

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
JANUARY 19, 2007

The 272nd meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, January 19, 2007 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. Chairman McKenna called the meeting to order at 9:06 a.m.

The following members were in attendance:

Dr. Robert J. McKenna, Chairman
Dr. Anthony J. Santoro, Vice-Chair
Dr. William Croasdale, Treasurer
Mr. John Howell, Secretary
Ms. Patricia A. Doyle
Mr. William B. Hall
The Honorable Frank T. Caprio, General Treasurer
Mr. Solomon A. Solomon

Members Absent:

Ms. Miriam Curtis Coleman

Also Attending:

Mr. William H. Hurry, Jr., Executive Director, RIHEAA
Ms. Gail Mance-Rios, Deputy Director, RIHEAA
Mr. Marc Lacroix, Chief Financial Officer, RIHEAA
Mr. Joseph Palumbo, Esq., Legal Counsel, RIHEAA
Ms. Nancy Ann Dooley
Ms. Mary Ann Welch
Mr. Michael Joyce
Ms. Marisol Garcia
Ms. Sue Zube
Ms. Elizabeth Strout, Office of the General Treasurer
Ms. Meredith Holderbaum, Senate Fiscal Office
Ms. Patricia Dominguez, House Educ. Policy Advisor
Ms. Liza Pinto, House Fiscal Office
Ms. Jennifer DeLong, Alliance Bernstein
Mr. Chris Gorab, Alliance Bernstein
Ms. Jennifer Bramley, Vision Strategies

2) Chairman's Report: Chairman McKenna welcomed The Honorable Frank T. Caprio, General Treasurer as new member of the Board of Directors.

The Chairman spoke about the reception held last Tuesday in honor of former General Treasurer, Paul J. Tavares. He and Mr. Hurry presented the resolution to Mr. Tavares. The reception was sponsored by Alliance Bernstein.

3) Executive Directors Report: Mr. Hurry also took this opportunity to welcome General Treasurer Caprio to the Board.

a. With respect to the State Budget issue, Mr. Hurry noted that the Governor has been granted an extension on the submission of the budget. RIHEAA has had no recent formal conversations with the budget office to reflect any difference from what was reported to the Board at earlier meetings.

On the federal level, the House passed a bill that would, over five years, cut the student loan interest rates by half. Mr. Hurry distributed two pieces of material which described in detail what is happening in Washington and how this might impact the FFELP program.

b. Regarding the status of the portal, Mr. Hurry stated that Mr. Palumbo and Ms. Mance-Rios will give the update.

The entire agreements along with the summary were mailed to the Board members prior to the meeting for their perusal. Mr. Palumbo reviewed the summary which he considered to be the major points in the agreement that calls for XAP to design, develop, operate and maintain the mentor system. There is also the Bridges agreement which will enable students from PK-1 through 12, along with their parents, to have access to various tools for planning for college. Mr. Palumbo noted that Ms. Mance-Rios, Mr. Hurry, Mr. Miller and he, after working very hard and diligently with representatives of XAP, felt that the negotiations were quite reasonable, and they are satisfied that the agreements are in the best interest of the Authority and have sufficient protections both in the development stage as well as in the maintenance and operations stage.

9.a. Action Item:

After further discussion, it was agreed to move forward to change the term of the agreement from five years to three years initial term with the option of two year renewals.

On motion duly made by Dr. Croasdale and seconded by Ms. Doyle, it was

VOTED: To approve the (i) Design, Development, Operation and Maintenance Agreement between the Authority and XAP Corporation and (ii) the Subscription Agreement between the Authority and Bridges Transition Co. with such changes on the term and renewal of such agreements as voted by the board and, hereby authorizes the Executive Director, in consultation with the Authority's legal counsel, to make such nonmaterial changes therein as they deem necessary or convenient to achieve the purposes thereof, and, further authorizes the Executive Director to execute such agreements on behalf of the Authority.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, General Treasurer Caprio, Mr. Hall, Mr. Howell, Mr. Solomon and Ms. Doyle. Voting against: none.

c. With respect to the Cooperative Agreement Mr. Hurry reported that another issue has been raised which is problematical; therefore, no agreement has been reached to date.

d. Marketing and PR Committee: Ms. Doyle reported that the committee has been discussing the idea of hiring a lobbyist to represent the Authority at the state house and with our Congressional delegation.

The Chairman stated that we need an opinion from Mr. Palumbo. Mr. Hurry noted that we have received an opinion from legal counsel, and it is in accordance to rules and regulations.

Following discussion Chairman McKenna suggested that we work with the Board of Governors for Higher Education and not in competition with them and that we develop a close relationship with the Board of Governors, the RI Independent Higher Educ. Assoc. and other groups that are

also lobbying on behalf of higher education issues and funding.

Chairman McKenna asked Mr. Palumbo if it is appropriate for a public body to use public funds to lobby to obtain more funds.

Mr. Palumbo stated it is his opinion that the Authority can do this. It is a policy decision for the Board in terms as to how it comes across to legislators if a public agency has a hired lobbyist at the state house.

It was suggested by General Treasurer Caprio that this position not be filled by a staff person within the Authority due to the conflicting demands on the person's time in lobbying, and that we look to fill it with an outside person who can devote their time specifically to this.

9.c. Action Item:

On motion duly made by Dr. Croasdale and seconded by Dr. Santoro, it was

VOTED: To authorize the Authority to put out an RFP for selection of lobbying services for the 07 legislative session.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, General Treasurer Caprio, Mr. Hall, Mr. Howell, Mr. Solomon and Ms. Doyle. Voting against: none.

In the interest of time Mr. Hurry suggested the meeting move to agenda item 8.a. and dispense with the other agenda items. There were no objections.

8.a. Annual update from Alliance Capital: Ms. Delong noted that the *CollegeBoundfund* is the second largest single state 529 plan in the country. Nationally in total the program is now over \$7.6 billion. Total accounts are 480,000. In Rhode Island it is just shy of \$200 million for a total of 17,150 accounts.

Ms. Delong introduced Chris Gorab, one of Alliance Bernstein's product managers. Mr. Gorab reviewed the *CollegeBoundfund* program performance for the year ended 2006.

Ms. Delong noted that overall one of the goals of the firm, AllianceBernstein, is to be able to provide exceptional investment performance for investors at a very reasonable expense.

Regarding legislative and regulatory updates she reported that the Pension Protection Act was passed in 2006 and made permanent the tax benefits of 529 savings plans.

On the subject of the market timing issue settlement, Ms. Delong reported that Alliance is continuing to work with the SEC. This has been held up for the entire industry due to the number of companies that were involved.

With respect to marketing Ms. Delong mentioned that CollegeBoundfund continues to be a key priority at AllianceBernstein. There over 100 people in the sales force nationally. The AllianceBernstein sales force marketing focus that went from November 2006 to January 2007 is just finishing up. She reviewed the College Savings Advocacy Program.

There being no further business to come before the Board, on motion duly made by Mr. Solomon and seconded by Dr. Santoro, it was

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Croasdale, Dr. Santoro, Mr. Howell, Ms. Doyle, Mr. Hall, General Treasurer Caprio and Mr. Solomon. Voting against: none.

The meeting adjourned at 10:37 a.m.

Mr. John Howell
Secretary