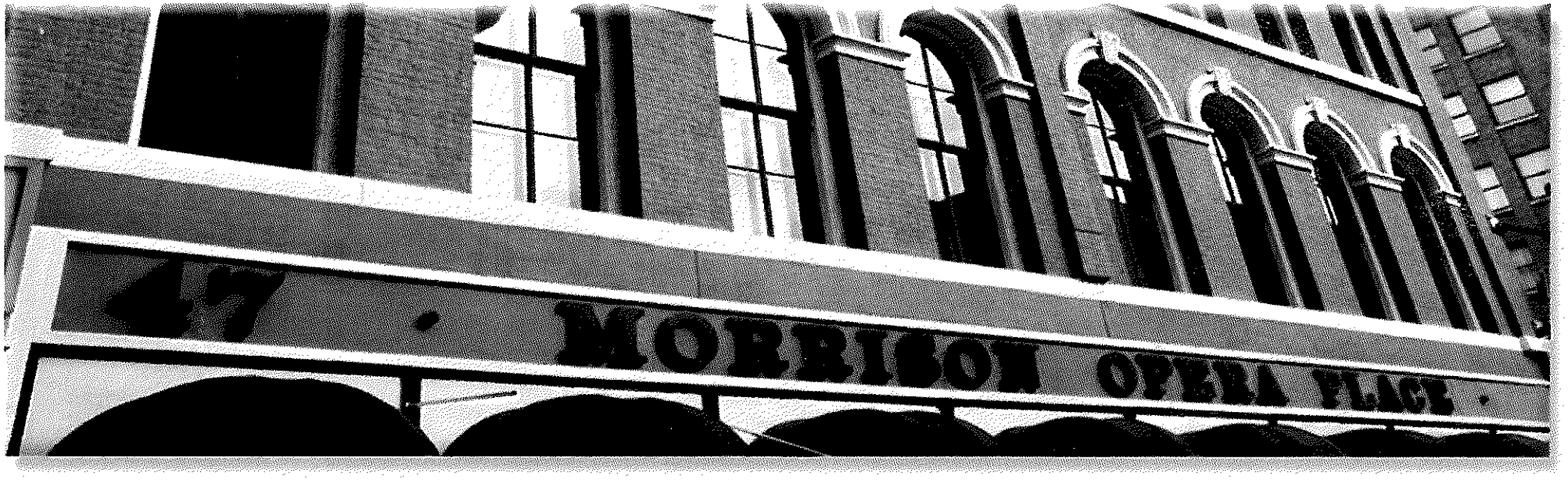


Introductory Presentation

September 5, 2014

CAPITAL CITIES

Prepared for:

State of Rhode Island 529 Program

Joe Bill Wiley, Principal

Tiffany Spudich, Director, Client Relations

Amanda Black, Director, Client Strategy

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CAPITAL
CITIES

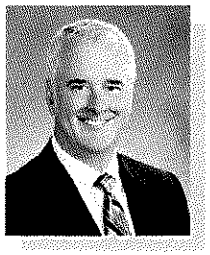
Capital Cities' mission is to serve as your ***compass***, ***resource*** *and* ***interpreter*** *of all investment-related matters*

- Independent, Objective, Employee-owned Investment Consulting Firm
- Currently consults to over $15 billion in tax-exempt institutional assets.
- Seventeen year affiliation with the Independent Adviser Group, a Division of Callan Associates, Inc.
- ***We differentiate ourselves from others by our ability to incorporate an innovative thought process with forward-looking analysis.***

Capital Cities, LLC

Passionate People with Pure Intent

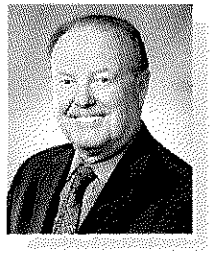
*Our approach is grounded in solid values, where **honesty**, **integrity** and **respect** form the cornerstone for building trust.*



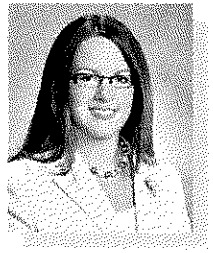
William Mauger
Principal,
Managing Partner



Joe Bill Wiley
Principal,
Business Development



Gene Krinn, CFA
Principal,
Senior Advisor



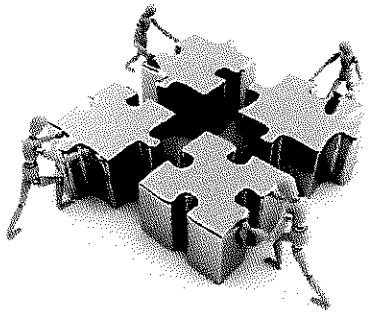
Amanda Black, MBA, CAIA
Director,
Client Strategy



Tiffany Spudich, MBA
Director,
Client Relations

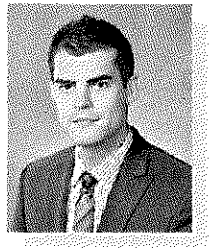


Robert Pelkey
Director,
Operations





Tarek Zeni, MBA, CFA
Associate Consultant &
Investment Analyst



Corey Waddell
Associate Consultant
& Investment Analyst

You will quickly learn to trust every member of our team to provide proactive and responsive service.

Prepared to be Your Partner

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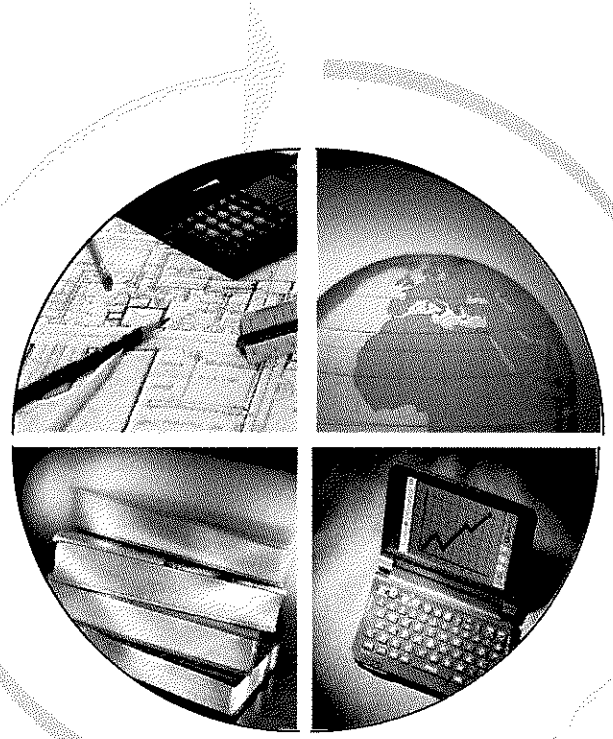
Capital Cities' Services & Deliverables

Strategic Planning

- Asset Allocation/Liability Analysis
- Investment Structure/Manager Structure Evaluation
- Investment Policy/Guidelines
- Service Provider Evaluation
- Fiduciary Review

Education & Research

- Customized Client Workshops
- Callan Investments Institute
- Periodicals
- Research
- Surveys
- "Callan College"
- Weekly DC eNewsletter



Plan Implementation

- Manager/Fund Review and Search
- Custodian/Recordkeeper/Program Manager Review and Search
- Transition Management
- Transaction Analysis
- Fee/Cost Analysis

Measurement & Evaluation

- Style and Style Groups
- Risk Adjusted Returns
- Risk/Return Analysis
- Portfolio Characteristics
- Attribution Analysis
- Fund/Plan Competitiveness

We provide the full spectrum of consulting resources, but deliver them with the 'high touch' of a boutique firm. We pride ourselves on producing superior work, at a fair price.

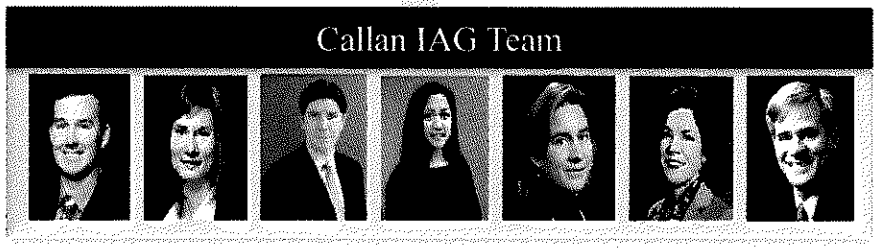
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Our Business Model Leads to Best Thinking and Superior Service

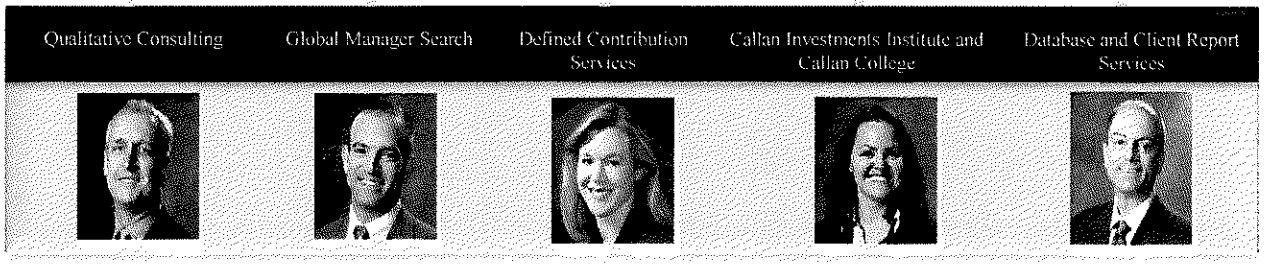
Capital Cities' Team produces and delivers all client projects



Coordinates internal resources of Callan's specialty groups for delivery to Capital Cities



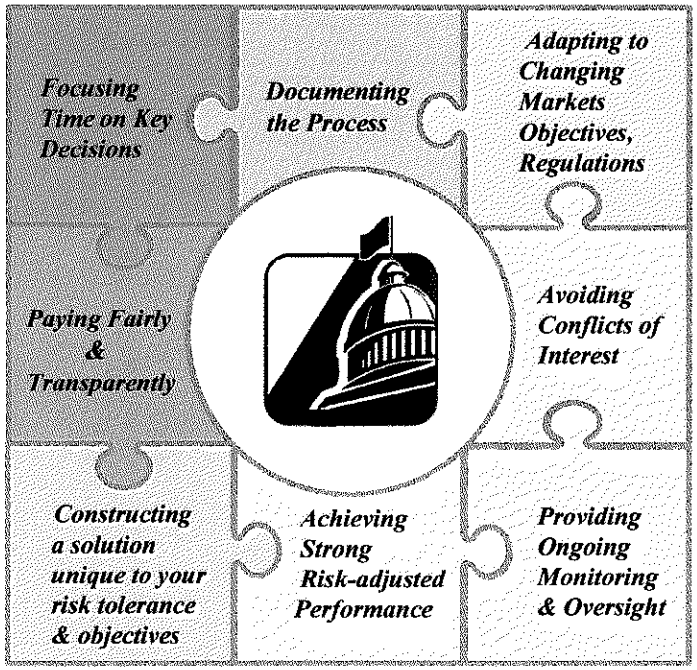
Collaborates with Capital Cities' Investment Committee to provide the best thinking to Capital Cities' clients



Our relationship with Callan allows our Team to remain 100% client-centered and project focused.

We Give You the Utmost Care and Attention

Our fee covers a comprehensive service model designed to assist you in meeting your goals



Our goal is to act solely in the interest of your beneficiaries.
Every decision related to your Plan starts with us asking "What would we do if we were you?"

We will protect you as a fiduciary, but we also strive to protect capital.
While most investment consultants are able to provide services to meet their clients' fiduciary needs, we believe there are very few who are truly providing this service from a risk management perspective.

Our clients are different from one another, with unique needs and risk tolerances.
We have experience working with all types of institutional clients and will draw on this to better serve you, but will approach your Plan with customized solutions.

An expected return is NOT an investment objective.
We ensure your investment options meet the unique needs of your participants with regards to risk objectives and time horizon.

Your time is valuable.
We empower you to make key decisions and spend time where it is most impactful to the overall Plan. Think of us as an extension of your staff – we can handle time-consuming activities on your behalf, to your desired level of detail/participation.

It takes each piece of the puzzle to ensure that fiduciaries achieve their goals.
We serve as a trusted partner to our clients, ensuring that the assets they oversee are managed with the utmost care, in the context of an ever-changing investment environment.

Capital Cities is Forward Looking and Nimble

Challenges Relevant to Your 529 Investment Option Line-Up:

- Market volatility is exacerbated by the relatively short time horizon of participants
- Rising college tuition costs may cause participants to seek higher returns
- Increasing correlations among asset classes impact ability to truly diversify
- Fixed income environment is concerning, particularly for beneficiaries nearing college

Capital Cities' Focus:

Our forward-looking philosophy and nimble size lead to proactive recommendations to clients:

- View diversification in terms of different possible market and economic scenarios (not relying solely on optimization and traditional style boxes)
- Incorporate diversifying styles, including inflation protection, alternatives and more flexible equity and fixed income options
- Ensure active managers have a clear competitive edge and ability to add value through downside protection or upside participation
- Understand tracking error but also emphasize absolute vs. relative performance

Examples of our Recent Innovations within 529 and Defined Contribution Plans:

- Out of State 529 Plan – Conducted extensive analysis to provide a spectrum of solutions to better diversify and lower costs of Plan options despite stringent program manager constraints
- In-State 529 Plan – Introduced absolute-return oriented fixed income exposure within the age-based options to improve the interest rate risk exhibited by the existing benchmark-constrained fixed income piece
- Public DC Plan – Introduced alternatives exposure (through an absolute-return oriented, daily-valued fund) to improve overall diversification and less reliance on traditional stocks and bonds

References

Indiana CollegeChoice 529 Plans
Jodi Golden, Executive Director
One North Capital, Suite 444
Indianapolis, IN 46204
jgolden@tos.in.gov
(317) 232-5259
Client since June 2003

District of Columbia (DC) 529 College Savings Plans
Brenda P. Mathis, Program Director
1101 4th Street SW, 8th Floor
Washington, DC 20024
Brenda.Mathis@dc.gov
(202) 727-0780
Client since August 2009

Indiana Public Retirement System Annuity Savings Account Plan
David Cooper, Chief Investment Officer
One North Capital, Suite 001
Indianapolis, IN 46204
DCCooper@inprs.in.gov
(317) 234-2370
Client since April 2010

We encourage you to contact our references, as we have experienced excellent client retention as a result of our dedicated client service.

Additional Information

Biographies of Meeting Attendees

Joe Bill Wiley—Founder and Principal

Mr. Wiley is a co-founding Principal of Capital Cities, L.L.C., of Indianapolis, Indiana. Before joining Capital Cities in 1991, Mr. Wiley spent eight years in and out of Washington, DC, working for several prominent members of the United States Senate. He maintains many of these relationships today. In 1996, he served as National Finance Director of the Richard G. Lugar for President Campaign. Additionally, Mr. Wiley is a founding member and past Chairman of the Board of the Indiana Chapter of ALS, Inc. ("Lou Gehrig's Disease"). Mr. Wiley was appointed in 2012 by former Governor Mitch Daniels to serve as Commissioner to the White River State Park Commission. Mr. Wiley is responsible for marketing Capital Cities' services and for coordinating the primary servicing and educational training to Capital Cities' clients. He is a member of Capital Cities' Investment Committee and of the Investment Management Consultants Association. B.A., Criminology, Indiana University.

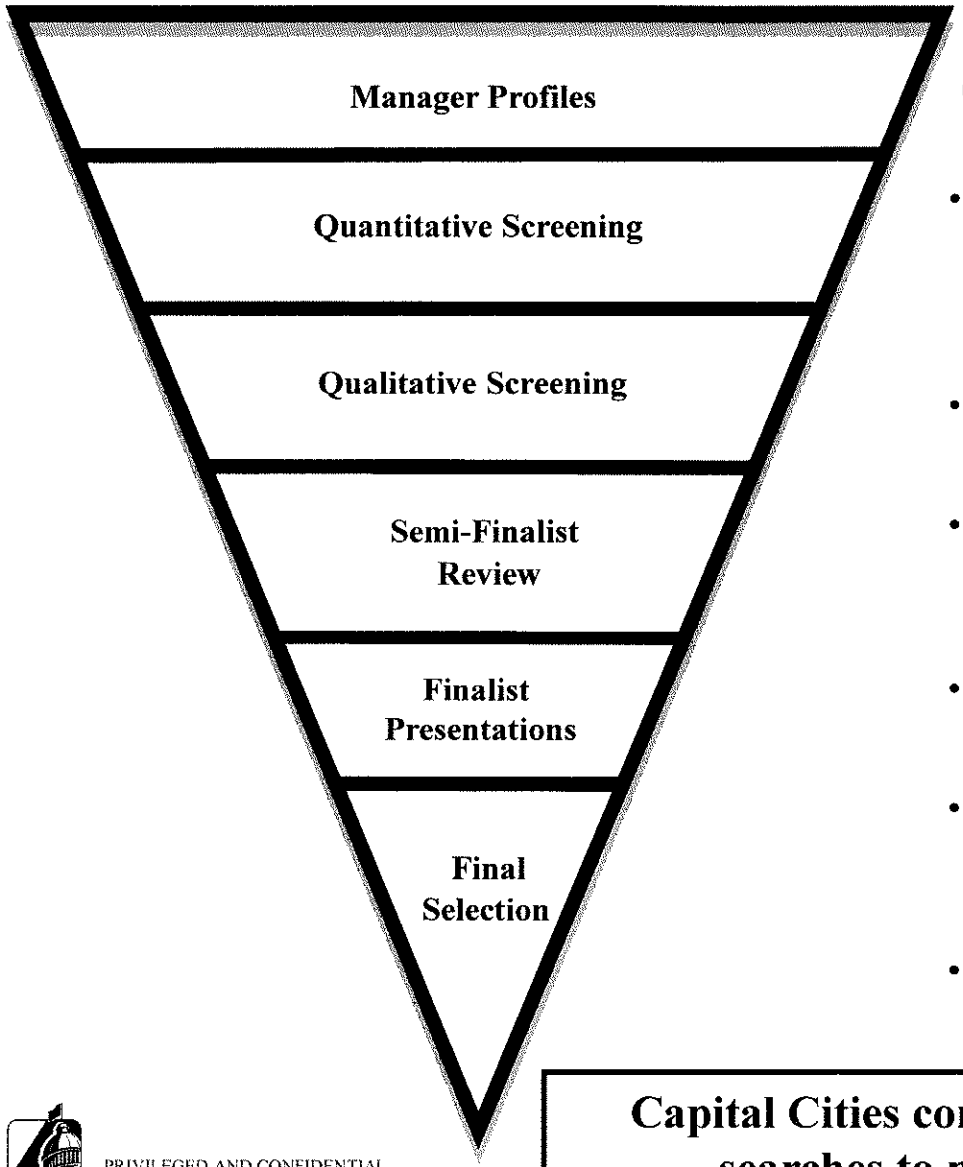
Tiffany Spudich—Director, Client Relations

Ms. Spudich is a Director at Capital Cities, L.L.C. of Indianapolis, Indiana. Her primary responsibilities involve overseeing and supporting the firm's client relationships by providing proactive and responsive service. Ms. Spudich plans, develops and manages client projects by providing custom solutions for each client's unique initiatives. While Ms. Spudich serves all of the firm's clients, her expertise is in participant-directed plans including 529 and defined contribution plans. As a member of Capital Cities' Investment Committee, she actively conducts investment manager research, along with ongoing due diligence of clients' investment managers. Ms. Spudich authors insightful white papers for the firm's clients and prospects. She also assists with the development and execution of Capital Cities' marketing initiatives. Ms. Spudich is an eleven-year veteran of the firm. B.S., Business, Indiana University; M.B.A., University of Indianapolis.

Amanda Black, CAIA—Director, Client Strategy

Ms. Black is a Director at Capital Cities, L.L.C. of Indianapolis, Indiana. Her primary responsibility is to oversee the formulation of customized investments strategies for the firm's clients, matching each client's unique objectives with forward-looking portfolio construction. Ms. Black takes pride in the collaborative and educational aspects of the consulting role, always striving to help clients navigate the opportunities and risks they face in their fiduciary roles. As a member of Capital Cities' Investment Committee, Ms. Black contributes to all areas of the Capital Cities' client-centered experience, from strategic planning to investment manager due diligence to ongoing monitoring. Ms. Black's investment career began at 40|86 Advisors, where she was a Senior Portfolio Analyst. Additionally, she honed her skills communicating the complexities of investing to a wide audience in her role as the Education and Marketing Communication Manager at the Indiana Public Retirement System (INPRS). Ms. Black serves as a gubernatorial appointee on the School Board for the Indiana School for the Blind and Visually Impaired. She holds the Chartered Alternative Investment Analyst (CAIA) designation and has completed Level I of the Chartered Financial Analyst (CFA) designation. B.A., Communication, Hanover College; M.B.A., Anderson University.

Investment Manager Search Process



The Process:

- Capital Cities prides ourselves on our in-depth Manager Search Process. Each search is customized to the client's unique needs and the full universe of managers (not just those who submit information to traditional databases) are at our disposal.
- We maintain the resources of a large firm, but have the flexibility to "look outside the box" and truly seek alpha.
- Our process leads us to identify managers who exploit asymmetric return opportunities and managers that have sustainable investment themes and processes.
- We look beyond simple quantitative evaluations and recognize that the time to invest with managers is often not the easy time.
- Continuously sourcing managers allows us to proactively make recommendations to your structure – not just when there is a problem.
- We believe the best sourcing ideas most often come from industry experience and trusted contacts.

Capital Cities conducts highly customized manager searches to meet our clients' unique needs.

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Investment Manager Review Process

Rhode Island 529 Investment Managers

Quantitative Factors Evaluated

- The volatility of the investment rates of return of a Manager compared to the volatility of an appropriate market index and peer group
- Comparisons of a Manager's performance to appropriate index and peer group over various time periods
- Adherence to stated risk and return objectives and portfolio exposures in relation to the market environment and stated philosophy and process

Qualitative Factors Evaluated

- The Manager's adherence to the IPS guidelines
- An evaluation of each manager's organization, investment philosophy, product dynamics and people

When Evaluation Leads to Action

Changing managers should be considered when an extraordinary event or a pattern of performance suggests that the product has a low probability of delivering the expected style or performance in the future.

Extraordinary Events include, but are not limited to:

- Ownership changes (e.g., key people "cash out")
- Key people leave firm
- Manager changes the strategy it was hired to implement
- Manager is involved in material litigation or fraud
- Material client-servicing problems
- Change in financial condition
- Extreme performance volatility

Long-term or short-term performance issues.

Actions Taken

- Further Review conducted
- Manager Alert issued; if necessary

Recommendation to Retain, Watchlist or Terminate

Efficient, Productive and Customizable Reporting Process

Focuses Your Time and Empowers You to Make Intelligent Decisions

Considerations & Observations – sets the agenda for each meeting and documents ongoing due diligence

Topic	Situation/ Performance	Observations	Adjustments Needed
Items for Discussion:			
Fee Analysis	Program manager, investment managers and consultant fees should be monitored periodically.	- Capital Cities has prepared a Fee Analysis to assist the Board in benchmarking and reviewing all fees.	See Fee Presentation dated December 2013.
Manager C (Page 10)	Personnel change and Watchlist Recommendation.	- Manager C announced the departure of Co-PM, Mr. Brown, leading to slight changes in the investment philosophy and process of the strategy. - While the long-standing Co-PM structure mitigates concern, Capital Cities will be closely monitoring asset flows, performance and team stability.	See Watchlist Memo dated December 2013.
Ongoing Review:			
Manager D (Page 11)	Short-term Performance.	- The Fund's last three-year return has fallen below the median of peers and is underperforming the index. - Manager D's tendency to invest in higher quality, dividend-paying stocks in more defensive industries has lagged the broader equity markets in the recent equity rally.	Continue to closely monitor performance, expecting outperformance in down equity markets.

Stoplight Matrix – succinctly reflects our ongoing manager due diligence

Criteria	Manager A	Manager B	Manager C	Manager D	Manager E	Manager F	Manager G	Manager H
Page #	8	9	10	11	12	13	13	13
Qualitative Review	●	●	*WL*	●	●	●	●	●
Long-Term Performance	●	●	●	●	●	●	●	●
Short-Term Performance	●	●	●	●	●	●	●	●

Ranking	Legend
●	Everything is good to excellent in this area
	Caution is warranted but action is not required at this time
●	Action is required or is being taken
	White background indicates a Change in Status
WL	Watchlist Status