

RHODE ISLAND COMMERCE CORPORATION

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

PUBLIC SESSION

May 8, 2014

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Commerce Corporation ("Commerce RI") met on Thursday, May 8, 2014, in Public Session, beginning at 1:00 p.m., at the offices of Commerce RI 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 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, Mr. Stanley Weiss, Mr. Tim Hebert, Ms. Paulette Hamilton and Mr. Robert Mancini.

Also present were: Mr. John R. Pagliarini, Chief of Staff of Commerce RI, Mr. Marcel Valois Executive Director of Commerce RI, Ms. Hannah Morini, Renewable Energy Program Manager, Mr. William Ash, Managing Director of Financial Services for Commerce RI, and Mr. Thomas Carlotto, legal counsel to Commerce RI.

Mr. Valois began the meeting by welcoming Mr. Mancini and Ms. Hamilton to the subcommittee. He explained the purpose of the subcommittee and provided some background of the subcommittee. He noted the full Commerce RI Board relied on the subcommittee to review or "vet" financial transactions that would be coming before them for approval. He felt the subcommittee should consist of three Board members as well as two members of the community who are knowledgeable about finance and unaffiliated with the projects that would be brought before them. Mr. Valois introduced Mr. Mancini and Ms. Hamilton to the subcommittee.

Mr. Valois explained that Renewable Energy Fund ("REF") projects currently are brought before the full Commerce RI Board for approval. He stated he felt there was a level of discomfort from the Board surrounding these requests as the members were being asked to vet the technology being brought before them as well as review financial statements for these applicants. He noted members of the Slater Technology Fund may be able to offer a partnership with Commerce RI which would help it administer funds of this program.

Ms. Morini reviewed the funding sources for REF and discussed the Rules and Regulations relating to these programs. She explained that the statutory authority over

these funds currently lies with Commerce RI. She felt a partnership with Slater could be beneficial for both parties. She asked Mr. Sparkman to address the subcommittee regarding this concept.

Mr. Sparkman provided some background to the subcommittee about the Slater Technology Fund and outlined the types of investments it participates in using a slideshow presentation (attached hereto as Exhibit A). He noted Commerce RI and Slater could potentially partner to create a venture capital limited partnership which would benefit both parties as well as RI business looking to benefit from the venture capital fund. It was noted that the subcommittee would not vote on this potential proposal, but provide insight as to whether this appears to be a viable endeavor. The subcommittee would only be asked to recommend the proposal be brought before the Commerce RI Board for consideration.

Mr. Sparkman explained in August, 2013, the REF approached Slater regarding outsourcing its investment function associated with early commercialization of energy technology. At that same time Slater was at the early stage of creating a dedicated fund by pooling capital from the private sector, to target early-stage energy companies. He felt the alignment in timing and mission presented a singular opportunity to accelerate energy technology venture development in the state.

Mr. Sparkman indicated Slater intends to create an \$8-million dollar venture capital limited partnership, Slater Energy Fund, (the "Fund") for which Slater will act as the General Partner. The Fund will invest in Rhode Island energy technology companies while operating profitably and sustainably. The Fund's focus is on renewable energy, energy management and storage, and resource efficiency, through technology and business model innovation.

Mr. Sparkman noted the Slater Energy Fund would pool dedicated capital from institutions, pension funds, corporations and accredited investors, investing with standard market terms in a classic Venture Capital Limited Partnership Structure, wherein Slater, as the General Partner, is responsible for all fund raising, investment decision-making, portfolio management, and reporting. He stated the Fund would make initial Series A investments in companies, and would reserve capital for follow-on investment in each deal. He indicated Slater would seek to organize the Fund as a "Certified Venture Capital Partnership" by seeking qualification from CommerceRI for the Fund and its investments, in order to offer tax advantages to Limited Partners with Rhode Island tax liability. Slater would then invite the REF to participate as an investor in the Slater Energy Fund by committing to a \$3-million Limited Partner investment in the partnership, which will include \$5 million from private investors. Mr. Sparkman felt an REF investment would

constitute a critical piece of momentum as Slater markets the Fund to private investors.

There was some discussion regarding the role of the Commerce RI Board in this proposed partnership. It was noted the Slater would provide periodic updates to the Board regarding the status of the fund and the investments made and would submit compliance agreements for each investment certifying the investment was properly vetted by the Board of the Fund. The discussion continued and addressed the issue of whether companies receiving capital from this fund would need to remain in RI. Mr. Sparkman indicated it would be difficult to enforce this but there could potentially be some claw back provisions included that would trigger some kind of repayment from companies that leave the state.

The subcommittee agreed that conceptually the proposal was sound and should be brought before the full Board of Commerce RI for consideration.

There being no further business in public session, the meeting was adjourned at 2:22 p.m.