

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

APRIL 24, 2006

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, April 24, 2006, 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. Keith Stokes, Mr. George Shuster, Ms. Barbara Jackson, and Mr. Alexander Biliouris.

Directors absent: Mr. Frank Montanaro, Ms. Alma Green and Ms. Cheryl Merchant.

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

Governor 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 MARCH 27, 2006

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

VOTED: To approve the public and executive session minutes of the meeting held on March 27, 2006, as presented to the Board this date.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Jackson and Mr. Biliouris.

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. McMahon reported that there is no news on the Bristol-Meyers matter, which he perceives as not good news. He expressed his opinion that if Rhode Island was in serious contention, there would be ongoing discussions. Mr. McMahon stated that he had spoken to people on the Bristol-Meyers team regularly over the last three weeks.

Governor Carcieri noted that when he talked to representatives of Bristol-Meyers, he had the impression that they needed to make a decision soon, and, while there is no official deadline, his sense is that a decision will be made before the end of the second quarter of 2006.

Mr. McMahon stated that some activities at Quonset have been put on hold while a decision by Bristol-Meyers is awaited.

Regarding the debate over taxes in the legislature, Mr. McMahon noted that Jean Robertson and Fred Hashway have been very effective in explaining the tax issues to the General Assembly. He stated that the House members are focused on personal income taxes, while the Senate members are focused on property taxes. Mr. McMahon noted that people in the State realize that Rhode Island is driving people away because of high taxes, with the result being that the burden will fall on those who need social services. He noted that there has been a structural deficit for the last three years, to which Governor Carcieri responded that it is a question of revenue vs. spending expectations.

Governor Carcieri reported that he had received a call from a local business leader who is very concerned about the tax situation in Rhode Island and referred to an article in the Wall Street Journal stating that Arizona is about to reduce its income tax from a flat 5% to a flat 4% rate. He stated that the tax issue is a real problem for Rhode Island, especially with Massachusetts having made favorable changes to its income tax structure. Governor Carcieri noted that he is skeptical about the resolve of the House and Senate to get things done.

Mr. Shuster mentioned a rift between RIPEC and the Chamber of Commerce business community a month ago with respect to their respective tax policy positions. He asked if it had risen to the level of public visibility, to which Governor Carcieri responded in the negative. Governor Carcieri noted that the Chamber of Commerce has put a lot of time into looking at personal income taxes, while RIPEC is looking at a broader picture, including property taxes.

Mr. McMahon stated that the Greater Providence Chamber of Commerce favors a flat income tax, which is easy to understand, while RIPEC is more interested in broader tax relief and voter initiative, both of which are more complex and unpopular with the legislature, and both of which have had different experiences in different states. He noted that voter initiative is perceived as a transfer of power, which sets up a different debate, and that it is necessary to get more people involved.

Mr. Stokes stated that the real issue is that the House leadership came out without the Senate leadership. Mr. Stokes credited Senator Theresa Paiva-Weed for suggesting that the legislature look at the existing tax programs regarding incentives, to see if they still work, and stated that the best next step is to look at where taxes programs can be re-defined. Mr. Stokes noted that the Senate is the stumbling block, not the House.

Governor Carcieri stated that he has always felt that tax incentive programs have been great in jump-starting a lot of businesses over the years, but there is a need to look at where to go afterwards.

Mr. Stokes noted all the physical development happening in the State at the current time, and asked if transportation oriented development is being considered, stating that it is important to consider how people are going to get around. He suggested using technology to create new forms of transportation, especially considering the increasing energy prices, which will affect where people live, work and play. He stated that there needs to be less reliability on cars to get around.

4. FOR APPROVAL OF SELECTION OF CORPORATE AUDITOR

Mr. Richard Reed stated that a Board vote is necessary to approve the selection of a Corporate Auditor, and referred the Board members to the information in their packages regarding this matter (See Exhibit A). He noted that auditor tenures have been for three-year cycles, and that, while there had been a practice of rotation of auditors, there is no statutory requirement for it. The three firms to respond to the RFP were Lefkowitz Garfinkel, Prescott Chatellier and Carlin Charron. Mr. Reed stated that Prescott Chatellier's predecessor, Cayer Prescott, was the EDC's auditor seven years ago, and that Lefkowitz Garfinkel had been the auditor for the last six years.

Mr. Reed reported that the selection committee's recommendation was to retain Lefkowitz Garfinkel, even though they were not the low bidder. The lowest bidder was Prescott Chatellier, which was lowest by a significant amount. After discussing the matter with Ernest Almonte, of the Office of the Auditor General ("OAG"), Mr. Reed stated, it was Mr. Almonte's opinion that the Corporation has a duty to accept the lowest bidder.

Governor Carcieri asked if it was certain that Prescott Chatellier's bid was accurate enough to know for certain that the outcome would be much lower than the other bidders. Mr. Reed responded that he felt that Prescott Chatellier's bid was about 150 man-hours shy and gave them a chance to re-submit their bid, but the firm chose not to do so. He stated that Prescott Chatellier had lost some municipal work which had freed up staff and that they wanted to keep the staff working. Mr. Reed also noted that the bid is a fixed price, regardless of the man hours, which was also Mr. Almonte's point.

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

VOTED: That the Rhode Island Economic Development Corporation (the "Corporation"), acting by and through its administrative staff, hire Prescott Chatellier as its outside independent corporate auditor for the next one-year period pursuant to the terms and conditions presented to and approved by the Board of Directors of the Corporation this date.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Jackson and Mr. Biliouris.

Voting against the foregoing were: None.

Prior to adjournment, Mr. Stolzman reported that Board training sessions, as required by law, will be held over the next several months.

There being no further business in Public Session, the meeting was adjourned at 4:35 p.m., upon motion made by Mr. Shuster and seconded by Mr. Stokes.

Robert I. Stolzman, Secretary