

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

MARCH 26, 2007

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, March 26, 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: Governor Donald L. Carcieri, Mr. George Shuster, Ms. Barbara Jackson, Ms. Alma Green, Ms. Cheryl Merchant and Mr. Alexander Biliouris.

Director absent: Mr. Frank Montanaro and Mr. Keith Stokes.

Also present were: Executive Director Saul Kaplan, 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 FEBRUARY 26, 2007

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

VOTED: To approve the public session minutes and the executive session minutes of the meeting held on February 26, 2007, as presented to the Board this date.

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

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Executive Director Saul Kaplan reported that the Biotechnology Industry Organization (BIO) International Convention will be held in Boston in May 2007, presenting an excellent opportunity for Rhode Island to promote its biotechnology companies. Mr. Kaplan noted that 1,700 companies will be represented at the convention, and that Rhode Island will participate for the first time with a booth which will be shared with more than 20 companies and institutions from across the state, including Amgen, Rhode Island Hospital, Concordia, EpiVax and the Science and Technology Council. See **Exhibit A** for more information.

Mr. Kaplan next reported on a recent release of The 2007 State New Economy Index (the "Index") by the Ewing Marion Kauffman Foundation and the Information Technology and Innovation Foundation (ITIF), in which Rhode Island was cited as one of the top five movers in economic transformation in the country. He noted that Rhode Island moved up from a ranking of 23 in 2002 to a ranking of 15 in 2007. See **Exhibit B** for more information on the findings of the Index.

The EDC will meet with the general assembly this week regarding the budget hearings. Mr. Kaplan distributed a handout of the major points to be made at the hearings, regarding "Building a 21st Century Innovation Economy" (See **Exhibit C**). He noted that Rhode Island job wages rank above the national average of \$40,499 by 40%, as compared to the national average of 45%.

Governor Carcieri commented that 2006 proved to be an excellent year for job growth in the state and that the wage data also looks very good. Mr. Kaplan added that Rhode Island created more jobs at a faster pace than the rest of the New England states. He noted that the state needs to shift its emphasis to creating higher wage jobs.

Mr. Kaplan reported that Rhode Island does very well with financial, professional and educational services, as well as with health care and life science technology, with average wages of \$55,461 and \$50,865, respectively, and that other sectors which rank above the national average in wages include information technology and digital media, marine trades and defense technology, industrial products and infrastructure services and consumer products and design. He noted that jobs in consumer products and design have decreased and that the state could do better in information technology and marine trades.

Mr. Shuster commented that the reduction in manufacturing is due to federal changes, not state changes.

In response to a question of Governor Carcieri, Mr. Kaplan stated that the expansion at Brown University will hopefully create increases in both educational services as well as health care services. He noted that new companies will be created within the new medical school.

Mr. Kaplan stated that the state needs to focus on accelerating growth in information technology and digital media by creating new companies and keeping the existing companies in Rhode Island. He cited Brown University and the Rhode Island School of Design as great assets to the state.

Ms. Jackson commented that a lot can be done in the information technology area at a low cost for rapid growth.

In closing this portion of his report, Mr. Kaplan referred to the last page of his handout (See **Exhibit C**) regarding the additional jobs, income and income tax that would be generated by increasing the number of Rhode Island jobs that are at or above the national average of 45%. He noted the importance of focusing on those areas with potential for higher wages across the board, including at the entry level.

Governor Carcieri noted that personal income tax receipts are up 9% year to year but the tax rates are decreasing, which shows that more income is being reported.

Governor Carcieri made note of the recent announcement that Alexion Pharmaceuticals has obtained FDA approval of Soliris, a drug for the treatment of a rare blood disorder. Mr. Kaplan reported that Alexion is in the process of completing improvements on its site in Smithfield.

Mr. Kaplan stated that he and the EDC staff are reviewing all of its current programs and activities to see if they align with its new strategy for building a 21st century economy. One area under review is the financial area, specifically the Small Business Loan Fund (SBLF), and Mr. Kaplan introduced Mr. J. Michael Saul to present more on this matter to the Board (See **Exhibit D**).

Mr. Saul stated that the Small Business Loan Fund Corporation ("SBLFC") was created in 1986 to administer the SBLF, and it is overseen by the EDC. The SBLF is funded by 4 separate EDA grants totaling \$12.3 million. Mr. Saul explained that the emphasis of the SBLF has been on job growth and preservation and that it is used primarily as a lender of last resort. He noted that the SBLFC Board members are appointed by the EDC.

Mr. Saul reported that there has been no diminution of principal in the SBLF, and that the committed funds at the present time are \$2.2 million, with 96 active loans averaging \$100,000. He stated that the maximum loan amount is \$500,000 and that \$750,000 is set aside for micro loans which average \$10,000 to \$35,000.

In response to an inquiry of Governor Carcieri, Mr. Saul reported that repayment of the loans has been successful.

Mr. Saul stated that 75-80% of the loans are the sole source of funding for companies, and that the SBLF should be partnering with other sources for funding. He noted the amended goals and objectives for the SBLF included in the handout (**Exhibit D**). He suggested a 20 year amortization with a 3 year look to see if the loan can be

paid off early by having the company refinance the loan with a more traditional lending institution.

Responding to a question of Governor Carcieri, Mr. Saul reported that SBLFC currently has 5 Board members.

Ms. Green inquired about the number of loans that have been made to minority enterprises. Mr. Saul stated that there is presently \$750,000 in micro loans out to minority companies.

Mr. Saul noted that, as Executive Director of The Urban Revitalization Fund of Rhode Island ("TURF"), he needs to collaborate with other lenders for fund urban projects.

In reply to another question of Ms. Green, Mr. Saul stated that the criteria for lending to a small startup business is conventional and typically subordinate to a bank, and includes personal guarantees. He reported that the EDC team prepares the underwriting and brings it to the SBLFC Board for approval.

Responding to a question of Mr. Shuster, Mr. Saul stated that appointments to the SBLFC Board are not very often and that the board members usually serve 3 year terms. Mr. Shuster commented that the appointments should be more often and that the EDC should have more focus on the SBLFC Board. Mr. Kaplan noted that he had this presentation made to the Board because he is looking for some change in the administration of the SBLF.

In closing his report, Mr. Kaplan noted that it had come up at a prior meeting whether or not the EDC's new site is compliant with the American Disabilities Act ("ADA") with respect to the location of parking for handicapped persons. He reported that the EDC asked Schumer Engineering to review this matter and that the findings were that the site is in conformance with ADA recommendations. Ms. Green noted that she would like to review the report.

Mr. Stolzman noted that the matter of approval of the High Tech Profiles Medical Project is being continued again to the April Board meeting.

4. FOR APPROVAL OF BOND ISSUANCE FOR THE COMPANY OF THE REDWOOD LIBRARY AND ATHENAEUM PROJECT

Mr. Stolzman reminded the Board that, at its January meeting, the Board approved an inducement resolution for this matter. He stated that the EDC will act as a conduit between the lender, Bank of America, and The Company of the Redwood Library and Athenaeum (the "Library"), a nonprofit organization, as borrower. Mr. Stolzman confirmed that there is no recourse to the EDC and that the financing has been guaranteed by Bank of America. He noted that Ms. Cheryl Helms, Director of the Library, and Attorney Neal Pandozzi, representing bond counsel, were present to answer any questions.

In response to a question by Mr. Biliouris, Mr. Stolzman explained that the EDC is acting as a conduit only and has no further obligations once Bank of America purchases the bonds.

Governor Carcieri stated that he thoroughly enjoyed his visit to the Redwood Library and recommended that everyone make a visit there.

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

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

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

Voting against the foregoing were: None.

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 Ms. Merchant.

Robert I. Stolzman, Secretary