



The 236th meeting of the Rhode Island Student Loan Authority was held on Friday, June 2, 2006 in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. Dr. Robert McKenna called the meeting to order at 9:20 A.M.

The following Board members were in attendance:

Honorable Robert McKenna
Dr. William Croasdale
Mr. John Howell
Dr. Anthony Santoro
Hon. Paul J. Tavares, General Treasurer

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA
Ms. Jennifer Dutch, RISLA
Mr. Charles P. Kelley, Executive Director, NESLA
Mr. Kevan McAleer, CFO, NESLA
Mr. David DeBlois, NESLA
Ms. Rebecca Johnson, Office of the General Treasurer
Ms. Gail Mance-Rios, Deputy Director, RIHEAA
Mr. Greg Silva, RIHEAA
Joseph R. Palumbo, Jr., General Counsel

Upon a motion by Dr. Croasdale and seconded by Mr. Howell, it was unanimously

VOTED: To approve the minutes of the Board meeting held on April 13, 2006.

Chairman's Report

Dr. McKenna thanked everyone for their well wishes on his recovery.

Executive Director's Report

Mr. Simpson welcomed Dr. McKenna back and thanked Dr. Santoro for stepping into the vice-chair role in Dr. McKenna's absence.

Mr. Simpson distributed a packet received from Senator Reed includes an invitation to a nursing shortage forum to be held at University of Rhode Island on June 5, 2006 at 11 AM at White Hall. Dr. Croasdale mentioned that there is a new assistant dean at URI that Mr. Simpson should introduce himself to.

Mr. Simpson mentioned that Patricia Doyle has been appointed by the Governor to the RIHEAA board and thereby to the RISLA board as well but her appointment has not been confirmed yet by the Senate. Mr. Simpson noted that a letter was sent to Ms. Doyle giving her an introduction to RISLA and he mentioned that he is going to arrange a meeting with her.

Separation of Powers

Mr. Simpson indicated that Senator Coderre has indicated that she is willing to move for an amendment of RISLA's enabling act so as to make the five Governor's appointments to the RIHEAA board from the general public the Governor's appointments to the RISLA board. Mr. Palumbo noted that he spoke with the legal counsel for Sen. Coderre's committee and is hopeful that he will have the language today which would accomplish this and is optimistic that the residency requirement will be eliminated from the RIHEAA legislation. Mr. Tavares notes that this is moving forward and is likely to come up on the floor as early as next week.

Mr. Simpson mentioned that the 25th anniversary of RISLA is this year and is something that Mr. Simpson would like to commemorate which would give the opportunity to recognize some of the past accomplishments and would also focus on the RISLA's current programs. Mr. Kelley indicated that Nelnet is willing to donate a \$25,000 scholarship to help commemorate RISLA's 25th anniversary. Dr. McKenna mentioned inviting to the 25th anniversary celebration former Governor Garrahy who started RISLA. Mr. Simpson suggested a luncheon or some type of event and inviting a speaker outside of Rhode Island who has a personal story to tell about their college experience. Mr. Simpson noted that he would get a vote from the board on the event. Mr. Howell indicated that if someone local were chosen to speak it may generate a greater interest from the media.

Mr. Simpson discussed the change in interest rates for the FFELP Program.

Financial Report

Ms. Dutch provided a summary of the financial report for the first three quarters of this fiscal year through the month ending March 31, 2006. Dr. Santoro asked that a prior year comparison be included in future financial reports. Mr. Simpson noted that RISLA is over budget this year because interest rates have increased.

There was a discussion about the investment and use of RISLA's surplus funds. Mr. Simpson indicated that all surplus cash is paid back into the various trust estates, is used to make new loans, and, the money is invested by the trustee and the investments are carefully monitored by RISLA. Mr. Simpson indicated that he and the RISLA staff are looking into various programs for other uses of the surplus funds and also for expansion of the College Planning Center. Mr. Howell asked whether new loan programs would conflict with the RISLA's contractual arrangement with Nelnet. Mr. Simpson indicated that the funds would be used for non-federal loan programs and Mr. Kelley indicated that there are no restrictions in terms of RISLA's developing new non-federal loan programs with RISLA's excess funds.

Mr. Simpson was asked about the amount of cash RISLA has available. Mr. Simpson indicated that RISLA has a fund balance of \$60 million, approximately half of which is pledged as collateral to the trust estates and the remainder is pledged to RISLA's operations.

Dr. Santoro inquired whether RISLA's surplus funds are vulnerable to state appropriation. Mr. Simpson said that next year RISLA is scheduled to make a \$3 million payment to the state. Mr. Palumbo commented that RISLA is not an agency that is supported by a state appropriation but there is nothing preventing the General Assembly from enacting legislation which would appropriate monies from RISLA to the state. Mr. Palumbo indicated that the monies transferred from RISLA to the state from the Nelnet transaction was purely voluntary.

Dr. Croasdale inquired whether the state is aware of RISLA's surplus funds. Mr. Simpson indicated that RISLA does submit its quarterly financial reports to the Senate and House Finance Committees. Dr. Santoro suggested that RISLA should consider what other uses can be made of surplus funds. Mr. Simpson indicated that up until now surplus funds have been used for new loans and that is what is planned in the coming year based on anticipated need. Mr. Tavares stated that the board needs to know what net amount of excess earnings is available that could be used for new programs or the expansion of existing programs. Mr. Tavares asked whether there is sufficient loan volume request to use up the funds available for

that purpose. Mr. Simpson indicated that the projected volume for the upcoming year would require RISLA to utilize all the funds on hand for new loans.

Nelnet Report

Mr. Kelley discussed Nelnet's board meeting that was recently held in Newport, RI.

Mr. Kelley reported that he and other representatives of NESLA and representatives of RIHEAA will be attending Connecticut student loan conferences to introduce RISLA's loan programs and the RIHEAA guarantee to schools in Connecticut.

Mr. Kelley indicated that NESLA has been able to place loan programs with four additional schools in Massachusetts this year, including the New England School of Optometry as a school as lender, whose loans will be guaranteed by RIHEAA, Wellsley College, and Southern New England School of Law.

Dr. Santoro asked how many state student loan agencies have gone private. Mr. Kelley mentioned about seven or eight states that have done this.

College Planning Center

Mr. DeBlois indicated that to date RISLA has received 141 qualified applicants and 45 non qualified applicants for the Sherlock Scholarship. Mr. DeBlois believes that by the end of the second week of June he will be in better position to give a final count because as long as applications are post marked by June 1 the applicants are eligible to participate. Mr. DeBlois believes that there will be a total of 150 – 155 qualified applicants.

Mr. DeBlois indicated that the SAT programs have wrapped up and he will provide the statistics as soon as possible. Dr. Croasdale asked if Mr. DeBlois could get a count as to the percentage of minority students involved in the SAT program. Mr. DeBlois indicated that he would be able to provide that information.

Mr. DeBlois reviewed a newsletter that the College Planning Center has developed and which will be sent out to guidance departments and superintendents at the high schools.

Dr. Croasdale suggested that Mr. DeBlois talk to Arthur Campbell who is the Executive Director of Superintendents. Mr. DeBlois indicated that RISLA is trying to arrange a meeting with him.

Mr. DeBlois discussed getting more space at the mall for the College Planning Center which provides more privacy.

Dr. Croasdale asked about the Sherlock Scholarship student drop out rate. Mr. DeBlois replied that only two students have dropped out; one for medical reasons and the other because he was transferring schools and taking a semester off.

Action Item – Selection of Bond Counsel

Mr. Simpson presented information regarding the proposals submitted for bond counsel.

Mr. Simpson noted that Karen Grande has left the Tillinghast firm and is now with Edwards, Angell, Palmer, & Dodge. Mr. Simpson noted that all of the Tillinghast lawyers that have worked in the past on RISLA bond issues since 1996 have also left the firm. As a result, Mr. Simpson indicated that RISLA issued an RFP for bond counsel to ten law firms and it was advertised on the state purchasing website. Mr. Simpson noted that RISLA received three responses to the RFP. The responses were from Tillinghast, Edwards & Angell, and Partridge, Snow & Hahn. Mr. Simpson noted that Tillinghast has added an attorney from Chicago who is a bond lawyer. Mr. Simpson noted that he and Mr. Palumbo had some concerns about the Tillinghast attorney because of his lack of student loan experience. The other concern noted by Mr. Simpson about Tillinghast is that the firm is going to hire outside tax counsel to provide advice to the firm. There was no indication in the Tillinghast proposal that it has tax expertise to provide a bond opinion in a timely manner. Mr. Simpson noted that the public finance department within the firm is in transition and expressed some concerns about this.

Mr. Simpson noted that Norm Benoit responded to the RFP from Partridge, Snow & Hahn and he would be the lead counsel. Mr. Simpson noted that Mr. Benoit has worked on several RISLA transactions, but not since 1996 and he and his firm have not worked as bond counsel on a student loan transaction.

Mr. Simpson noted that Karen Grande of Edwards, Angell, Palmer & Dodge has worked with RISLA since 1996 and RISLA never had any issues or problems with her performance. He noted that Ms. Grande is extremely cautious and diligent in her work.

Mr. Simpson reviewed the costs that set forth in the responses to the RFP. He indicated that he has had Ms. Grande to provide an expense cap and asked her to consider a reduction on the cap for her hourly rates and she agreed to do so.

Dr. Croasdale expressed concern about Mr. Simpson having asked Edwards, Angell, Palmer & Dodge to reduce their hourly rate and not contacting the other firms to find out if they would do the same. Mr. Palumbo stated that only after Mr. Simpson was comfortable in recommending Edwards, Angell, Palmer, Dodge did he decide to go back to Ms. Grande to explore a reduction in the firm's hourly rates. Dr. Croasdale continued to express his concern about going back to just one of the bidders and believes that Mr. Simpson should have gone back to all of the bidders to discuss reducing their hourly rate. Dr. Santoro also expressed his concerns about the fairness of going back to one of the firms regarding its hourly rates and not the others. Dr. Santoro indicated that since this is going to be the last bond issue for next two to three years it does make sense to having with Ms. Grande continue as bond counsel.

Mr. Howell asked if any other firms responded to the RFP. Mr. Simpson noted that he did receive letters from two national firms suggesting that a local firm be chosen.

Mr. Tavares stated that Partridge Snow & Hahn and Edwards, Angell, Palmer, Dodge are both good firms and he would have no problem from a merit point of view with either firm and that it is not unusual to negotiate price after receipt of the bids.

Mr. Palumbo asked what should happen after RISLA negotiates with the two firms.

Mr. Tavares stated that the results should come back to the RISLA board for further consideration.

Mr. Howell asked if he should recuse himself from voting on this motion because his son works at Partridge Snow & Hahn. Mr. Palumbo indicated that in his opinion Mr. Howell should recuse himself from voting.

Dr. Croasdale suggested that Mr. Simpson go back to both Edwards, Angell, Palmer, Dodge and Partridge, Snow, and Hahn and derive their best price.

Upon a motion by Dr. Santoro and seconded by Mr. Tavares it was unanimously

VOTED: To authorize and direct Mr. Simpson to contact Partridge Snow & Hahn to ascertain its blended hourly rate and if its blended hourly rate is higher than the reduced blended hourly rate quoted Ms. Grande in the discussions following receipt of the proposal he would be authorized engage Edwards & Angell, Palmer

& Dodge as bond counsel for the upcoming bond issue. If Partridge, Snow quotes a lower blended hourly rate than the reduced rate quoted by Ms. Grande's firm, Mr. Simpson shall bring the matter back to the board for further consideration.

Mr. Howell recused himself from this vote.

Action Item #8 – Budget 2007

Mr. Simpson discussed the proposed expansion of the College Planning Center activities to include a new staff person for early awareness programs.

In response to an inquiry from Mr. Howell, Mr. Simpson indicated that he would like to see RISLA coordinate its efforts with RIHEAA in the early awareness and college planning areas. Mr. Simpson also noted that Nelnet is also looking at expanding its college planning efforts to help colleges with enrollment services programs to help identify appropriate students and candidates, which Mr. Simpson notes would tie in with what RISLA is planning to do.

Mr. Howell asked if Nelnet is going to respond to RIHEAA's RFP for a web portal. Mr. Kelley was not sure but it is being discussed. He indicated that he wants to avoid any conflict with RISLA and others in the state.

Dr. Santoro asked whether the College Planning Center is going to respond to RIHEAA's RFP for a web based portal. Mr. Simpson indicated that the College Planning Center is very interested in responding to the RFP based on its track record and history.

Mr. Tavares asked Mr. DeBlois if he thinks RIHEAA's portal initiative is a duplication of what the College Planning Center is doing. Mr. DeBlois responded that he does think it is a duplication of what the Center is doing.

Dr. Santoro commented that both RISLA and RIHEAA should be heading in the same direction and combining resources to do things right. Dr. Santoro indicated that he perceives that in some instances there may be unnecessary duplication. Mr. Tavares also expressed his concern and frustration that both agencies may not be working together as well as should be expected toward their common goal. Mr. Simpson and Mr. Kelley indicated that day to day there is cooperation among NESLA, RISLA and RIHEAA to offer united programs.

In response to board members' concerns, Mr. Kelley suggested that he, Mr. Simpson, and Mr. Hurry get together to come up with a joint proposal on the web portal. Mr. Howell and Dr. McKenna suggested inviting others to become involved with this. Mr. Tavares stated that he believes that RISLA, RIHEAA, and NESLA need to get together on this before bringing in others.

Dr. Santoro asked why there are two agencies – RISLA and RIHEAA.

Dr. McKenna provided a history on why there are two organizations and why the two were created.

Mr. Palumbo stated that in his opinion, there have to be separate organizations serving two distinct functions with RISLA serving as lender and RIHEAA as guarantor of RISLA's loans and serving in the role of gatekeeper to ensure that RISLA has properly serviced the loans, and hence the need for separation of the agencies.

Mr. Simpson noted that the budget includes more space for the College Planning Center.

Mr. Simpson also discussed opening a permanent satellite office in Providence, but there is nothing in the budget for that at this time. Mr. Simpson indicated that he would like to come back to the board with a proposal for opening up a Providence satellite office.

Mr. Simpson noted that the budget includes four new full time employees for 2007.

Mr. Howell suggested budgeting for a consultant to conduct a performance audit of the agency. Dr. Santoro and Dr. Croasdale suggested that an RFP be issued for an independent auditor to review RISLA's operations and budget and make suggestions for the future.

Dr. Santoro suggested revising the budget to be more realistic to include a contingency for funding programs with any excess income.

Upon a motion by Dr. Croasdale and seconded by Mr. Tavares, it was unanimously

VOTED: To accept the budget with a caveat that Mr. Simpson would return to the Board with a revised budget reflecting utilization of excess income to fund the College Planning Center expansion and other programs and also including an amount for a performance audit .

Action Item #9 - \$100 million bond issue

Mr. Simpson discussed the proposed \$100 million bond issue. Mr. Simpson indicated that the contingencies on this are (a) negotiating an appropriate rate with bond counsel as discussed above and (b) going before the public finance management board.

Mr. Simpson indicated that Citigroup will be the underwriter of this bond issue and was chosen as a result of an RFP.

Upon a motion by Dr. Santoro and seconded by Mr. Tavares, it was

VOTED: To adopt the authorizing resolution for the \$100 million bond issue presented to the board for consideration.

Upon a motion by Mr. Tavares at 11:53 A.M. and seconded by Dr. Croasdale is was

VOTED: by Dr. McKenna, Dr. Croasdale, Dr. Santoro, Mr. Tavares, and Mr. Howell to go into executive session pursuant to RIGL §42-46-5(a)(1) to discuss a personnel matter.

Members entered into executive session at 11:53 A.M.

The open session was reconvened at 12:53 P.M.

Dr. McKenna announced that during the executive session no votes were taken and that members of the board will arrange to meet with Mr. Simpson to discuss their concerns.

Upon a motion duly made it was unanimously

VOTED: To adjourn.

Dr. McKenna adjourned the meeting at 12:40 P.M.

Adjournment was at 12:40 P.M.

Dr. William Croasdale
Secretary/Treasurer