

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

JUNE 26, 2006

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, June 26, 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: Mr. Frank Montanaro, Mr. Keith Stokes, Mr. George Shuster, Ms. Barbara Jackson, Ms. Alma Green, Ms. Cheryl Merchant and Mr. Alexander Biliouris.

Directors absent: Governor Donald L. Carcieri.

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

Mr. Frank Montanaro presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Mr. Keith Stokes called the meeting to order at 4:05 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON MAY 22, 2006

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

VOTED: To approve the public session minutes of the meeting held on May 22, 2006, as presented to the Board this date.

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

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Saul Kaplan reported that the Senate confirmed his appointment as Executive Director of the Corporation on June 20, 2006. He reported that the 2005/2006 legislative session, which closed over the previous weekend, was a successful one for the EDC. Legislators approved the EDC's \$6.6 million budget, as well as the marginal tax relief and property tax cap relief programs, all of which bode well for economic development in the State of Rhode Island. Mr. Kaplan noted that the EDC team worked very hard to achieve the passage of these items. He reported that the legislators also passed an entrepreneur tax credit.

Mr. Kaplan also reported that the legislature approved a modest innovation agenda for the coming year. He stated that the Science and Technology Advisory Commission ("STAC") completed its first year and made a series of specific innovation recommendations, and that the legislature approved a \$1.5 million grant which will help build a stronger research program, including a commission to study URI's research capacity with respect to science and technology. The legislature also codified STAC as a state body, and approved a \$100,000 budget to support and/or staff STAC.

One item which did not achieve legislative approval was STAC's recommendation to support a wireless network. Mr. Kaplan noted, however, that Governor Carcieri has allocated funds which will allow the extension of a wireless network to Foster/Glocester.

Mr. Kaplan stated that the STAC team worked hard to create a science and technology agenda and he is pleased with the results, particularly with the efforts of Mr. Hashway and others.

A change in the way Project Status is granted to companies has been changed by the recent legislation, reported Mr. Kaplan, who stated that Project Status is one of the few tools the EDC has to help companies with tax incentives. The statute has now been changed so that approvals for Project Status by the EDC Board will be subject to House and Senate approval. Mr. Kaplan noted that, although it will take more time for Project Status to be approved, he looks forward to working with the General Assembly and finding more tools the EDC can use to help businesses. Mr. Kaplan promised to work with the General Assembly to get things done.

Mr. Stokes noted that it is a positive notion to work with the General Assembly and that it is important to continue dialogue with legislators. He stated that working with the General Assembly on Project Status will present an opportunity to educate the legislators in what the EDC is really all about.

Mr. Biliouris expressed his concern that requiring the approval of the General Assembly will prolong the Project Status approval process. Mr. Kaplan stated that he will meet with the General Assembly leaders to review the process and keep things moving.

4. APPROVAL OF BANK ACCOUNT SIGNATURES FOR SAUL KAPLAN

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

VOTED: See text of vote at **Exhibit A.**

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

Voting against the foregoing were: None.

5. APPROVAL OF INSURANCE COVERAGE FOR THE CORPORATION

Mr. Richard Reed referred the Board members to the memorandum in their packages summarizing the process and selection of insurance coverage for the Corporation (See **Exhibit B.** He noted that proactive changes are being recommended which will affect significant savings of about \$130,000 in workers compensation and property and casualty insurance premiums.

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

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

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

Voting against the foregoing were: None

6. APPROVAL OF LIST OF OUTSIDE AND CORPORATE COUNSEL

Mr. Reed referred the Board members to the memorandum in their packages summarizing the legal services RFP (See **Exhibit C.** He noted that the process for review and selection of outside and corporate counsel was the same as it was three years prior. Mr. Reed stated that ten firms applied and ten firms were qualified. He also reported that Adler Pollock & Sheehan P.C. had been selected to continue to serve as general corporate counsel.

Mr. Reed noted a modifier to two of the law firms selected, to indicate that these firms currently represent clients who have an adverse position to the EDC in litigation matters. He stated that Mr. Andrew Hodgkin had pointed out the importance of having a disclaimer regarding such conflicts.

Mr. Shuster commented that his experience in New York indicated that the two law firms would have been disqualified due to such conflicts. In response, Mr. Stolzman stated that Rule 1.7 of the Rhode Island Rules of Professional Conduct prohibits lawyers from representing opposing parties. He noted, however, that certain transactional representations are allowed, with consents from the clients. He also noted that Rule 1.7 would allow such representation once the conflict is no longer present. Mr. Stolzman stated that it is the lawyer's obligation to inform the client of such representation.

Mr. Shuster suggested that the approval be modified to state that the firms are all approved subject to Rule 1.7. Mr. Stolzman agreed that this was a good suggestion and stated that the vote would be amended to reflect this.

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

VOTED: See text of vote at **Exhibit C**, as amended.

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

Voting against the foregoing were: None

7. FOR PART II OF BOARD TRAINING MODULE – RHODE ISLAND CODE OF ETHICS

Attorney Stolzman continued with the second part of the training sessions for the Board members, as required by the separation of powers legislation, by presenting a session regarding the Rhode Island Code of Ethics (See Index at **Exhibit D**).

Mr. Stolzman explained that the members of the Board are subject to the Rhode Island Code of Ethics (the "Code") because they are state-appointed officials. He stated that the primary purpose of the Code is to ensure that public officials work for the public good, not for their own personal good. He explained that there used to be a notion that as long as the actions of public officials did not do any harm to the public, there were few prohibitions on the actions of public officials, but that notion changed in the 1960's and 1970's, by prohibiting public officials from making gains, primarily financial gains, as a result of their acts as public officials.

Upon a question of Ms. Green, Mr. Stolzman clarified that "personal" extends to the public official, his or her family and any businesses in which the official is involved.

Mr. Stolzman pointed out that Section 5 of the Code provides a list of acts a public official is prohibited from doing, and summarized that the major point is that a public official is not to take any actions as a public official which will benefit him or her financially.

Mr. Stolzman explained that the Ethics Commission has three functions:

- 1) educational
- 2) regulatory
- 3) administrative/prosecutorial

When in doubt, stated Mr. Stolzman, it is wise to seek an Advisory Opinion from the Ethics Commission. He advised the Board members to let Mr. Kaplan know if they ever have any questions regarding possible conflicts.

Mr. Stolzman explained that the Annual Disclosure Statement is required to be filed by all public officials in order for the Ethics Commission to monitor for conflicts of interest. He emphasized the importance of paying attention when completing the disclosure statement in order to avoid any omissions that would prove to be embarrassing for the official, even if the omission is an honest one. He noted that the Ethics Commission does not disclose information regarding complaints of conflicts unless probable cause is found, but that the person filing the complaint is not prohibited from reporting such a complaint to the press.

Mr. Biliouris asked if question 15 of the disclosure statement, regarding acquisition and/or divestiture of business interests, includes stock holdings, to which Mr. Stolzman replied that it does. Mr. Stolzman stated that a holding of \$5,000 or more in a company having a request before the Board requires a recusal from such vote.

Upon inquiry of Ms. Jackson regarding a blind trust, Mr. Stolzman stated that if the official truly has no idea what is held in the blind trust, he or she is protected from a conflict.

Mr. Stolzman explained that when a board member recuses him or herself from a vote at a meeting, the EDC completes a form to be filed with the Ethics Commission to notify the Commission of the recusal.

Mr. Stolzman cautioned that the issue of gifts to public officials is especially important at this time, it being an election year. Mr. Kaplan noted that the EDC has a zero tolerance policy toward gifts, and that no gifts to EDC staff are allowed.

In conclusion, Mr. Stolzman noted that the 2005 Annual Report of the Ethics Commission, a copy of which will be added to the training manuals, includes a report as to which public officials sought and received advisory opinions, and that more advisory opinions were issued to municipal officials than any other.

There being no further business in Public Session, the meeting was adjourned at 5:00 p.m., upon motion made by Ms. Jackson and seconded by Ms. Merchant.

Robert I. Stolzman, Secretary

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