

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC FINANCE MANAGEMENT BOARD**

**MEETING OF BOARD MEMBERS  
December 16, 2004**

A meeting of the members of the Public Finance Management Board (the "Board") was held on Thursday, December 16, 2004 at 3:00 p.m. in Room 102, the General Treasurer's Office, State House, Providence, Rhode Island pursuant to public notice duly posted and given to all members.

Members Present: Paul J. Tavares, General Treasurer and Chair  
Senator David E. Bates  
Ms. Rosemary Booth Gallogly

Members Absent: Senator Daniel DaPonte  
Representative Bruce J. Long  
Mayor A. Ralph Mollis  
Mr. Lincoln Mossop

Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Sandra Matrone Mack, Esq., Legal Counsel to the Board and other members of the Treasurer's Staff.

There being a quorum present, the Treasurer called the meeting to order at 3:10 p.m.

Public Finance Management Board Minutes. Ms. Gallogly moved, Sen. Bates seconded and the following motion was passed unanimously. The following members voted in favor: Sen. Bates, Ms. Gallogly, and Treasurer Tavares.

**VOTED: To approve the Minutes of the September 16, 2004 Regular Meeting.**

Ms. Caine gave a brief overview of cap allocation for the year 2004, stating that approximately \$13.6 million or approximately 6% of total allocation went to the RI Industrial Facilities Corp. ("RIIFC") for various deals. The RI Student Loan Authority ("RISLA") is requesting an allocation of \$100 million and RI Housing and Mortgage Finance Corp. ("RIHMFC") has requested that the remaining volume cap, including the PFMB reserve, be allocated to them. She distributed a revised Memo and Cap Allocation Review as figures had changed since the mailing for the meeting.

Private Activity Bond Allocation Requests

Rhode Island Student Loan Authority. The first request of the Board is from RISLA for \$100,000,000. Mr. Noel Simpson, newly appointed Executive Director replacing Mr. Charles Kelly, represented RISLA. He distributed to Board members brochures describing the programs that RISLA offers. He stated that this year's request is for the same amount as last year. Demands for student loans are high. He noted that thirty years ago grants totaled 80% and loans totaled 20% of financial aid, but that now it is completely the reverse with grants totaling 20% and loans totaling 80% of financial aid. He commented that the 529 CollegeBound*fund* Plan will hopefully help that situation in the future.

Mr. Simpson explained that RISLA underwent an organizational change this year. RISLA granted a license to National Education Loan Network (“NELN”), a national company, to operate and market the Student Loan Program in Rhode Island. RISLA was able to realize \$13 million from that transaction, of which \$10 million has been committed to the scholarships and grant program for the past two years. All of the RISLA employees in marketing and operations have been hired by NELN and now market student loans in Rhode Island, Massachusetts and Connecticut.

Mr. Simpson explained that RISLA sells the bonds ahead of time as they originate student loans directly. RISLA works with Sovereign Bank, Washington Trust and some small credit unions to market student loans. The majority of student loans come directly from the schools’ financial aid offices. The bonds sold are backed by the loans.

Ms. Gallogly moved, Sen. Bates seconded and the following motion was passed unanimously. The following members voted in favor: Sen. Bates, Ms. Gallogly, and Treasurer Tavares.

**VOTED: To approve an allocation of volume cap in the amount of \$100,000,000 to the Rhode Island Student Loan Authority; and to allow that allocation to be carried forward and used prior to December 31, 2005, and that the Board’s Legal Counsel be directed to file the necessary tax forms with the Internal Revenue Service in connection therewith.**

Rhode Island Housing and Mortgage Finance Corporation. Mr. Thomas, F. Hogg, Chief Financial Officer requested that RIHMFC be allocated all remaining unused 2004 volume cap and that it be authorized to carry forward their volume cap allocation into 2005. He noted that RIHMFC issues between \$200 - \$300 million of bonds annually. RIHMFC has the ability to carry forward these allocations for three years.

Mr. Hogg explained that, unlike RISLA which issues variable rate bonds, RIHMFC issues fixed rate loans. RIHMFC goes to market five to seven times per year in both single-family and multi-family programs in order to match the fixed rate bonds with the fixed rate loans. RIHMFC retains the servicing of the mortgages.

Ms. Gallogly moved, Sen. Bates seconded and the following motion was passed unanimously. The following members voted in favor: Sen. Bates, Ms. Gallogly, and Treasurer Tavares.

**VOTED: To approve an allocation of volume cap in the amount of \$120,225,000 (plus any amount previously allocation but not used by December 31, 2004) to the Rhode Island Housing and Mortgage Finance Corporation; and to allow that allocation to be carried forward and used prior to December 31, 2007, and that the Board’s Legal Counsel be directed to file the necessary tax forms with the Internal Revenue Service in connection therewith.**

Henry Birks & Sons US, Inc. (“Birks”). Ms. Caine noted that Birks received an allocation of volume cap in the amount of \$1.3 million at the July 17, 2004 meeting. RIIFC has indicated that Birks has not closed yet, but expects to close prior to December 31, 2004, and has requested that the allocation be extended from December 16, 2004 to December 31, 2004.

Sen. Bates moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Sen. Bates, Ms. Gallogly, and Treasurer Tavares.

**VOTED: To ratify, confirm and extend the time period for use of previously allocated volume cap in the amount of \$1,300,000 to Rhode Island Industrial Facilities Corporation for the benefit of Henry Birks & Sons, from December 16, 2004 to December 31, 2004; and if not used by December 31, 2004, that \$1,300,000 be allocated to the Rhode Island Housing and Mortgage Finance Corporation and carried forward in accordance with the preceding vote.**

Citation for Senator David Bates. Treasurer Tavares stated that because of the Separation of Powers being passed and taking effect on January 1, 2005, that today's meeting will be the last one for Senator Bates. He thanked Sen. Bates for his loyal and diligent service to the Board and presented him with a Citation of Appreciation. Sen. Bates thanked the Treasurer and Board members.

Ms. Caine distributed a memo listing PFMB meeting dates for 2005. Ms. Mack requested of Ms. Teixeira from RIIFC, who was in attendance, that she notify the Board as soon as possible as to the closing or non-closing of Birks prior to year end.

Ms. Gallogly moved, Sen. Bates seconded and the following motion was passed unanimously. The following members voted in favor: Sen. Bates, Ms. Gallogly, and Treasurer Tavares.

**VOTED: To adjourn the meeting.**

There being no further business, the meeting adjourned at 3:27 p.m.

Respectfully submitted,

Paul J. Tavares  
General Treasurer

## **EXHIBIT A**

### 2004 Allocation Resolution No. 5

WHEREAS, the Public Finance Management Board (the “Board”) has been created pursuant to the provisions of Chapter 10.1 of Title 42 of the General Laws of the State of Rhode Island, enacted as Chapter 477 of the Public Laws of 1986, effective June 25, 1986; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the “Code”), places volume cap restrictions on the issuance of certain tax exempt private activity bonds issued by State and local issuing authorities within the State of Rhode Island; and

WHEREAS, the provisions of Section 146 of the Code provide that states may allocate the volume cap restrictions among state and local issuing authorities; and

WHEREAS, the Board, under Section 42-10.1-3 of the General Laws of the State of Rhode Island, is authorized to allocate tax-exempt bond issuance capacity among all issuers in the State of Rhode Island.

NOW THEREFORE, under the authority granted by law, the Board hereby makes the following findings and allocations:

1. Based upon the provisions of the Code, the Board finds that the private activity bond volume cap for the State of Rhode Island for the 2004 calendar year is Two Hundred Thirty-three Million Seven Hundred Ninety-five Thousand Dollars (\$233,795,000.).

2. Subject to the conditions set forth below, the Board makes the following allocations of the 2004 volume cap of the State:

- A. To the Rhode Island Industrial Facilities Corporation an amount equal to \$1,300,000 for Henry Birks & Sons US, Inc.
- B. To the Rhode Island Student Loan Authority an approval to carry forward an amount equal to \$100,000,000.
- C. To the Rhode Island Housing and Mortgage Finance Corporation, an approval to carry forward an amount equal to \$120,225,000., plus any amount not used pursuant to paragraph 2(A) above.

3. The allocations are made subject to the following conditions:

- A. Any amount issued under allocation may only be issued for purposes authorized under the laws of the State of Rhode Island and the United States for which a volume cap allocation is required under the provisions of the Code;

- B. That any amount of volume cap allocated under Paragraph 2A of this Resolution and not used on or before December 31, 2004, shall revert to and be automatically reallocated by the Board to the Rhode Island Housing and Mortgage Finance Corporation to be carried forward to paragraph 2(C) above.

4. This Resolution shall take effect upon its adoption by the Board effective December 16, 2004 except for Paragraphs 2B and 2C (which shall take effect on December 31, 2004).

Date: December 16, 2004