

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

DECEMBER 19, 2005

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, December 19, 2005, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation, located at One West Exchange Street, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Donald L. Carcieri, Mr. Frank Montanaro, Mr. George Shuster, Mr. Joshua Miller, Ms. Barbara Jackson, Ms. Alma Green and Ms. Cheryl Merchant.

Directors absent: Mr. Keith Stokes.

Also present were: Executive Director Michael McMahon, members of the Corporation's staff and Attorney Robert I. Stolzman.

Governor Donald L. Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Governor Carcieri called the meeting to order at 4:00 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON NOVEMBER 28, 2005

Upon motion duly made by Mr. Montanaro and seconded by Mr. Shuster, the following vote was adopted:

VOTED: To approve the public session minutes of the meeting held on November 28, 2005, as presented to the Board this date.

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Shuster, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

3. FOR EXECUTIVE DIRECTOR'S REPORT

Director McMahon reported on the status of consideration given by staff to the eminent domain issues. He circulated a Memorandum prepared by counsel, Robert I. Stolzman, outlining various process and substantive protections that can be given to property owners to assure that eminent domain is used wisely by the EDC (See Exhibit A). Governor Carcieri commented that his goal is to make it clear that Rhode Islanders do not have to fear that their house will be taken for economic development purposes in order to simply improve the value of the property or to change its type of economic productivity. He doesn't think Rhode Island should be in the position that New London, Connecticut was in where citizens feel pressured by government to sell their homes or to have their homes taken by condemnation for another private owner or for a business. He is hopeful that the Board will review the options presented in the Memorandum, narrow down the options to those that will offer protection and adopt certain protections soon into 2006.

Director McMahon also reported on the success of the innovation at scale re-branding effort by the EDC. He noted that the Business Innovation Factory's innovation at scale program was attended by high level executives from IBM and Proctor & Gamble. At a forum sponsored by Governor Carcieri and Representative Kennedy on December 16, 2005, former Speaker of the House, Newt Gingrich, commented that Rhode Island is the perfect place to try to fix health care problems. Governor Carcieri and Director McMahon commented on the difficulties high medical costs create on businesses.

4. FOR APPROVAL OF SECOND TRANCHE GARVEE FINANCING

Mr. Richard Reed presented a summary of the second tranche of the Garvee Bonds. He commented that the additional funding will allow the completion of the Sakonnet Bridge, I-195 freight rail improvement and Rte. 403 projects pursuant to the documents presented to the Board this date. Mr. Reed further noted that the recommendations to accelerate the issuance from June 2006 to March 2006 is to take advantage of rate placement and low cost hedge strategies. There was some discussion regarding ratings for these bonds, and Mr. Reed commented that it is anticipated that the rating of these bonds will be better than the previously approved bonds as the market is more comfortable with them. Both Governor Carcieri and Mr. Reed noted that increased bond ratings will decrease cost.

Upon motion duly made by Mr. Shuster and seconded by Mr. Montanaro, the following vote was adopted:

VOTED: See text of Vote at **Exhibit B.**

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Shuster, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

5. **FOR APPROVAL OF INDUCEMENT RESOLUTION FOR \$20,000,000 RIEDC TAXABLE INDUSTRIAL REVENUE BOND FOR BENEFIT OF TORAY PLASTICS (AMERICA), INC.**

Mr. Earl Queenan presented the \$20,000,000 private placement bond issuance on behalf of Toray Plastics. Mr. Queenan noted that Gagecon Inc., a subsidiary of Toray, will be the private purchaser of the bonds. It is a “zero risk” proposition for the state as the bonds are non-recourse and based upon the balance sheet of Toray Plastics and its subsidiary, Gagecon. The purpose of the financing is to take advantage of market rates, cost of issuance and sales tax exemptions that are a benefit of the bond program. Ms. Jackson inquired as to whether the debt will be on the state balance sheet, to which Mr. Queenan commented that as it is a private placement, taxable bond, the state is acting as a conduit only, and the debt is not on the state’s balance sheet. Mr. Miller inquired as to whether a portion of the bond proceeds, which would be utilized by Toray to purchase land at Quonset, has been approved by the Quonset Development Corporation, to which Director McMahon, who chairs the QDC, responded that the QDC has approved the sale of the land to Toray Plastics.

Upon motion duly made by Ms. Green and seconded by Ms. Jackson, the following vote was adopted:

VOTED: See text of Vote at **Exhibit C.**

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Shuster, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

6. **FOR APPROVAL OF RETIREMENT AND SAVINGS PLAN PROPOSALS AND DISCUSSION HEALTH PLAN**

Mr. Reed referred the Board members to his memorandum dated December 13, 2005 (See **Exhibit D**) and explained that the goal of the proposed changes to the health plan and the retirement plan for the EDC is to change the health plan to a “consumer driven” model. He announced that the EDC will be utilizing a health savings account option with a high deductible plan pursuant to which the staff of the EDC will have a higher deductible health insurance plan with United Health Care. The EDC will utilize the current savings from the plan to fund the first year contribution into the plan for EDC employees. Thereafter, EDC employees can contribute to the plan with pre-tax dollars. Additionally, the plan rolls over from year to year, so it is not a “use it or lose it” proposition. Ms. Pat Page, Director of Human Resources, anticipated that this would reduce the cost of coverage for the EDC by 20% to 25% versus a preferred provider plan. With respect to the retirement plan, the current defined benefit plan will be converted to a defined contribution plan (much like a 401 (k)) with matching funds. Existing employees will utilize the existing defined benefit program and new employees commencing January 1, 2006 will start with the defined contribution plan.

Upon motion duly made by Mr. Shuster and seconded by Mr. Miller, the following vote was adopted:

VOTED: See text of Vote at **Exhibit E.**

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Shuster, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

7. FOR APPROVAL OF FISCIAL YEAR '07 BUDGET

Director McMahon commented that the budget would be "level funded." The EDC is well run with good people, he commented. Mr. Reed commented that during the F/Y 07 years the EDC is anticipating for a level expense, but will not be receiving fees from financings that otherwise would have received from the Garvee and the Rhode Island Airport Corporation bonds at the request of the state budget office.

There was some discussion regarding specific income and expense allocations. Mr. Miller commented that it is his hope that the state, either through the EDC or other agencies, will contribute more money toward the promotion of new hotel rooms. Governor Carcieri agreed that tourism advertising is important, but he believes enough money already is allocated through the regional tourism boards, but that money is absorbed into high overhead costs, rather than putting the money directly into advertising.

Upon motion duly made by Mr. Montanaro and seconded by Ms. Jackson, the following vote was adopted:

VOTED: See text of Vote at **Exhibit F.**

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Shuster, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 5:00p.m., upon motion by Mr. Shuster and seconded by Mr. Montanaro.

Robert I. Stolzman, Secretary