

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

DECEMBER 17, 2007

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, December 17, 2007, in Public Session, at 4:00 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 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. Keith Stokes, Mr. George Shuster, Ms. Cheryl Merchant, Ms. Alma Green and Mr. Alexander Biliouris.

Directors absent: Governor Donald L. Carcieri, Mr. Frank Montanaro and Ms. Kimball Hall.

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

Mr. Keith Stokes presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Mr. Montanaro called the meeting to order at 4:30 p.m.

2. EXECUTIVE DIRECTOR'S REPORT

Director Kaplan reported that the EDC team is working hard into the holidays, with a focus on shaping an economic development plan and an agenda for the new legislative session. He noted that it is important for EDC to be aggressive and visible in the marketplace. Mr. Kaplan reported that he and his staff have been talking with members of the General Assembly in order to get the message out. He stated that the EDC's strategy is to create higher wage jobs at every level, first for existing companies and second to attract new companies to the state. He noted that a program to attract new companies to the state will launch in 2008.

Mr. Kaplan explained that the primary areas of focus are as follows:

1. To increase the availability of growth capital to assist both small and large companies to grow, using existing EDC programs as well as outside collaborators.

2. To increase the amount of office and commercial space available for growth. Mr. Kaplan referred to the recent announcement by FM Global that its Board had approved the construction of a new headquarters facility in Johnston. He described this as a huge win for Rhode Island, and a good example of the coordination of state and community resources to make this happen. Mr. Kaplan noted that the EDC staff worked hard on this proposal from the start, and that the strategies employed will provide a good model for an expedited review process in the future. He reported that the EDC will propose changes to the CCEC (Certificate of Critical Economic Concern) application to make it more accessible and to have the program assist with job development.
3. To increase the skill and experience of the workforce to create a higher wage, higher skilled workforce. Mr. Kaplan reported that he and EDC staff have been having successful conversations with both the administration's workforce development sector and the education sector to facilitate this goal.
4. To strengthen research capacity with the assistance of the Science and Technology Advisory Council (STAC), the Research Alliance, all of the state's 11 colleges and universities and the local teaching hospitals.
5. To decrease regulatory burdens facing both large and small businesses.

Mr. Kaplan stated that he will keep the Board apprised of proposals and status. He noted that these are difficult budget times and the EDC must be bold and aggressive in increase the state's business climate.

A packet of recent news articles related to economic development in Rhode Island was distributed to the Board members (See **Exhibit A**).

3. **APPROVAL OF THE MINUTES OF THE MEETING HELD ON NOVEMBER 26, 2007**

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 November 26, 2007, as presented to the Board this date.

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

Voting against the foregoing were: None.

4. FOR APPROVAL OF ECONOMIC DEVELOPMENT PROJECT STATUS FOR OCEAN STATE JOB LOT PROJECT

Attorney Stolzman referred the Board members to the information provided regarding the proposed resolution and economic analysis regarding the request of Ocean State Job Lot (“Ocean State”) for Project Status approval (See **Exhibit B**). He noted that Mr. John Conforti, Chief Financial Officer of Ocean State, and Ms. Jean Robertson, Senior Director of Policy and Research for the EDC, were present to address any questions of the Board.

Mr. Stolzman reminded the Board of its approval of the sale of land a few years ago for a significant expansion by Ocean State at Quonset to build a new corporate headquarters and distribution facility, with options for future expansion. Ocean State’s growth patterns have exceeded the expectations of its management, and the company now wishes to accelerate further expansion of its distribution facility.

Mr. Stolzman explained that this is the first Project Status proposal where only high wage jobs are being considered in the analysis for calculating the sales tax refund cap. Mr. Kaplan added that there have been a lot of conversations about this matter, specifically regarding the Project Status procedure. He reminded the Board that, upon the Board’s approval, the matter will have to be presented to the House and the Senate for approval.

Mr. Kaplan explained that Ocean State originally received a limited sales tax incentive under the old RIIFC regulations and through RIIFC financing. He stated that the agreement with the RIIFC Board provided sales tax incentives only for the first phase of the project. Leadership at Ocean State thought that the original approval would apply to all phases, but that is not the case. The staff is now looking at this as a new project under new rules. Mr. Kaplan explained that the impact analysis presented to the Board is based on current specifications. He noted the proposal has three phases and that each phase will have to be fulfilled before the next phase can go forward.

Ms. Robertson stated that the current economic impact analysis (“EIA”) is unusual in that it is in three phases, and noted that only high wage jobs are being considered. Construction jobs are not being counted. Ms. Robertson explained further that the sales tax abatement will be capped at \$968,402.

The first phase anticipates 165 new jobs, of which 55 will be high wage jobs. Ms. Robertson explained that once these new jobs come online, the company will be able to proceed to the next phase. She noted that the company has already invested \$46.6 million and another \$36.8 million is projected to be spent with the new expansion, including the purchase of another 56 acres.

Mr. Biliouris commented, and Mr. Shuster agreed, that the language at item 6 of the proposed resolution appeared to be ambiguous. A motion was made by Mr. Shuster, and seconded by Mr. Biliouris, to amend the resolution to provide further

clarification that the tax abatement will be capped at each phase, and that each phase will be dependent on the successful completion of the prior phase.

Mr. John Conforti stated that Ocean State had predicted an increase of 321 to 481 jobs in its original application to RIIFC, and ended up with an additional 495 new jobs.

Mr. Stolzman noted that Ocean State has offered to provide a tour of its facilities to the Board members. He described the new facility as a very sophisticated distribution facility. Mr. Kaplan added that the Quonset facility is the headquarters of a very rapidly growing Rhode Island company. Mr. Stokes described Ocean State as one of the most home-grown businesses in Rhode Island, and thanked the EDC staff for working with the Senate fiscal staff on this proposal.

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

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

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

Voting against the foregoing were: None.

5. FOR JOBS DEVELOPMENT ACT APPROVAL FOR RICHLINE GROUP, INC.

Ms. Robertson explained that Richline Group, Inc. ("Richline") is a wholly-owned subsidiary of Berkshire Hathaway and introduced Ms. Kathy Museo, who was present on behalf of Richline to answer any questions.

Ms. Robertson explained that Richline has purchased a Rhode Island jewelry manufacturing company and plans to acquire additional jewelry companies. Richline was formed as a Delaware corporation in May 2007 and qualified in Rhode Island in July 2007. Ms. Robertson explained that, since Richline is a newly formed entity, it does not have a history of paying corporate income taxes in Rhode Island, and is therefore revenue neutral. In addition, because the Jobs Development Act is only available for C corporations, and the Rhode Island company acquired was a S corporation, Richline has been advised to seek a letter from the Division of Taxation.

Ms. Museo explained that the company presently does business in three states, New York, Florida and Rhode Island, and current sales are \$500 million. The company would like to increase sales to \$1 billion in the next few years. Ms. Museo stated that Richline is looking at several companies in Rhode Island for acquisition, to increase manufacturing, distribution and sales. She stated that the CEO is highly respected and, while the company would like to grow and keep jobs in Rhode Island, it is not yet clear if that will be possible.

Ms. Robertson explained that this Act will give the company three years to reach its goals. In the event of a layoff, the incentives will be lost.

In response to a question of Ms. Green, Ms. Robertson explained that the company provides the information to the EDC for its analysis, and that the Act provides for reporting to be done through the Division of Taxation.

Mr. Kaplan noted that he has been having discussions with Gary Sasse, Director of the Department of Revenue, about ways to improve the information gathering process.

In response to Mr. Shuster's question, Ms. Robertson identified the Rhode Island company acquired by Richline to be Sardelli Co.

Responding to a question of Mr. Biliouris, Ms. Robertson explained that the Jobs Development Act addresses the saving and retention of jobs. Mr. Stolzman added that the EDC acts as a gatekeeper in this process.

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

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

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

Voting against the foregoing were: None.

Following the vote, Ms. Robertson explained further that the Jobs Development Act approval gives the company a lower corporate tax rate based on the number of jobs created, i.e. the more jobs created, the lower the tax rate, with a minimum reduction to 3%. The company has three years to add the jobs. Ms. Robertson explained further that this Act puts the company in the public domain.

Mr. Kaplan commented that he favors reducing the corporate tax rate across the board rather than having to go through the application and approval process on an individual basis.

There being no further business in Public Session, the meeting was adjourned at 5:40 p.m., upon motion made by Mr. Shuster and seconded by Ms. Green.

Robert I. Stolzman, Secretary