

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

SEPTEMBER 21, 2009

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, September 21, 2009, 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 bylaws 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. Alma Green and Ms. Cheryl Merchant.

Also present were: Interim Executive Director J. Michael Saul, 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 4:07 p.m.

2. INTERIM EXECUTIVE DIRECTOR'S REPORT

Interim Executive Director J. Michael Saul's report can be found at **Exhibit A**, together with a packet of recent press releases regarding economic development news. Mr. Saul highlighted the following items from his report:

The business development team has been very active and is working with some high probability prospects with respect to attraction and/or expansion projects with a potential of bringing over 2,000 new jobs to the State.

The EDC will host the grand opening of the new offices of Alteris Renewables in Providence. The new offices will house a state-of-the-art call center and administrative center. It is anticipated that Alteris will double its workforce within the next two years.

United Natural Foods (UNFI) has moved into its new space at American Locomotive, marking the relocation of its corporate headquarters from Dayville,

Connecticut to Providence. The move has brought 150 employees to Rhode Island and that number is expected to grow to about 240 employees over the next three years. The EDC will assist UNFI with communications and marketing support for its open house on October 17.

John Rhodes recently presented the preliminary progress report for the Rhode Island Strategic Plan for Commercial and Industrial Site Development (See **Exhibit B**) to the Economic Policy Council, and a final report should be completed within the next 60 days. The final report will be presented to the Board of EDC.

Amgen has been named a winner of the annual Innovation Awards to be presented by the EDC and Providence Business News.

An advertorial about Rhode Island will appear in the September 28 issue of Fortune magazine, and a 64-page insert regarding Rhode Island's green economy is expected to be included in the Wall Street Journal in October.

The EDC has been awarded four marketing awards from the Northeastern Economic Developer's Association, including an "excellent" citation for its 2009 travel guide.

The Every Company Counts sector sponsored three "sold-out" workshops at the annual "We Mean Business Expo" in Providence on September 10.

On September 14, 2009, a "Change in Command" ceremony was held at the Naval Station Newport (NSN), marking the end of Captain Michel Poirier's tenure at NSN. Captain Poirier is credited with implementing over \$270 million in military construction infrastructure projects at NSN.

In the Tourism sector, it was noted that Mark Brodeur, Director of the Rhode Island Tourism Division, has been named Chairman of the board of Discover New England (DNE), a cooperative of New England states created to market New England throughout Europe.

During the summer, the EDC, with funding from the Governor's Workforce Board, awarded grants to four companies that are hiring and training new employees, including Advanced Financial Services in Middletown, Scott Brass in Cranston, Crimzon Rose Int. in North Providence and Pioneer Financial in Warwick. These companies are credited with creating 87 new jobs.

Mr. Saul also pointed out the Economic Growth Plan 2009 review and report (See **Exhibit C**), as well as a memo and a report on the Green Economy Roundtable which took place on July 26, 2009 (See **Exhibit D**), which were distributed to the Board members.

3. APPROVAL OF THE MINUTES OF THE MEETING HELD ON JUNE 22, 2009

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 June 22, 2009, as submitted to the Board of Directors.

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

Voting against the foregoing were: None.

4. FOR APPROVAL OF FY '09 AUDIT REPORT

Mr. Saul noted that Susan Morgan was present to answer any questions regarding the draft FY '09 Audit Report and that Mr. Stokes and Mr. Biliouris participated in the preparation of the report. Mr. Stokes stated that this year's report has more notes and more clarity than prior years' reports, particularly with respect to changes made in the pension system. Mr. Biliouris noted that extra time was spent on this report this year in order to make it even more transparent than in prior years.

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

Voting against the foregoing were: None.

5. FOR APPROVAL OF INNOVATION TAX CREDIT FOR PHOENIX MEDICAL TECHNOLOGIES LLC

Ms. Christine Smith referred the Board members to the return on investment (ROI) analysis prepared by Tim Cole, Director of Research at RIEDC, for the request for an Innovation Tax Credit by Phoenix Medical Technologies LLC ("Phoenix") (See **Exhibit F**). Ms. Smith explained that Phoenix has developed a therapeutic medical device designed to be inserted in shoes to prevent elderly and diabetics from falling. She noted that Phoenix has partnered with a Rhode Island manufacturing company to produce this product.

Mr. Steven Metzger, CEO of Phoenix, presented a PowerPoint program to the Board members to describe Phoenix and its product. He explained that the product was originally created by Afrin Corp., which later went bankrupt after investing over \$7 million in research and product development.

Mr. Metzger described the production of the insole product developed by Phoenix as a high tech industry. The product is designed to help restore sensory performance in the elderly and in diabetics. Both the elderly and diabetics suffer from loss of sensory perception, particularly in their extremities. The product uses “Stochastic Resonance” (“SR”) to add “noise” which in turns creates energy inside nerves, requiring less external energy.

Phoenix has partnered with ATP Manufacturing, a Rhode Island based company which is one of the largest manufacturers of insole products, to produce the insoles. ATP plans to open a medical procedure division in Rhode Island, and already has one medical client.

Mr. Metzger explained that Phoenix plans to release this new product by 2011 and to be able to break even by mid-2012. He noted that both Phoenix and ATP plan to add good paying technical jobs. Mr. Metzger reported that Attila Priplata, PhD, is the Technical Advisor for Phoenix and Richard Besdine, MD is a member of the Scientific Board of the company.

Mr. Metzger stated that Phoenix has an opportunity to advance proven technology to address urgent unmet medical needs and to bring substantial new employment to Rhode Island.

In response to a question of Mr. Biliouris, Mr. Metzger explained that ATP has moved to a new building in Harrisville.

Upon inquiry of Governor Carcieri, Mr. Metzger explained that clinical trials have already been conducted and this new product has proven to be effective. Manufacturing is expected to commence within one year. Items remaining to be done before the product can be marketed include safety testing and packaging.

Mr. Metzger explained that the insole will first be marketed to diabetics, which is largely a private pay market. The anticipated cost to the consumer is \$175 - \$225.

In response to a question of Mr. Biliouris, Mr. Metzger explained that the “noise” he referred to earlier can be described as a low level vibration, and that the user will have to have some nerve sensory in order for the product to be effective.

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

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

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

Voting against the foregoing were: None.

Following the vote, Attorney Stolzman confirmed that the foregoing vote is for a preliminary approval of \$100,000 in Innovation Tax Credits.

6. FOR APPROVAL OF INNOVATION TAX CREDIT FOR CHARTWISE MEDICAL SYSTEMS, INC.

Ms. Christine Smith called attention to the ROI Analysis provided to the Board members regarding Chartwise Medical Systems, Inc. (See **Exhibit G**).

Ms. Mary Cooper, Vice President of ChartWise Medical Systems, Inc. (ChartWise), presented a PowerPoint program (See **Exhibit G**) to the Board and explained that ChartWise has developed interactive software designed to assist hospitals and other medical facilities to obtain revenues from Medicare. She stated that the company is located in an old mill complex on High Street in Wakefield, and currently has 6 employees.

Ms. Cooper reported that clinical trials are expected to take place after Christmas and the software will be presented at trade shows in March 2010. She noted that the company has planned ahead for the software to be used internationally.

The company is presently comprised of employees who were hand-picked from HeartLab, some of whom have worked together for over 15 years. Ms. Cooper reported that the return on investment to hospitals should occur between 4 and 6 months.

Ms. Cooper stated that the company anticipates 37 employees by 2013, that the employees will be highly compensated with base wages of \$85,000 - \$103,000, and the company will offer good benefits. She noted that, due to the low cost of services, the company expects to be in a cash positive position by the end of 2010. Ms. Cooper stated that the company has a \$1.5 million investment commitment to date.

Upon Mr. Stokes' inquiry regarding why the company is located in Wakefield, Ms. Cooper stated that many of the employees came from HeartLab, which was located in Westerly, and they intend to stay in the South County area. Mr. Stokes noted that location is usually a "quality of life" issue.

In response to a question of Mr. Biliouris, Ms. Cooper explained that the software is generic but will be customized for each hospital. She explained that the cost to a small community hospital will be about \$50,000 per year.

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

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

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

Voting against the foregoing were: None.

7. FOR FINAL APPROVAL OF INNOVATION TAX CREDIT FOR ALBION SECOND FACILITY, LLC

Attorney Stolzman explained that Albion Second Facility, LLC (Albion) received preliminary approval for an Innovation Tax Credit in March 2009 and has now secured and documented investment in the company in excess of \$200,000. Albion's second facility will be located in Exeter and is a facility dedicated to Alzheimer's Memory Care patients. Mr. Stolzman explained that there have been no material changes since Albion made its presentation in March 2009 and that the Exeter facility is expected to be operational by the third quarter of 2010.

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

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

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

Voting against the foregoing were: None.

8. FOR RE-APPROVAL OF JOBS DEVELOPMENT ACT ELIGIBILITY FOR CADENCE INC.

Attorney Stolzman stated that Cadence Inc. previously qualified for certification under the Jobs Development Act in October 2008. He explained that because Cadence's acquisition of Popper & Sons, Inc. was treated for tax purposes as an asset acquisition rather than as a stock acquisition, the Division of Taxation requested that the initial resolution be revised for clarification purposes so that the acquisition could be treated as an asset acquisition.

Attorney Stolzman also noted that there was an error in the original analysis of Cadence for Jobs Development certification with respect to the baseline date, and it also which referred to 67 employees, and that there are currently 97 employees.

Upon motion duly made by Mr. Stokes and seconded by Mr. Biliouris, 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. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

9. FOR APPROVALS OF RENEWABLE ENERGY DEVELOPMENT FUND APPLICATIONS

Mr. Fred Hashway referred the Board members to a memo from Mr. Julian Dash summarizing the four (4) Renewable Energy Fund requests being presented at this meeting (See **Exhibit J**).

A. Tomorrow Biofuels

Mr. Dash explained that **Tomorrow Biofuels** (TBL), which is located in the Howard Park in Cranston, has developed a system to convert greenhouse gases into a biofuel to run electricity-producing generators. In response to an inquiry of Governor Carcieri, Mr. Hashway noted that some work has been done in this area at URI and that, while the process is relatively new, private equity has been committed for this venture.

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

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

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

Voting against the foregoing were: None.

B. Holliston Sand/Slatersville Hydro

Mr. Hashway explained that Holliston Sand, located in Slatersville, RI, is the leading manufacturer of high quality sands in the New England area, and is seeking to reduce its electrical costs by installing two hydro turbines at two dams in North Smithfield. Although the project represents a significant investment, Holliston anticipates a 60% reduction in its electrical costs once the turbines have been installed and are operational.

Upon inquiry of Mr. Biliouris, Mr. Dash stated that the cost of new labor was not factored into the projected savings. Mr. Biliouris commented that the savings do not support the employee costs. Mr. Hashway stated that he will get more information and report back to the Board on this at the next meeting.

Upon motion duly made by Mr. Stokes and seconded by Mr. Biliouris, the following vote was adopted, subject to verification that the energy savings and job creation analyses are warranted:

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

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

Voting against the foregoing were: None.

C. SGE Engineers

Mr. Hashway explained that SGE Engineers (Sustained Global Energy), located in Portsmouth, intends to install a wind turbine which will produce 80% of all electricity used by the Easton Pond Business Center tenants. Mr. Stokes described this project as comparable to the turbines located at Portsmouth Abbey. He also noted that this business park was zoned by the Town of Portsmouth to have turbines.

Mr. Montanaro commented that too many part time jobs are anticipated and Governor Carcieri noted that the project will not create jobs.

Mr. Hashway responded by emphasizing the utility costs to be achieved by this project.

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

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

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

Voting against the foregoing were: None.

D. Hodges Badge Company

Mr. Hashway explained that Hodges Badge, also located in Portsmouth, is “the number one custom manufacturer of quality ribbons, rosettes, medals, presentation silver, sashes and buttons in the US”. The company plans to install a wind turbine in order to warrant expansion in Rhode Island, as opposed to at their additional facility in Washington, Missouri, where energy costs are presently more economical. Upon installation of the turbine, the company plans to relocate idle equipment from its Missouri facility to Rhode Island, thereby increasing jobs in Rhode Island.

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

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

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

Voting against the foregoing were: None.

Following the vote there was discussion about how to best set up criteria to keep existing Rhode Island businesses in Rhode Island. Mr. Stokes noted that many towns are presently looking at land use for turbines, and that municipal collaboratives should be given priority.

There being no further business to come before the Board, the meeting was adjourned at 5:37 p.m., upon motion made by Mr. Biliouris and seconded by Mr. Montanaro.

Robert I. Stolzman, Secretary

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