

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

JUNE 25, 2007

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, June 25, 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. Stokes called the meeting to order at 4:10 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON MAY 21, 2007

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

VOTED: To approve the public session minutes of the meeting held on May 21, 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.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Kaplan reported that there were three items of good news this past week. First, in the life science and biotechnology sector, Alexion held an opening ceremony this week for its new manufacturing facility in Smithfield, where it plans to begin production of its new drug Soliris in the fall. The company also reported that it had received approval to market Soliris in Europe. Mr. Kaplan noted that Alexion is a good example of an employer of good, high-wage paying jobs that is desired in Rhode Island.

The second item of good news, as reported by Mr. Kaplan, is in the marine trades sector. It was announced that Island Global Yachting, a yacht servicing facility, has received preliminary approval to build a facility at Quonset. Mr. Kaplan stated that while its development is in its early stages, this company shows great promise. The facility will make great use of the pier and will bring in up to 400 jobs in the \$60,000 per year salary range. Mr. Kaplan noted that this company is a private sector investment of \$120 million to \$150 million. The facility will provide service to mega yachts, which can require \$500,000 in servicing annually.

The third item of good news reported by Mr. Kaplan is in the financial services sector, with Fidelity having recently held a "topping off" event for its new facility in Smithfield. This is the third facility Fidelity has opened in Smithfield, the first having opened in 1998, followed by a second facility in 2000. The new facility contains 577,000 sq. ft. and will house 1,000 employees. Mr. Kaplan stated that this new building is the largest single office building in the state.

Mr. Kaplan reported that the Science and Technology Advisory Council (STAC) has instituted a program which will offer investors up to a fifty percent credit on eligible investments to investors in qualified Rhode Island businesses that produce traded goods or services and have gross annual revenues of less than \$1,000,000 in the prior two calendar years. Qualified companies must be in one of the following industries: biotechnology & life sciences, communication & information technology, financial services, marine & defense manufacturing, professional, technical and educational services or industrial & consumer product manufacturing & design. Mr. Kaplan noted that the maximum credit is \$100,000 and the credit is aimed at promoting innovation. He reported that the EDC will manage the program and perform its own analysis to determine qualified companies and will then make its recommendations to the Board. Mr. Kaplan noted that the rule making regarding the investment tax credit is nearly complete and the EDC is planning to market the credit to businesses.

Mr. Kaplan reported that the annual review by Albert Risk Management Consultants of proposals for Directors & Officers (D & O) insurance has been completed. There were two proposals, one from Starkweather & Shepley, which is the current carrier, and the second from Babcock & Helliwell. Mr. Kaplan reported that the decision was made to use Babcock & Helliwell for the fiscal year ending June 30, 2008, which will provide the least expensive policy. A vote by the Board was not required, but a memorandum was distributed to the Board members for their information (See **Exhibit A**).

Reporting on the results of the legislative session just completed, Mr. Kaplan stated that the EDC budget remains flat in that there was essentially no change. A one time \$250,000 which was included in the current fiscal year budget for purposes of the Corporation's move to its new location was eliminated for the next fiscal year.

Other budget items which passed legislation include \$1.5 million for Research Alliance Grants, \$100,000 for STAC and \$100,000 for the Business Innovation Factory.

Mr. Kaplan reported that two items which required legislative approval did not pass, one being additional funds to support an IT & Digital Media Center and the second being a loan guarantee to provide public support for RI-WINS. Mr. Kaplan stated that alternative sources of funding for these items is now being sought.

Mr. Kaplan reported that a House resolution to create an oversight commission for economic development passed. The 11 person commission will be established by the House. Mr. Kaplan strongly recommended passage of this item and he believes it will lead to direct discussions and open communications with the legislature.

Regarding the Board's recommendations for Project Status since the rules changed to require general assembly approval, Mr. Kaplan reported that the HTP Med project received House and Senate approvals, but the A. Duie Pyle project was not approved. Mr. Kaplan will report on why the latter was not approved at a future board meeting.

Reporting on another Project Status request, Mr. Kaplan noted that projects which were granted RIFC approval previously qualified automatically for Project Status, but those projects must now obtain general assembly approval. The request for tax abatement for the construction of "Shipwreck Falls", a waterpark in West Warwick, passed general assembly approval for tax abatements with respect to additional full time jobs, but did not pass for tax abatements for sales tax abatement on construction jobs.

Responding to a question of Ms. Green, Mr. Kaplan stated that the criteria policy for tax abatements is changing from that used in the past in that sales tax abatements related to construction are no longer being granted. Ms. Green noted that such abatements were helpful in the development of the Corporation's new headquarters (American Locomotive Project) and asked if it is fair to make such a change. Mr. Kaplan responded by stating that he would like to discuss this matter with the Board in more detail and would provide history and facts regarding this matter at a future meeting. Attorney Stolzman noted that the American Locomotive Project was not approved for Project Status, and that the request by HTP Med for Project Status did not include construction jobs. He stated that there has been no change in the application process, but that the General Assembly is not comfortable with sales tax abatements related to construction. Ms. Green asked if this was due to labor issues, and Mr. Kaplan responded that is not the case, but that the criteria needed to be tightened up.

Ms. Merchant stated that she would like to see a report to insure that previous approvals for Project Status has been beneficial, to which Mr. Kaplan responded that he will have a report at the next meeting. He stated that every case has been positive and that the State has not lost money as a result of the granting of Project Status to any project.

Mr. Shuster suggested that a separate program with its own criteria be developed for construction, and Mr. Kaplan agreed, stating that tax revenue from construction jobs is important to the State.

Ms. Green asked Mr. Kaplan if he is expecting to lose any employees as a result of the Governor's plan to cut 1,000 state jobs. Mr. Kaplan responded that it is not clear yet how this matter will be played out, but that he is ready to cooperate if asked to report to the Governor as to the EDC staff. He added that such an exercise will be force the EDC to look at its own productivity.

4. FOR JOBS DEVELOPMENT ACT APPROVAL FOR RITE-SOLUTIONS, INC. EXPANSION IN RHODE ISLAND

Ms. Jean Robertson presented the request for approval of a statutory rate reduction in corporate income tax under the Jobs Development Act for RITE-SOLUTIONS, INC. The company is located in Middletown and develops software solutions for various commercial and government clients. The company has requested the tax rate reduction in order to facilitate its expansion in Rhode Island. Ms. Robertson explained that the statute provides for a ¼ percent rate reduction in corporate income tax for every 50 full time jobs added. Ms. Robertson referred the Board members to the economic analysis provided in their packages for this proposal (See **Exhibit B**) and stated that she believes RITE-SOLUTIONS was conservative in its estimate of 84 new full time jobs. She is confident that the company will actually add closer to 100 full time jobs by the end of its expansion.

Ms. Robertson explained that the company's proposed sales growth and income growth over the next three years, even with the reduced income tax rate, will still result in increased tax revenue to the State. Responding to Mr. Biliouris' comment that the savings appears to be negligible, Ms. Robertson explained that companies typically do not share their income statements. She explained that this is a relatively young company which has had tremendous growth, particularly due to the large amount of work it does for the defense department. The company expects its sales to increase to such an extent that a ½ percent rate reduction will make a great difference to their profitability.

Mr. Stokes stated that he is very familiar with this 4-year old company and referred to it as a perfect growth company in a high wage industry. Mr. Kaplan added that the company is reinvesting in itself rather than showing huge profits.

There being no further discussion, 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. Stokes, Mr. Shuster, Ms. Merchant, Ms. Green and Mr. Biliouris.

Voting against the foregoing were: none.

5. FOR MODIFICATIONS TO THE W PROVIDENCE HOTEL PROJECT

Mr. Kaplan reminded the Board members that they had voted to recommend this matter for Project Status at the last meeting, and that two issues have since arisen for reconsideration. He noted that Mr. Jerry O'Connor, Development Director for Blue Chip Properties, was present to answer any questions.

Mr. Kaplan reported that there is a chance that the Starwood W Hotel will not be involved, and that the resolution is to be amended to reflect that a similar luxury hotel may be substituted in place of the Starwood W Hotel, subject to the approval of the Board.

The second issue in this matter is regarding the exclusion of the construction jobs in determining the project's qualification for tax abatement. Mr. Kaplan noted that this matter had been discussed in his report earlier in the meeting, regarding the General Assembly's desire to eliminate the construction related portion of the tax abatement.

Upon inquiry of Mr. Shuster, Mr. Kaplan stated that the total revenue from direct jobs in the earlier proposal was \$1,570,239, \$1,008,000 of which was attributable to construction jobs.

Mr. O'Connor stated that the developer's intent was to use the W Hotel, but there is a chance that it will not happen. The developer understands the elimination of the construction jobs from the abatement.

In response to a question of Mr. Stokes, Mr. O'Connor stated that a determination about using the W brand will be made within the next one or two months. He noted that the construction of the building will go forward with the W brand in mind, but that the design is such that there is still an opportunity to change the name. He added that the credit is to be used by the ownership entity, not the management entity.

Responding to an inquiry of Ms. Green, Mr. Kaplan stated that the matter has not yet gone to the General Assembly for approval, and, if the changes are approved by the Board, the matter will be presented to the General Assembly as amended.

There being no further discussion, upon motion duly made by Ms. Merchant and seconded by Mr. Shuster, the following vote was adopted:

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

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, 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 4:55 p.m., upon motion made by Mr. Shuster and seconded by Ms. Merchant.

Robert I. Stolzman, Secretary

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