

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

OCTOBER 27, 2008

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, October 27, 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, Ms. Cheryl Merchant, Ms. Alma Green, Mr. Alexander Biliouris and Ms. Kimball Hall.

Director absent: Mr. George Shuster.

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 JULY 28, 2008

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

VOTED: To approve the public session minutes of the meeting held on July 28, 2008.

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

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

Executive Director Saul Kaplan distributed a packet of information containing recent news items focusing on economic development, including, but not limited to, the opening of the new Route 403 at Quonset, the Business Innovation Factory's fourth annual Collaborative Innovation Summit, Neurotech Pharmaceuticals' opening of a GMP Manufacturing Facility in Cumberland, United Natural Foods announcement of plans to relocate to Rhode Island, the URI Commission for Research & Innovation's Report and Recommendations, the EDC's collaboration with the Rhode Island Commodores, the selection of Chan Krieger Sieniewicz to conduct an assessment of the I-195 surplus property, STAC's Research Alliance Program's investment in collaborative research, the selection of Deepwater Wind as the Developer of a Rhode Island Off-Shore Wind Farm, the opening of Concordia's new Warwick facility, the creation of Leadership Initiatives for Teaching and Technology (LIFT2) and the Small Business Loan Fund's granting of expansion capital loans to four Rhode Island businesses. Details can be found at **Exhibit A**.

Mr. Kaplan spoke about the need to move more quickly to improve the economy, as Rhode Island has been hit hard with the recent economic downturn. He noted that sub-prime construction loans and the fact that a large percentage of the State's economy is in lower-wage jobs as the main factors for Rhode Island's recent designation as having the highest unemployment rate in the country. Mr. Kaplan explained that staff is working on short term actions as well as with an increased resolve to move to assist development of business sectors that will grow.

Director Kaplan stated that the EDC remains focused on economic development and referred to the recent announcement that United Natural Foods ("UNF") has decided to relocate its corporate headquarters to Rhode Island. He introduced Mr. Thomas Dziki, Vice President of Sustainable Development for UNF, to address the Board.

Mr. Dziki stated that UNF is the largest distributor of organic and natural foods in the country, and that the company continues to grow as people become more aware of what they are eating and how it affects their health. He explained that there are currently 22 distribution facilities throughout the country with an aggregate of 6.5 million square feet of space. Mr. Dziki stated that the company is adding a Specialty and Gourmet Foods sector.

Mr. Dziki noted that he is in charge of green initiatives for the UNF. He explained that the company's corporate headquarters in Dayville, Connecticut, presently occupies several smaller buildings, and the company wants to consolidate to one building. He stated that UNF has a preference in occupying an industrial development. Mr. Dziki explained that the company liked what Rhode Island was doing with rehabilitating former industrial buildings and was attracted to the ALCO building, which also houses the EDC offices. He stated that the building will be a green building. Responding to a comment by Governor Carcieri, Mr. Dziki confirmed that UNF was originally started by Norman Cloutier as Cornucopia Natural Foods in Coventry, Rhode Island, and later

consolidated with similar companies around the country to create UNF. Mr. Kaplan acknowledged that it has been a pleasure to work with this company.

Mr. Kaplan next introduced Scott Gibbs, President of the Economic Development Foundation, who spoke about the recent opening by Neurotech Pharmaceuticals (“Neurotech”) of a new GMP manufacturing facility at Highland Corporate Park in Cumberland. Neurotech’s focus is the development of sight-saving therapeutics. Mr. Gibbs noted that the Economic Development Foundation worked closely with EDC to assist this company with equipping this facility.

Mr. Kaplan stated that the EDC continues to look very aggressively for short term and long term investments in Rhode Island.

Governor Carcieri noted that, in connection with short term solutions, he met last week with small business groups, where he learned that there is currently a lot of pressure from lenders and that many small businesses, even those with good credit, are having their credit lines pulled. He announced that he plans to meet with local banks later this week to try to work out some creative solutions to loosening up credit for small businesses.

Governor Carcieri also noted a forum which is to take place on November 6 to discuss possible solutions to the current economic situation. Governor Carcieri likened the present economic situation to that of the years 1989/1990. He would like to see Rhode Island come out stronger in the end.

4. FOR APPROVAL OF FY '08 AUDITED FINANCIAL STATEMENTS

Mr. J. Michael Saul, Deputy Director of Management Operations and Services, introduced Ms. Susan Morgan to provide a brief summary of the Corporation’s audited financial statements for the fiscal year ending June 30, 2008.

Ms. Morgan distributed a handout containing financial statement highlights (See **Exhibit B**). She noted that the SBLFC cash available to loan has been reduced from \$5.3 million to \$2 million as a result of loans currently granted and outstanding, and that \$2.5 million has been loaned to innovation companies. Ms. Morgan also stated that the Corporation has a new note receivable of \$9.5 million, which is a result of the purchase of \$21 million in historic tax credits which were unused by Masonic Temple. The credits were purchased for \$14 million, thereby saving the State \$7 million. Ms. Morgan reported that personnel costs are now down \$1.5 million, and the 2009 Personnel Budget is down by 8%.

Governor Carcieri noted that the audit was a “clean” audit without any management changes recommended.

Upon motion duly made by Ms. Merchant 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. Montanaro, Mr. Stokes, Ms. Merchant, Ms. Green, Mr. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

5. FOR UPDATE ON RENEWABLE ENERGY DEVELOPMENT FUND

Mr. Kaplan explained that management of the Renewable Energy Development Fund is a new responsibility of the EDC as a result of the last legislative session. He referred to the set of draft rules and regulations for the operation of this fund, which have just been posted and/or distributed to interested parties for comment (See **Exhibit D.** Mr. J. Michael Saul referred to a handout highlighting the rules and regulations (See **Exhibit E.**), and noted that a final version of the rules and regulations are expected to be presented to the Board for approval at the December board meeting. Mr. Kaplan noted that a joint development agreement has been signed and that the rules and regulations have been distributed for comment to key stakeholders, including the Office of Energy Resources, Rhode Island Housing, the Senate Policy Office and the House Policy Office. He explained that individual municipal projects are capped at \$500,000 and affordable housing projects are capped at \$200,000. Loans equal to or below \$50,000 can be approved by the Executive Director of the EDC, but loans over that amount must be approved by both the EDC Executive Director and the Board of Directors.

Mr. Stokes commented that the EDC should be doing more to solicit projects that will reduce utility costs to bigger industries. Governor Carcieri expressed his agreement with Mr. Stokes, but stated that the EDC must be careful, as costs must be reduced for all, not just some. The benefits are greater to those who have a high energy use.

Mr. Saul noted that the EDC is looking for a Director to lead the program, and that by January 1, 2009, a 5 year plan will be developed.

In response to an inquiry of Mr. Biliouris, Attorney Stolzman explained that the program is funded by a surcharge on electric bills.

6. FOR INCENTIVE APPROVALS FOR UNITED NATURAL FOODS, INC.

Mr. Kaplan explained that there are three separate requests for incentive approvals for United Natural Foods, Inc. ("UNF"), the first being for approval of Project Status. He referred to the Economic Impact Analysis performed by EDC staff (See **Exhibit F.**) and noted that both House and Senate approvals will be necessary upon approval by EDC. Noting that income tax revenue to the State must exceed the tax credits, Mr. Kaplan stated that this project clearly exceeds this requirement.

In response to a question of Ms. Green, Mr. Dziki explained that 14 out of the 157 employee relocating to Rhode Island currently live in Rhode Island, and the balance live in Massachusetts and Connecticut. He explained further that the company plans to

grow by 100 jobs in 3 to 5 years and that those new jobs will be available to Rhode Island residents. Mr. Kaplan added that these jobs will produce more income tax revenue for the State.

Upon inquiry of Mr. Montanaro, Mr. Stolzman and Ms. Robertson provided a definition of high wage jobs being 105% of the median wage, which is currently \$35,000. Accordingly, jobs paying \$40,000 or more are considered high wage jobs.

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

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

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

Voting against the foregoing were: None.

Referring to the analysis for purposes of approval of credits under the Jobs Development Act (See **Exhibit G**), Mr. Kaplan noted that, due to a change in legislation, the EDC must certify that the project is at least revenue neutral. He stated that this project clearly exceeds this threshold, and that the EDC will work with the Division of Taxation to monitor the effects of the credits on state income.

Upon motion duly made by Ms. Merchant 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. Montanaro, Mr. Stokes, Ms. Merchant, Ms. Green, Mr. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

With respect to UNF's request for a grant from the Renewable Energy Development Fund, Governor Carcieri noted that UNF intends to make the ALCO building a green building by using a solar project contemplated to meet the company's electricity needs. Mr. Kaplan stated that the plans are consistent with the proposed regulations for a Renewable Energy Development Fund grant, which would provide \$70,000 per year for ten (10) years.

In response to a question of Mr. Biliouris, Mr. Kaplan explained that Streuver Bros., the developer of the facility, will be eligible for federal tax credits.

Upon inquiry of Ms. Green, Mr. Kaplan explained that the company's intention to improve a building it does not own is based on a minimum number of years the company plans to use the building.

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

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

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

Voting against the foregoing were: None.

7. **FOR APPROVAL OF CERTIFICATE OF ECONOMIC CONCERN FOR CVS PHARMACY**

Mr. Kaplan commented that the Certificate of Critical Economic Concern (“CCEC”) is an important tool used by the EDC to facilitate permitting requirements for expansion or development of businesses. CVS Pharmacy, Inc. (“CVS”) has requested a CCEC in order to facilitate its expansion at Highland Corporate Park in Cumberland and Woonsocket. Mr. Kaplan explained that CVS has met the new rules for a CCEC, namely, the creation of more than 50,000 sq. ft. and more than 100 high wage jobs.

Mr. Scott Gibbs, President of the Economic Development Foundation of Rhode Island, and James McGuirk, Esquire, attorney for CVS, were present to address questions. Mr. Gibbs presented a map of Highland Corporate Park to the Board, showing where CVS currently has facilities and where it plans to expand. CVS plans to build a two story office building with 140,000 sq. ft. of space and a parking garage. The garage would be the first parking garage at the Park. Mr. Gibbs noted that Highland Corporate Park is LEED certified and the new CVS building will be the first LEED building in the Park. Mr. Gibbs stated that the expansion requires approval from the Department of Environmental Management, and the CCEC will help move that process along.

Mr. Biliouris recused himself from this matter due to real estate relationships with CVS.

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

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

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

Voting against the foregoing were: None.

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

Mr. Kaplan explained that both of the next two agenda items have already received preliminary approvals from the Board for Innovation and Growth Tax Credits. He stated that both companies have now demonstrated that they have raised the capital necessary in order to take advantage of the tax credits.

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

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

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

Voting against the foregoing were: None.

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

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

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

Voting against the foregoing were: None.

9. FOR JOBS DEVELOPMENT ACT APPROVAL FOR CADENCE INC., a/k/a POPPER PRECISION INSTRUMENTS, INC.

Mr. Kaplan explained that Cadence, Inc., a C corporation headquartered in Virginia, recently purchased Popper Precisions, Inc., a Subchapter S corporation located in Lincoln, Rhode Island and incorporated in Rhode Island in January 2008. Because neither company had a nexus in Rhode Island prior to January 2008, they have not yet had any income tax liabilities to the State and are therefore considered revenue neutral.

Ms. Jean Robertson introduced Mr. Peter Harris, CEO of Cadence, Inc., who was present to answer any questions.

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

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

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

Voting against the foregoing were: None.

Mr. Stokes next addressed Governor Carcieri regarding the Governor's meeting to be held later in the week with the local banks. Mr. Stokes stated that the Small Business Loan Fund ("SBLF") has always been one of the most important vehicles providing assistance to small businesses. He urged Governor Carcieri to try to get the banks to recapitalize the SBLF.

Secondly, Mr. Stokes commented on the lack of consistent land use policies in each of the municipalities. He noted that zoning policies have reduced industrial and maritime zoning. Mr. Stokes asked that the EDC be instrumental in assisting some municipalities in being more creative in their land use policies so as to enable businesses to develop and grow. He noted that many municipalities do not have land use planners.

Governor Carcieri agreed with Mr. Stokes' statements and cited Highland Corporate Park as a good example of industrial land use.

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

Robert I. Stolzman, Secretary