

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**MEETING OF DIRECTORS**

**PUBLIC SESSION**

**NOVEMBER 26, 2007**

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, November 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: Mr. Frank Montanaro, Mr. Keith Stokes, Mr. George Shuster, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Governor Donald L. Carcieri, Ms. Cheryl Merchant and Ms. Alma Green.

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. Montanaro called the meeting to order at 4:00 p.m.

**2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON OCTOBER 22, 2007**

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

**VOTED:** To approve the public session minutes of the meeting held on October 22, 2007, as presented to the Board this date.

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

Voting against the foregoing were: None.

### **3. EXECUTIVE DIRECTOR'S REPORT**

Executive Director Saul Kaplan presented copies of newspaper clippings regarding recent articles of interest or related to the Corporation (See **Exhibit A**). He reported that the financial sector was well represented at the URI Financial Services Symposium 2007, which was held at the RI Convention Center on November 6, where at least 30 mentions of Fidelity's plans to build a new office building were noted.

Mr. Kaplan reported that FM Global is moving forward with development of its headquarters in Johnston.

In other news, Mr. Kaplan reported that over 100 small businesses attended the "We Mean Business" expo, sponsored by the Corporation and the Secretary of State's office, which was held at Kirkbrae Country Club in Lincoln on November 5, 2007. The expo provided access to public and private assistance available to small business owners in Rhode Island.

Mr. Kaplan reported that the Corporation is preparing for the next legislative session, with a focus on continuing to strengthen the economy. Five areas of focus are 1) increasing growth capital, 2) identifying available office and commercial space, 3) expanding the skills of the workforce, 4) increasing research activity and numbers of new companies created, and 5) decreasing regulatory and tax burdens.

### **4. FOR APPROVAL OF INNOVATION TAX CREDIT APPLICATIONS**

Ms. Christine Smith provided an overview of the Innovation Tax Credit (ITC), which was enacted in 2006 upon recommendation by the Science and Technology Advisory Council (STAC). The purpose of the ITC is to attract and retain serial entrepreneurs in the state and catalyze economic growth in high-wage, high growth industries (See **Exhibit B**). Ms Smith explained that the ITC is an incentive tool designed to attract capital investment and executives. The tax credits may be granted for up to 50% of a capital investment with a cap of \$100,000, and may be carried forward for no more than 3 years. The credits can be assigned to the eligible company, one or more executive employees, an investor in the company, or a combination thereof, not to exceed 10 executive employees. The RIEDC Board may approve no more than \$2,000,000 in ITC's in any two calendar year period.

Upon inquiry of Mr. Biliouris, Ms. Smith explained that applicants need only apply to the RIEDC for the credit; there is no need to apply to the Division of Taxation for the credit.

Mr. Kaplan responded to a question of Mr. Montanaro by explaining that ratification of the EDC's approvals in this matter is not required because the legislation authorizes the EDC to approve or disapprove all applications. Mr. Kaplan explained further that the ITC focuses on high wage jobs and limits financial exposure. The ITC sunsets in 2016 and the program will be under constant scrutiny to determine its value.

Mr. Shuster commented that he is in favor of historic tax credits, and Mr. Kaplan responded that all credits are being reviewed to determine their value to the State's economy. Mr. Kaplan added that identification of more office and commercial space is a high priority of the EDC and that a lot of scrutiny and discussion with respect to all credits is anticipated.

Continuing with her report, Ms. Smith noted that Rhode Island businesses eligible for the ITC will be focused on innovation and growth sectors finding new and better ways to do things. She noted that the capped funding will make the program more competitive. Ms. Smith explained that there is a rolling application period for the ITC's, and that the EDC will conduct reviews on a quarterly or more frequent basis, depending on the need. She noted that all applications are reviewed by staff, which is looking for well-conceived and organized business plans.

Ms. Smith reported that there are currently 6 applications which merit attention for pre-approval by the Board. Mr. Kaplan explained that today's approval was a preliminary step in the process. Once pre-approval is obtained, the companies will have to raise sufficient capital and then come back to the EDC for final approval. At that point, pointed out Mr. Stolzman, the EDC staff will evaluate the application and issue the ITC certificate, if staff determines that a certificate is merited. Ms. Smith added that all approvals will be reported to the Board. Mr. Montanaro stated that he would like to be informed of the reasons why any company is rejected.

Following are summaries of the 6 companies presented for pre-approval at this meeting:

**Bionica Corporation.** Ms. Smith explained that this company falls under the Industrial and Consumer Product Manufacturing and Design sector. She reported that the company has developed a new approach to hearing aids, which allows separation of speech from background noise. Ms. Smith stated that the company has a well conceived business plan and a capable business team. She noted that the company has received funding from the State Technology Fund and would like to use the tax credits to attract investors. More information can be found at **Exhibit C.** Staff recommends approval of this application.

Upon inquiry of Mr. Biliouris, Mr. Kip Bradford, Chief Technical Officer of Bionica, stated that the company currently rents space in the Providence jewelry district and is looking at property in Warwick or Attleboro. Upon further inquiry of Mr. Biliouris, Mr. Bradford state that the company has not yet had any sales.

**Lighthouse Security Group, LLC.** This company is a wholly-owned subsidiary of Lighthouse Computer Services (LCS) and is a Communications and I(nformation Technology entity, as explained by Ms. Smith. LCS has been establishing separate business units to provide specific services to selected information technology services markets. Lighthouse Security Group, LLC (LSG) is the third of such business units and was formed to service mid-to large sized businesses and government entities that require application data and resources across multiple sites and systems. Ms. Smith

explained that LSG will offer consultations, design and implementation of software and hardware, integration and maintenance services focused on securing access and identity management and protecting organization information. She noted that past experience by LCS has been successful. Further details can be found at **Exhibit D**.

**Ocean State Solutions LLC, d/b/a mPayUSA**. Falling under the Financial Services sector, Ms. Smith explained that Ocean State Solutions (OSS) was formed in Rhode Island in July 2007 to provide mobile telephone payment services. Doing business as mPayUSA, Ms. Smith explained that, similar to PayPal, which provides secure payments via the internet, mPayUSA will provide secure payments via mobile phones. This is a rapidly growing industry, and the company plans to form a joint venture with mPay Intl, a Polish joint venture company which developed this technology and has been operating very successfully in Poland. Ms. Smith noted that its principals have been involved with other businesses. Upon inquiry of Mr. Stokes, Ms. Smith stated that OSS relies on service-based rather than technology-based revenues. She stated further that, while the company has been operating, it has yet to see any revenues. Further details can be found at **Exhibit E**.

**Providence Health Solutions**. Ms. Smith explained that Providence Health Solutions (PHS), a Life Science Technology entity, assists people with team-based wellness programs. She stated that PHS has developed a model and proprietary software that has been tested and proven to be effective in motivating people to increase physical activity, improve nutrition and lose weight. The approach is team-based rather than individual-based. Ms. Smith explained that ShapeUpRI, an independent Rhode Island nonprofit corporation, licenses the Team Tracker Software which was tested in Rhode Island in 2007 with 6,915 Rhode Island participants. The weight loss results are in line with or superior to most commercial weight loss programs. Ms. Smith stated that the company's marketing plan will take it beyond Rhode Island to target regional, national and international companies. Winner of the 2007 Rhode Island Business Plan Competition, PHS will also use personal leads from friends and families, as well as telemarketing outreach, to sign up a projected one hundred thousand participants by its second full year of operation in 2009.

Mr. Stokes expressed concern about being able to make a decision without looking at the company's actual business plan. Ms. Jean Robertson explained that two physicians from Brown University developed the software for this program. Mr. Kaplan added that this company is a good example of a company created in Rhode Island and ready to sell outside of Rhode Island, and noted that it has received a lot of press. See **Exhibit F** for more information.

**Public Display, Inc.** Another entity falling under the Communications and Information Technology sector, Ms. Smith explained that Public Displays, Inc. (PD) is a software company focused on developing web applications around proprietary, patent-pending information extraction technology. She noted that PD's first product, known as FuseCal, enables consumers and web publishers to find and edit unstructured schedule and event information and convert such information to structured event "feeds". The feeds are then subscribed to via personal calendars and other websites. Ms. Smith

reported that the revenue projections are strong and that this company has received funding from the Slater Technology Fund. Upon inquiry of Mr. Biliouris, Ms. Smith explained that the benefit to the user is better management of digital information. Mr. Kaplan explained that this company has had a lot of success in the past and that its product is novel and very user-friendly. He noted that the company has been subject to all due diligence and scrutiny. Mr. Reed added that the end result of this company will be acquisition by a company such as Microsoft or Google as an addition to their suite of services.

Upon inquiry of Mr. Stokes regarding the benefit to Rhode Island if the company is sold to an out of state company, Mr. Reed stated that Rhode Island will be enabling an entrepreneurial environment, and that Bill O'Farrell, principal of PD, is an example of a type of textbook entrepreneur that is desired in Rhode Island. More details on this company can be found at **Exhibit G**.

**Tizra, Inc.** Ms. Smith reported that Tizra, another Communications and Information Technology company, has developed a product, known as Agile PDF, to enable searches of publications via page, chapter, etc., rather than by identification of publications to purchase to find answers to users' questions. The product makes existing information more easily available. Ms. Smith noted that Tizra is also Slater funded, well-conceived and has a management team with a wealth of experience. More information is available at **Exhibit H**.

Upon inquiry of Mr. Shuster, Ms. Smith stated that the foregoing applications represent all applications for the ITC to date and that all have been approved by staff.

In response to a question of Mr. Montanaro, Ms. Smith stated that, although each of the applicants has requested the maximum credit of \$100,000, each company will have to raise sufficient funds in order to qualify for this amount.

Mr. Kaplan stated that the EDC team made a very focused outreach to a reasonably small community to identify applicants for this credit.

Responding to a question of Mr. Shuster, Mr. Kaplan stated that today's Board approval of all six applicants may result in a maximum of \$600,000 in Innovation Tax Credits.

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

**VOTED:** To approve all six (6) applications for the Innovation Tax Credit presented to the Board this date, as presented at **Exhibits C, D, E, F, G and H**.

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

Voting against the foregoing were: None.

5. **FOR APPROVAL OF EXTENSION OF INDUCEMENT RESOLUTION FOR RHODE ISLAND PHILHARMONIC ORCHESTRA AND MUSIC SCHOOL.**

Attorney Stolzman reminded the Board that an inducement resolution was approved by the Board in February 2007 for the Rhode Island Philharmonic Orchestra and Music School, in connection with the construction of its new facility in East Providence. He explained that, while the organization has made considerable progress with this endeavor since February, the Philharmonic has requested a 6 month extension of time to close on this project.

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

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

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

Voting against the foregoing were: None.

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

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Robert I. Stolzman, Secretary