to cause us to, you know, maybe
13 stretch the bounds of comfort to give us the information that
14 we need to be able to give you the vote that you're asking
15 for.

16 I just don't think that we're here today. We appreciate
17 you taking this back and kind of retooling it and we look
18 forward to engaging you further on this topic.

19 With that, do we have any other questions or comments
20 from Board Members?

21 CONINE: Mr. Chair, if I could recommend the Board
22 consider a motion? Which requires USAA and Victory to provide
23 staff and outside counsel with the most current versions of
24 the transitional licensing agreement as you have and any
25 suggested and potential changes. So, if something is on the

1 burner, I understand that it's not going to go final until the
2 actual acquisition, but sort of by definition, if you know
3 about it, we'd like to. That's not part of the motion, I
4 suppose, that's pretty long.

5 Also, to provide specificity with regards to the
6 continuation of the services and obligations that ICMO
7 currently is required to provide under the private label
8 product agreement and additionally to provide an updated
9 marketing plan and a solution to our longevity concerns. And
10 of course, to continue working—if all the parties could
11 continue working with staff, I think we've made significant
12 progress on that but I think there's still some opportunities
13 there.

14 You know, I don't spend a ton of time on Board's making
15 motions, so let me know how to do that more appropriately,
16 but—

17 CHAIRMAN: Member Seale, please sir.

18 SEALE: I'll make the motion as long as I don't
19 have to repeat it.

20 CHAIRMAN: I think that's the right—the right, so
21 I'll call for the motion now. If a member is willing to make
22 the motion that was articulated by Treasurer Conine, that
23 would be the time.

24 SEALE: I will do that.

25 CHAIRMAN: So, we have a first from Member Seale, do

1 we have a second?

2 MARTIN: I'll second it.

3 CHAIRMAN: We have a second from Member Martin. Any
4 discussion on the item? All those in favor, say aye. [ayes
5 around] Any opposed? All right, that motion carries. Thank
6 you guys for your presentation, your thoughtful engagement, we
7 look forward to hearing more from you guys.

8 With that, we'll move on to Agenda Item No. 7, which is
9 the Board to enter into a non-meeting closed session pursuant
10 to NRS 241.015(3)(b)(2), with Counsel to discuss the contract
11 and contract negotiations associated with this impending
12 acquisition of USAA Asset Management Company, including the
13 USAA 529 Plan for Victory Capital Holdings.

14 Can I have a motion for the Board to enter into a non-
15 meeting pursuant to NRS 241.015(3)(b)(2) with Counsel to
16 discuss the contract, contract negotiations as it relates to
17 the acquisition of USAA by Victory Capital?

18 SEALE: I'll make that motion with the caveat that
19 we're not breaking any-what's the word, public meeting laws.
20 You back there-

21 CHAIRMAN: Mr. Howell, can you confirm please?

22 HOWELL: Member Seale, this is Wayne Howell, Chief
23 Deputy AG. I gave initial advice that we could do this and
24 under that provision of the Open Meeting Law, that allows for
25 a non-meeting. To have communication between Attorney and

1 Client. On further reflection this morning, I have to say
2 that I see a question about the use of this provision because
3 it is limited to communications in anticipation of litigation.

4 Now, I can—I can construe and support this communication
5 now if we can agree that there is some prospect for
6 litigation. Actually, if we don't have the consultation. And
7 if that's the case, then I would support the closure of the
8 meeting. I hope I'm being clear.

9 SEALE: As an attorney might be, yes. And I'll
10 accept that and you'll go to the slammer anyway if it's wrong.

11 CHAIRMAN: Okay, thank you for that Mr. Howell. So,
12 can I have a motion?

13 MARTIN: So moved.

14 SEALE: I'll second.

15 CHAIRMAN: So, I have a first from Member Martin and
16 a second from Member Seale. All those—any discussion on the
17 motion?

18 MARTIN: One comment, I do think it's necessary at
19 times to go into a closed session. Agenda Item 8 will probably
20 address the concerns of anybody regarding the Open Meeting
21 Rule, so I'm very comfortable with this. Thank you.

22 CHAIRMAN: Thank you for that. So, with that
23 discussion, all those in favor say aye. [ayes around] Any
24 opposed? That motion carries unanimously. With that, we'll
25 adjourn to go into a non-meeting, closed session. Thanks

1 again.

2 [end of meeting]

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