

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

MAY 19, 2008

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, May 19, 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. Frank Montanaro, Mr. Keith Stokes, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Mr. George Shuster, 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.

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 4:05 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON APRIL 28, 2008

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 April 28, 2008.

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

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Executive Director Saul Kaplan updated the Board members on progress being made with the 2008 Economic Growth Plan, referring to several articles recently in the news (See **Exhibit A**). He reported that both the House and the Senate have proposed legislation to enact the Growth Capital Guarantee Program, which was introduced at the April Board meeting. Hearings on the proposals will be held soon. Mr. Kaplan described this legislation as an important element of the Economic Growth Plan.

Mr. Kaplan noted that staff has been very active with small businesses, and that loans have been made through the SBLF and the Micro-Loan program. He reported that 12 loans, totaling \$2.6 Million, have been made since June 2007, helping to create more than 400 jobs. In response to an inquiry of Governor Carcieri, Mr. Kaplan stated that he is pleased thus far with the loan repayments.

Governor Carcieri noted that he recently attended an event at the American Power Conversion ("APC") facility in West Kingstown marking the national Invest in America Week. He stated that he is very pleased that APC has decided to stay in Rhode Island, with plans to invest \$3 to \$4 Million to enhance its facility and make it more energy efficient. He explained that APC has been acquired by a France-based company, Schneider Electric, and that the company has changed its product line to keep up with the times. Mr. Kaplan noted that APC is a great example of how to reinvent an existing company.

Responding to a question of Mr. Montanaro, Governor Carcieri stated that the company is converting its employees by creating new teams for its new products. He noted that a lot of time has been spent on re-energizing staff, and that all staff has been retained. Mr. Montanaro stated that he had heard that there were problems in training some of the older employees as there has been a big shift in the nature of the work. In response, Governor Carcieri noted that he had not heard anything negative with respect to the status of the employees.

Mr. Kaplan reported that the Science and Technology Advisory Council ("STAC") recently announced that Brown University and the University of Rhode Island have each contributed \$25,000 to the Rhode Island Research Alliance. The two institutions will serve as the first charter members of the Alliance, which was formed by STAC to promote collaboration among the state's research institutions. Mr. Kaplan stated that the EDC is now calling on other research institutions in the State to take part in the Alliance.

Mr. Kaplan announced that a meeting of the Economic Policy Council will take place on May 21 at the offices of the EDC, and that Governor Carcieri will chair the session. He noted that the EPC is now staffed by EDC staff.

Continuing his report, Mr. Kaplan reported that legislation for the creation of a 21st Century Workforce Commission has been submitted to and passed by the Senate

and a similar proposal is now going to the House for approval. He stated that he is working on having a hearing on this matter.

Governor Carcieri commented that FM Global's development plans are on hold, awaiting a Superior Court's decision regarding the landowner's appeal of local zoning and planning decisions on the project.

Mr. Kaplan noted that the business development team has been very busy with both small and large companies in the State, and that it has a good pipeline of companies to call on from out of state. He stated that staff is about to schedule six events in three industry areas.

Governor Carcieri noted the importance of getting the New England states to work together as a region by building common alliances, such as energy and research. Mr. Kaplan stated that the defense industry presents a natural inclination for the regional states to work together, adding that such an alliance worked well with the BRAC program. He also noted that he has been asked to serve on a Regional Competitiveness Commission, with a meeting scheduled for May 20 in Washington, D.C.

Mr. Biliouris commented that it would be beneficial for the regional states to work collaboratively, by leveraging each respective states' assets, rather than competing with each other.

Mr. Stokes noted that his industries of interest are defense and tourism, and that larger companies are interested in regional collaborations. He stated that the Southeastern New England Defense Industry Alliance has been driven by smaller businesses. He added that tourism should be promoted regionally, especially to attract international tourists.

Mr. Biliouris noted that he would like to see which industries could best be supported by regionalism.

4. FOR APPROVAL OF INNOVATION AND GROWTH TAX CREDITS FOR CREATIVE CIRCLE ADVERTISING SOLUTIONS, INC.

Mr. William Ostendorf, CEO and founder of Creative Circle Advertising Solutions, made a presentation (See **Exhibit B**) regarding his company and its request for approval of innovation and growth tax credits. He introduced his partner and co-founder, Mr. James Higgins, Vice President of Technology for the company.

Mr. Ostendorf explained that the company, which has its roots in consulting, has developed software for newspapers and other media companies. One of the programs, known as "adQ" is designed to help people write intelligent classified ads by providing drop down screens that help the users to select useful information for the ads. Mr. Ostendorf stated that this program has enabled newspapers to see a 50% increase in ad sales, by making what was a complicated system very easy and fast.

Another program produced by this company is “communityQ”, which enables users to contribute to a media website by adding photos, videos and other information.

Mr. Ostendorf noted that current clients include the Westerly Sun Newspaper, Providence Business News, Eastbay Newspapers and Channel 10 Television. He stated that newspapers are realizing a need to improve their websites.

Employees of this company are highly paid, most earning over \$50,000, according to Mr. Ostendorf. He stated that there is a large market for this product and that he is beginning to see some overseas activity. Mr. Ostendorf expects that value will exceed revenue.

The company is about to close on a new round of financing of \$550,000, with \$250,000 having been committed by the Slater Fund, and a new investor intending to invest another \$250,000, provided that the \$100,000 tax abatement being requested today is approved. Another \$50,000 is being invested by existing investors and the founders of the company.

Upon inquiry of Mr. Stokes, Mr. Ostendorf stated that competitors include companies that offer web-hosting and are more national than regional. He added that his company has several pieces that are attractive to newspapers.

Governor Carcieri asked about sites such as Craig’s List and Ebay. Mr. Ostendorf stated that Craig’s List led to the loss of revenue for newspapers as it offers free advertising. At the present time, Craig’s List charges only for real estate ads in three cities, the revenue from which funds the rest of the program. The advantage of Creative Circle is that it helps users to write their ads.

Mr. Biliouris stated that, being in the real estate business, he sees a lot of money wasted in advertising, and asked how this company’s ads differ from others. He noted that he sees classified ads “going the way of the dinosaur”. Mr. Ostendorf explained that feedback from users indicates that the program is well received and that it works best for newspapers.

In response to another question of Mr. Biliouris, Mr. Ostendorf stated that, although the company has not yet been able to obtain a patent, he has not seen its programs duplicated.

Mr. Kaplan noted that Slater has done its due diligence and sees the company as favorable.

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

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

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

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 4:50 p.m., upon motion made by Mr. Biliouris and seconded by Mr. Montanaro.

Robert I. Stolzman, Secretary

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