

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

APRIL 28, 2008

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, April 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, Mr. George Shuster, Ms. Cheryl Merchant, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Mr. Frank Montanaro and Ms. Alma Green.

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 MARCH 24, 2008

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 March 24, 2008.

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

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Director Kaplan distributed a packet of recent press releases related to economic development in Rhode Island (See **Exhibit A**), and stated that the corporation is moving forward with implementing its 2008 Economic Growth Plan.

With respect to business development, Mr. Kaplan reported that one of the Corporation's goals is to make 5,000 calls on Rhode Island businesses this calendar year, and that, to date, 2,080 calls have been made. He noted that the EDC is acting aggressively to contact both large and small businesses.

Director Kaplan reported that the Corporation's Attraction Campaign has been launched, with the first regional dinner event scheduled to take place at the end of the month.

Referring to the press release packet, Mr. Kaplan cited the announcement that Kelly Space & Technology (Kelly), a California aerospace company, is planning to set up an East Coast operation in Rhode Island, which will result in the addition of 50 employees next year. Kelly was attracted to Rhode Island upon receiving assistance from the Business Innovation Factory, and the EDC is doing all it can to assist with its expansion in Rhode Island.

Mr. Kaplan also reported on the expansion of Concordia Manufacturing, LLC, a textile manufacturing company located in Coventry, Rhode Island, which is planning a new facility in Warwick to focus on development and manufacturing of biomedical textiles. He noted that Concordia was assisted by the EDC's Small Business Loan Fund and that the EDC helped to find a location for the expansion. Mr. Kaplan described Concordia as a great New England story, having evolved from a textile manufacturer to a leading manufacturer of engineered fibers for a wide range of technical fabrics, including biomedical textiles used in tissue-engineering applications.

Also in the news is the partnership of the State and the City of Providence in planning for the redevelopment of the land to be made available by I-195 relocation. Mr. Kaplan reported that an RFP will go out soon to evaluate the growth potential in surplus acreage that will become available as the I-195 Project is completed. He also noted that an advisory group has been formed to look at space in the jewelry district.

Mr. Kaplan also reported on the expansion of the Regulatory Flexibility (RegFlex) program, an effort designed to reduce the regulatory burden on small businesses. The RegFlex program is administered by the Every Company Counts small business service unit.

Mr. Kaplan next called on Mr. Michael Saul to make a presentation to the Board regarding the Economic Growth Plan.

Mr. Saul used a PowerPoint presentation to assist with his report (See **Exhibit B**). He stated that the strategy for repositioning the economy is to 1) accelerate capital

formation, 2) create programs that offer growth capital at every stage of the capital continuum and 3) align programs with Rhode Island's effort to grow high wage sectors and increase jobs.

Mr. Saul reported that no mezzanine or venture capital/private equity sources currently exist in Rhode Island, and that traditional banks are reluctant to lend to high wage sector companies with unconventional assets, such as licenses and patents, all of which has led to a need to attract capital from outside of Rhode Island. The current credit crisis has also had a negative effect on commercial lending.

In order to establish a growth capital guaranty, according to Mr. Saul, a repositioning of an existing \$80 million IRBA guaranty authority has been initiated. He stated that new Kushner authority is being sought for a \$20 million Growth Capital Guarantee Program, which will be managed by the EDC staff, in accordance with policies and procedures consistent with IRBA and SBLFC programs. One of the ways of managing the risk will be requiring a penalty if a company obtains such assistance and then leaves Rhode Island. Mr. Saul noted that partnering with the Business Development Company of New England will help to bring more capital to Rhode Island.

Governor Carcieri noted that the Greater Providence Chamber of Commerce has contracted with Angels of Boston to get the word out about Rhode Island, in an effort to attract angel investors to provide capital to Rhode Island businesses.

4. FOR FINAL APPROVAL OF THE ISSUANCE OF TAX EXEMPT BONDS FOR PROVIDENCE ART CLUB

Attorney Stolzman reminded the Board that an inducement resolution regarding this matter had been passed in January and noted that Mr. Dan Meshnig, President of the Providence Art Club Board, was present to answer any questions.

There being no questions, upon motion duly made by Mr. Shuster and seconded by Ms. Merchant, 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, Mr. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

5. FOR APPROVAL OF RHODE ISLAND AIRPORT CORPORATION BONDS

Mr. Stolzman explained that the Rhode Island Airport Corporation (RIAC) is looking to issue up to \$45 million in revenue bonds to assist with improvements to airport facilities and refunding of previously issued bonds. He noted that Mr. Brian Shattle, CFO of RIAC, and RIAC Counsel Tony Afonso were both present to answer any questions of the Board. The improvements include enhancements to the main

airport terminal in Warwick, as well as several other projects at the airport facilities in Westerly, Block Island and Quonset.

There being no questions, upon motion duly made by Ms. Merchant 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, Mr. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

6. FOR APPROVAL OF INNOVATION AND GROWTH TAX CREDITS FOR LIGHTHOUSE SECURITY GROUP

Mr. Kaplan stated that this is the second tranche of Lighthouse Security Group's request for Innovation and Tax Growth Credits, as the Board had previously approved the issuance of up to \$100,000 in such credits in November 2007, and that final approval of up to \$50,000 in credits was approved in January 2008. The current request is for issuance of the remaining \$50,000 in credits. He referred the Board to a spreadsheet prepared by Ms. Christine Smith outlining the current status of the Innovation and Tax Growth Credits (See **Exhibit E.**)

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

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

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

Voting against the foregoing were: None.

7. FOR ADOPTION OF REVISED RULES AND REGULATIONS FOR THE EXPEDITED PERMIT PROCESS

Attorney Stolzman pointed out the checklist of procedures which have been followed in modifying the rules and regulations for the expedited permit process, also known as the "CCEC" program (See **Exhibit F.**) He also noted that a copy of the revised rules and regulations were made available to the Board at the March Board meeting as part of the Executive Director's report. He noted that the biggest changes to the program include a reduction of application fees and a clearer definition of the job requirements. To qualify for a CCEC, a company must guarantee that 50% of its jobs are high-wage jobs paying 105% of the State's average annual income. Mr. Stolzman reported that, in revising the rules, staff attempted to align the rules with the Corporation's economic growth strategy.

In response to a question of Mr. Shuster, Governor Carcieri stated that the State calculates the State's average annual income each year.

In answer to a question of Governor Carcieri, Mr. Stolzman stated that the amendments do not provide any changes in the timetable, as the statute does not allow the EDC to force another agency to act or to change substantive reporting of other agencies. In this regard, Mr. Kaplan commented that the Corporation has a good relationship with other agencies and every effort is being made to make the process easier for all concerned.

Responding to a question of Mr. Biliouris, Mr. Stolzman stated that the EDC cannot supersede municipal regulations.

Governor Carcieri suggested that there be more flexibility in the requirement for a company to occupy no less than 50,000 sq. ft. of space in order to qualify for CCEC status. Mr. Kaplan stated that there needs to be a threshold in order to limit the number of requests under this program. Governor Carcieri stated that he would not like to see a company excluded because they needed less than 50,000 sq. ft. of space, while Mr. Stokes offered that he prefers the 50,000 sq. ft. of space minimum. Mr. Kaplan noted that there have been no CCEC applications ever since the application fee was increased.

Ms. Merchant stated that she agrees with the 50,000 sq. ft. minimum, but that there should be room for certain exceptions.

Mr. Shuster stated that job retention is as important as creating new jobs, and that existing companies want to know that they are important, too. He added that good work by EDC staff will make sure that both job retention and new businesses are being served.

Governor Carcieri stated that he wants the message to be clear that the EDC is willing to expedite for significant employers already in existence in Rhode Island as well as for new companies looking to relocate to Rhode Island. Mr. Kaplan suggested the Board revisit the regulations in the future to address the square footage issue.

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

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

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

Voting against the foregoing were: None.

Prior to adjournment, a discussion ensued regarding Mr. Shuster's comment on the Governor's recent elimination of the historic tax credit program. Governor Carcieri responded that the program had gotten out of control and that he fully expects that it can be restructured and put back in use.

Mr. Shuster noted that Streuver Bros. has one of its largest offices in Rhode Island and he would like to see them stay here.

Mr. Stokes expressed his agreement with the Governor's actions, and stated that the historic tax credits should be used for structures used for public economic purposes rather than the benefit of private single family homes. Governor Carcieri stated that the State was not able to absorb the credits as they existed. In response to Mr. Shuster, Governor Carcieri reported that the program will be re-considered and re-instated. Mr. Kaplan commented that the historic tax credit program needs to be in line with the State's economic policy.

Mr. Stokes commented that Rhode Island has more historic properties, primarily of the colonial era, than any other state, and no one ever envisioned that the historic tax credit program would get as big as it had.

There being no further business in Public Session, the meeting was adjourned at 5:10 p.m., upon motion made by Mr. Shuster and seconded by Ms. Merchant.

Robert I. Stolzman, Secretary