

# **RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

## **MEETING OF DIRECTORS**

### **PUBLIC SESSION**

**JANUARY 28, 2008**

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, January 28, 2008, 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. Keith Stokes, Ms. Alma Green, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Mr. Frank Montanaro, Mr. George Shuster and Ms. Cheryl Merchant.

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

Governor 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. EXECUTIVE DIRECTOR'S REPORT**

Director Kaplan provided an update on the Corporation's economic growth plan, noting that the focus is on creating more high-wage jobs for Rhode Islanders. He explained that the six points of the EDC's high wage job program are as follows:

1. increase business growth and attraction efforts by staff
2. increase growth capital and guarantee programs
3. increase available office and research space
4. increase workforce skills
5. increase new economy company creation
6. decrease regulatory burdens

Mr. Kaplan reported that staff made 4,200 sales calls on companies in Rhode Island during 2007. He described staff as being more customer facing and out in the market place in order to assess the needs of Rhode Island businesses.

Mr. Kaplan explained that an increase in business attraction efforts will take place in 2008, and that a collaboration with the Rhode Island Commodores, including a \$30,000 contribution by the Commodores, will help achieve that end. He noted that the attraction campaign will focus on three areas: 1) financial services, 2) information technology, and 3) health and life sciences. The EDC, in collaboration with the Commodores, is planning to host a series of events during 2008 and will ask executives from around the state to join in and tell their success stories.

Continuing his report, Mr. Kaplan stated that the Business Development Team is fully focused and moving forward. The team is finalizing its request to create a growth capital fund to bring more growth capital to the market.

Mr. Kaplan also noted that increasing office space is also important, and that staff is working on finalizing an expedited CCEC ("Certificate of Critical Economic Concern") permit process. The new plan will be subject to a public hearing before being finalized. Staff is focused on the Route 195 relocation and parcels that will be freed up when that is completed. Mr. Kaplan noted that the Route 195 relocation presents a good potential for change in the Providence landscape. He reported that funding is coming from the Providence Preservation Society to study the property that will be freed up by the highway relocation for its best use.

Governor Carcieri noted that Governor Patrick is proposing a cut in corporate income taxes in Massachusetts and that Rhode Island should follow this proposal carefully as Rhode Island has a high corporate income tax.

Mr. Kaplan continued his report by stating that workforce development is one of the most important and critical elements of the EDC's plan. He noted that the EDC is working collaboratively with the Department of Labor and Training ("DLT") and the Governor's Workforce Board. Mr. Kaplan noted the creation of a "21<sup>st</sup> Century Workforce Development Committee" and stated that he will chair this committee, working directly with DLT. He indicated that one place to start is to work with CCRI to focus on and strengthen the community college as an important part of workforce development.

Mr. Stokes commented that getting CCRI involved with be essential, particularly with education for the marine trades. Currently in the East Bay area, marine trades are taught at UMass Dartmouth and Bristol Community College, where primarily Massachusetts residents are being trained. He noted that CCRI will be more Rhode Island resident – specific in its training in this area.

Governor Carcieri noted that he met with people from Lifespan recently to discuss, among other things, the worsening shortage of nurses. He stated that hospitals are having to bring in temporary nurse personnel from all over the country and the world to meet their needs for qualified nurse staffing. He reported that the problem lies in not having enough teachers to teach future nurses, and that the nursing programs must make themselves more willing to hire adjunct nursing teachers. In

addition, a certification process for nursing teachers must be created and expedited. Mr. Kaplan added that these are good paying jobs.

Mr. Stokes questioned the communication process regarding the progress being made in economic development, noting that many of the media are not getting the story. Governor Carcieri agreed, stating that it is incumbent to get the facts out to the public. Mr. Kaplan stated that he held a meeting this morning on this topic. He reported that a very aggressive communication plan is being put together, and that there is a need for more voices from around the State to promote the EDC's efforts. Governor Carcieri suggested that this be made an agenda item for a future meeting. Mr. Kaplan stated that he will explain the elements of the communications plan at the next Board meeting.

Governor Carcieri reported that the State is working on education standards for Grades 3 – 12. He explained that Rhode Island, Vermont and New Hampshire teachers got together and developed a common assessment for excellent standards. He noted that the results, which are very encouraging, will be reported soon, and that improvement is finally being seen.

Governor Carcieri continued by stating that a graduation proficiency standard is being put into place, where students must demonstrate proficiency through 1) a standardized test, 2) grades achieved, and 3) a demonstrated project or portfolio. He stated that diplomas are not to be issued to students who are not meeting the minimum standards, as these standards are necessary for the development of a good workforce.

Mr. Kaplan reported that the Science & Technology Advisory Council ("STAC") made a presentation to Governor Carcieri and the General Assembly on January 25 to present its current recommendations. He noted that 9 Research Alliance grants were awarded during the presentation. The two lead recommendations made by STAC are 1) to strengthen and expand the activities of the Rhode Island Research Alliance, including colleges, universities and teaching hospitals, and 2) to expand the Slater Technology Fund's life sciences incubator and relocate the center to Providence's Jewelry District. See **Exhibit A** for details of the presentation.

Mr. Kaplan provided a handout of recent media reports concerning Rhode Island economic development (See **Exhibit B**), including announcements regarding Neurotech Pharmaceuticals' plan to expand its facility in Cumberland, and the support the company received from RIEDC, RIIFC and IRBA to proceed with this expansion. It is anticipated that the expansion will increase jobs from 21 to 100 employees. Also included are reports regarding FM Global's decision to stay and expand in Rhode Island, thanks in part to the EDC's promotion of an expedited permitting process.

In closing his report, Mr. Kaplan emphasized the need to decrease the regulatory burdens on small businesses and make it easier for them to grow.

3. **APPROVAL OF THE MINUTES OF THE MEETING HELD ON DECEMBER 17, 2007**

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

**VOTED:** To approve the public session minutes of the meeting held on December 17, 2007, as presented to the Board this date.

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

Voting against the foregoing were: None.

**4. FOR APPROVAL OF TAX EXEMPT BONDS FOR PROVIDENCE ART CLUB**

Mr. Stolzman explained that the Board had previously approved tax exempt bonds for nonprofit corporations, including the East Greenwich Free Library, the Newport Athenaeum and the Rhode Island Philharmonic Orchestra. He stated that the Providence Art Club is asking the Board to approve an inducement resolution for the issuance of tax exempt bonds in order to expand and improve its facilities on Thomas Street in Providence. Mr. Stolzman noted that the Providence Art Club occupies an historic building on an historic street and is the second oldest art club in Rhode Island. He explained that the EDC will be acting as a conduit in the financing and that there is no liability to the State. Mr. Stolzman introduced Mr. Dan Mechnig, President of the Providence Art Club, who was present to answer any questions.

Upon inquiry of Mr. Stokes, Mr. Mechnig explained that a dues increase to the members is already in place, and that membership has increased despite the dues increase.

In response to a question of Ms. Green regarding the efforts of the Providence Art Club to attract minority members, Mr. Mechnig explained that Fidelity produces a show every year to which everyone is invited to submit their work. Mr. Mechnig also noted that improvement of handicapped accessibility is part of the planned improvements.

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

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

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

Voting against the foregoing were: None.

## 5. FOR APPROVAL OF INNOVATION AND GROWTH TAX CREDITS

Attorney Stolzman provided a summary of the Innovation Tax Credit (ITC), which was enacted and funded in 2006 following recommendations by STAC. He explained that the ITC is a very focused and fiscally responsive incentive. The RIEDC Board can approve no more than \$2,000,000 in credits in a two-year period, and there is a cap of \$100,000 in credits per company. Mr. Stolzman pointed out an article by *Xconomy*, a very widely read publication, regarding this incentive; the article is included in the package provided by Director Kaplan (See Exhibit B).

Mr. Stolzman reminded the Board that in November six companies were pre-approved for the ITC, and that, after staff's careful study and review of those requests, four of those six companies are being recommended for approval today. He added that, after requests by some Board members at the November meeting, each of the companies has representatives present to answer questions.

Referring to a spreadsheet summary provided in the Board packages (See Exhibit D), Mr. Stolzman stated that staff has authenticated the companies' proposed investments and that, if approved, the EDC will issue a letter for each company to present to the Division of Taxation in order to use the ITC.

Upon inquiry of Governor Carcieri, Ms. Christine Smith explained that the credits must be used within three years. Ms. Smith explained further that each company has 6 months from the pre-approval to procure investments, and that the amounts awarded today can be used for 2007 tax purposes.

Mr. Biliouris commented that Lighthouse Security Group, one of the applicants on today's agenda, has procured a \$2.3 million contract with the FBI.

Responding to a question of Governor Carcieri, Mr. Kaplan explained that a minimum threshold was not considered. Mr. Stokes commented that this program is good for small businesses, and that he is less worried about the amount raised, but more concerned with performance.

In response to Governor Carcieri's request to the companies to make a presentation to the Board, Mr. Tony Fiore, CFO of Lighthouse Security Group, reported that, in addition to the FBI contract referred to by Mr. Biliouris, the company has also procured \$700,000 in contracts with the U.S. Air Force. He stated that the ITC program will be very beneficial to his company, and that the EDC's Procurement Technical Advisory Group has been very helpful.

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

**VOTED:** See Text of Vote at Exhibit E.

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

Voting against the foregoing were: None.

Mr. Ken Kirsch, of Ocean State Solutions, next provided a brief background of his company. He explained that the company, which does business as MPay USA, owns the rights to develop technology for mobile phone payments, similar to PayPal, which provides ability for online payments. He noted that Don Stanford, formerly of GTECH, is CEO of the company and that others involved with the company are also alumni of GTECH. Mr. Kirsch explained that the plan is for a pilot program to be developed in Rhode Island. He noted that the company has also been active outside of the United States, including in Guatemala.

In response to an inquiry of Mr. Biliouris, Mr. Kirsch stated that any cell phone can be used for mobile payments, and that special equipment is not necessary.

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

**VOTED:** See Text of Vote at **Exhibit F.**

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

Voting against the foregoing were: None.

Mr. Brad Wineburg, one of the founders of Providence Health Solutions, next made a presentation on his company. He explained that the company designs, promotes and runs wellness programs, including *Shape Up the Nation*. He reported that the company recently closed on its first round of financing and currently has 6 employees. Mr. Wineburg stated that the ITC program will help accelerate their progress forward.

Ms. Melissa Withers, EDC's Director of Communications and Market Development, reported that the *Today Show* has expressed an interest in featuring this company on its show.

Governor Carcieri described Providence Health Solutions as having a very exciting program and he is particularly interested in how it relates to the health care system and costs associated with health care.

Mr. Kaplan noted that 2008 *Shape Up RI* teams have been assembled at the EDC. He described this company as an example of how ideas can be proven in Rhode Island and then taken nationally.

In response to a question of Mr. Biliouris, Mr. Wineburg stated that the company monitors results with an online system to track results. He added that there are presently 1,300 teams registered for the 2008 *Shape Up RI* program.

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

**VOTED:** See Text of Vote at **Exhibit G.**

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

Voting against the foregoing were: None.

Speaking on behalf of Public Display, Mr. Bill O'Farrell provided an overview of Public Display, Inc., a software firm developing web applications to organize data. The company is located in the jewelry district, which is an enterprise zone. Mr. O'Farrell stated that the business began in 2006 and noted that half of its staff rides bikes to work and that the company recycles heavily. He explained that the company focuses on extracting information from the web in intelligent ways, using a process known as "screen scraping". The process will allow people to move information directory from the web to personal calendars. Mr. O'Farrell reported that the company has raised \$1.75 million, of which \$500,000 is from the Slater Fund. Although the company has kept a low profile, Mr. O'Farrell announced that it will be launching a new program, known as "FuseCal", in the immediate future.

Mr. Kaplan noted that this is not the first time Mr. O'Farrell has started a company. Mr. Kaplan described Mr. O'Farrell as a very successful "serial entrepreneur".

In response to an inquiry of Mr. Biliouris, Mr. O'Farrell explained that the company works with consumers, web publishers and advertisers.

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

**VOTED:** See Text of Vote at **Exhibit H.**

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

Voting against the foregoing were: None.

**6. FOR APPROVAL OF INTEREST RATE SWAP AGREEMENT FOR RHODE ISLAND PHILHARMONIC BONDS**

Attorney Stolzman reminded the Board that it had approved the extension of an inducement resolution for the issuance of tax exempt bonds for the Rhode Island Philharmonic Orchestra (RIPO) in November 2007. The bonds are scheduled to close in February or March 2008. Given the fluctuating interest situation, RIPO is requesting that the EDC identify swap or derivative agreements on its books and records for some or all of the bonds in order to treat such swap or derivative agreements which may be executed by RIPO and the issuing Bank as qualified hedges in accordance with U.S. Treasury Regulations. Mr. Stolzman noted that RIPO's attorney, Tony Afonso, was present to answer questions. Mr. Afonso noted that there is no liability to the State or the EDC in this matter, but that there is a requirement that EDC be notified of RIPO's intention to enter into such swap or derivative agreements.

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

**VOTED:** See Text of Vote at **Exhibit I.**

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

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 5:25p.m., upon motion made by Ms. Green and seconded by Ms. Hall.

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Robert I. Stolzman, Secretary