

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS **ACCESS TO CAPITAL SUBCOMMITTEE**

PUBLIC SESSION

October 25, 2013

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Friday, October 25, 2013, in Public Session, beginning at 12:30 p.m., at the offices of the Rhode Island Economic Development Corporation located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all subcommittee members, and public notice of the meeting, a copy of which is attached hereto as Exhibit A, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following subcommittee members were present and participated throughout the meeting as indicated: Subcommittee Chairperson Mr. Jerauld Adams, and Mr. Tim Hebert.

Also present were: Mr. J.R. Pagliarini and Mr. Marcel Valois of the Corporation. Also present was Mr. Ken Smith, Chief Executive Officer of BDC Capital Corporation.

Absent subcommittee members were: Mr. Stanley Weiss

Mr. Valois began the meeting by explaining the financing tools currently available and housed within the Corporation. He noted that the Corporation offers conduit revenue bond issuance of Tax-Exempt Bonds and Taxable Bonds to non-profit businesses and governmental agencies. The Corporation also offers conduit revenue bond issuance of Tax-Exempt Bonds and Taxable Bonds to for-profit businesses through the Rhode Island Industrial Facilities Corporation ("RIIFC"). Mr. Valois explained that RIIFC was not a subsidiary of the Corporation, but rather the staff of the Corporation administered the program. Also staffed by the Corporation were bonds issued through the Rhode Island Industrial Recreational Building Authority ("IRBA"). IRBA issues Bond and Mortgage insurance which can cover borrowings up to a loan to value of 90% on industrial real estate, 80% of machinery and equipment, and 75% of tourist-travel or recreation projects. Mr. Valois added that the Corporation also issued grants and loans through its Renewable Energy Fund and loans through the Small Business Loan Fund Corporation ("SBLFC"). He explained the SBLFC is a subsidiary Corporation which administers federal funds through a revolving loan fund program. As there is no state monies included in the fund the loans provided are subject to federal regulations and restrictions.

Mr. Valois indicated to the subcommittee that he felt the programs within the Corporation had suffered over the last two years in the wake of the 38 Studios deal as well as due to the state of the economy, lack of customer service, and due to the fee structures of the programs. He noted that upon his appointment as Executive Director of the Corporation he began exploring ways to enhance the programs available through restructure or possible partnerships. He explained that restructure was difficult due to the legislative governing of RIIFC and IRBA and the federal regulations associated with the SBLFC. These issues lead to the exploration of possible partnerships with other financial providers. Mr. Valois felt he found a valuable partner in BDC Capital Corporation.

Mr. Valois introduced Mr. Ken Smith of BDC Capital Corporation (“BDC”) to the subcommittee members and asked that he provide some background information about his company. Mr. Smith explained to the subcommittee that BDC Capital has many options for businesses, from working capital lines of credit to term loans to SBA 7(a) and 504 term loans, to mezzanine and private equity investments. He noted that his business development teams were viewed as high level problem solvers that are able to match specific needs of businesses with various financing products. Mr. Smith felt that a partnership with the Corporation would provide the businesses of Rhode Island with greater access to capital as the products available through BDC covered financing gaps that the Rhode Island Economic Development Corporations financing programs could not currently fill with the products they have available. Mr. Smith also noted that providing businesses with a “one stop shop” for financing would result in a greater experience for the potential clients and businesses within the state.

Mr. Valois indicated that next steps would include further due diligence as to the logistics of developing a partnership between the Corporation and BDC Capital Corporation. He felt that the Corporation’s role would best be served by creating a climate that is favorable for people to do business in. Although this does include greater access to capital, he felt that programs which included some kind of tax incentives or other incentives for businesses in the state could be very effective and needed to be explored in tandem with this proposed partnership.

There being no further business in public session, the meeting was adjourned at 2:10 p.m.