

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

May 24, 2010

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, May 24, 2010, in Public Session, at 5:00 p.m. at the Offices of the Quonset Development Corporation at the Quonset Commerce Park in North Kingstown, 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. Lynn Singleton, Mr. Karl Wadensten, Mr. Daniel Sullivan, Mr. Shivan Subramaniam, Ms. Cheryl Snead, Mr. George Nee, Mr. Paul Choquette and Dr. Timothy Babineau.

Directors absent: Mr. Alfred Verrecchia, Mr. Stephen Lane, Ms. Donna Cupelo and Dr. David Dooley.

Also present were: Executive Director Keith Stokes, 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 5:00 p.m.

2. APPROVAL OF THE PUBLIC SESSION MINUTES OF THE MEETING HELD ON APRIL 26, 2010.

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

VOTED: To approve the public session minutes of the meeting held on April 26, 2010, as submitted to the Board of Directors.

Voting in favor of the foregoing: Mr. Singleton, Mr. Wadensten, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee, Mr. Choquette and Dr. Babineau.

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT.

See **Exhibit A** for the Executive Director's Report.

Executive Director Stokes reported that the RIEDC continues to work on the Regulatory Reform Package and is in the process of organizing an Office of Regulatory Reform pursuant to the Governor's Executive Order. That office will have a director who will coordinate Regulatory Reform efforts statewide and will also oversee an office that will have a small business ombudsman and a real estate project manager who will work with cities and towns on significant economic development matters.

Mr. Stokes commented that the Division of Tourism is hosting a forum on tourism coordination with over 150 Rhode Island tourism and hospitality professionals working toward defining Rhode Island's tourism product. Board Member Mr. Sullivan has been participating in this and indicated that Rhode Island has "a great product" but needs to identify individuals who will "drive" that product toward more regional and national attention. Currently, too many regional groups work without enough coordination and do not maximize the attraction opportunities.

Governor Carcieri noted that coordination of regional tourism groups and governance of regional tourism groups are different things and that in the past governance coordination has been tried but failed. Mr. Stokes acknowledged that this approach would be to build consensus among the regional groups.

Mr. Stokes introduced a document entitled "Board Notes" which will be a flyer to be sent to the Board periodically by the Corporation to keep the Corporation up to speed on current RIEDC activities. While the document will be a "public record" it is intended to be a quick dashboard or summary of Corporation activities to keep the Board well informed. Mr. Choquette commented that the Board needs to begin to work on directing the EDC on policy priorities. To that end, he requested that the Science and Technology Advisory Council (STAC) give a report to the RIEDC Board so that the Board can begin to integrate the policy priorities of STAC with the RIEDC. Governor Carcieri agreed with Mr. Choquette and stated that collaborative efforts such as STAC have been beneficial.

4. UPDATE ON IMMEDIATE PRIORITIES.

Mr. Stokes reported that it is likely that he will request the Board of Directors to create two to three committees to begin analyzing implementation policies and structures for economic development policies.

With respect to implementing the Immediate Priorities action items, he is currently working on a program to restructure the staffing of the RIEDC. Consistent with the Immediate Priorities of the RIEDC Board, he likely will create three senior positions including a Director of the Office of Policy and Research, the Director of the Office of Regulatory Reform (as previously mentioned) and a Director of Communications.

Mr. Stokes commented further that while the RIEDC cannot direct tax policy for the state, the RIEDC ought to be a significant advocate for tax reform. To that end, and consistent with the Board's Immediate Priorities, the RIEDC has been advocating for the adoption of comprehensive tax reform at the General Assembly. The Governor commented that he is working with the General Assembly on reducing the top marginal personal income tax rate from 9.9% to below 6%. The Governor would like to see the top rate reduced to as low as 5.5%, but certainly below 6%.

Mr. Stokes commented on the additional Immediate Priority of access to credit and capital. He noted that the General Assembly has reinstated the Industrial and Recreational Bonding Authority (IRBA) cap to \$60,000,000. Additionally, the General Assembly is considering creating a \$125,000,000 Job Creation Guaranty Program for the RIEDC. Finally, he has requested a federal earmark for \$5,000,000 to recapitalize the Small Business Loan Fund with increased flexibilities and guaranty options.

Mr. Stokes also commented that, with respect to the capital continuum, last Friday the RIEDC hosted approximately 50 private capital and equity program directors and professionals to discuss recapitalizing the Slater and other seed capital programs. Per Mr. Stokes, Deputy Director Michael Saul will further discuss that later in this meeting.

Ms. Snead inquired as to whether the access to capital includes small businesses which might not otherwise qualify for SBA funding, and how the RIEDC Small Business Funds coordinate and relate to the SBA programs. Mr. Stokes indicated that the RIEDC programs complement the SBA programs. Governor Carcieri indicated that the stimulus and recovery funding programs from the United States Government increased the SBA guaranties to 90% of the business loans, but that expires in 2010. The RIEDC, per Governor Carcieri, is trying to expand that capacity in Rhode Island.

With respect to the implementation of the Immediate Priorities, Governor Carcieri inquired of the Board as to their perception of the first 90 days of the reorganized Board and new Executive Director. There generally is consensus that the RIEDC appears to be reenergized and is moving in the correct direction. However, several Board Members, including Mr. Wadensten, Mr. Choquette and Ms. Snead indicated that RIEDC should continue to push for measurable and accomplished deliverables.

5. FOR APPROVAL OF PROJECT STATUS FOR ELECTRIC BOAT.

RIEDC Staff Member John Riendeau introduced Electric Boat Senior Vice President John Holmander as well as several members of his staff.

Governor Carcieri indicated that members of the RIEDC Board of Directors had the opportunity earlier in the day to visit the Electric Boat facilities and tour the area in which Electric Boat desires to expand its operations in Rhode Island.

Mr. Holmander explained to the Board that Electric Boat has been fortunate enough to win contracts to build Virginia Class Submarines for the United States Navy. In order to meet the efficiencies necessary to make the project economically viable for Electric Boat, the Company needs to expand its facilities to increase production of submarine components. He described the investment as improving Electric Boat's competitive position by increasing efficiencies and improving quality. The only way Electric Boat can make a profit on the Virginia Class Navy contracts is to drive down costs of production through efficiency and improving quality.

The expansion will entail a physical plant investment of approximately \$45,000,000 and the hiring of at least 450 new full-time and part-time employees during the first three years of the project.

Ms. Snead inquired as to the availability of jobs for Rhode Island residents. Governor Carcieri indicated that the Director of the Department of Labor and Training, Ms. Sandra Powell, who also was in attendance at the meeting, is working with Electric Boat on job training, employee identification and reeducation and training issues.

Upon inquiry, Mr. Holmander indicated that many of Electric Boat's employees are from all over the state, with a predominant concentration in Warwick, North Kingstown and East Greenwich.

Mr. Wadensten inquired as to the training techniques used by Electric Boat. Mr. Holmander indicated that Electric Boat training processes focus on three categories of skills: first, basic skills; second, equipment skills (which are taught at Electric Boat); and third, Electric Boat-specific skills, such as culture and teamwork.

Upon inquiry, Mr. Holmander stated that Electric Boat's safety rating is the best in the shipbuilding business.

Upon motion duly made by Dr. Babineau and seconded by Ms. Snead, the following vote was adopted:

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

Voting in favor of the foregoing: Mr. Singleton, Mr. Wadensten, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee and Dr. Babineau.

Voting against the foregoing were: None.

Mr. Choquette recused himself from the matter.

6. FOR SUMMARY OF RIEDC CAPITAL PROGRAMS.

Executive Director Stokes indicated that at most Board Meetings, the Board will be educated on basic RIEDC programs by a Senior Staff Member. This meeting's module will be on the RIEDC's Financing Capital Programs and presented by Deputy Director J. Michael Saul.

Mr. Saul reviewed a deck of slides (**Exhibit D**) reviewing all of the RIEDC Capital Programs.

In general, Mr. Saul described the Capital Continuum from angel and seed investment, through growth, mezzanine and commercial capitalization.

Mr. Saul reviewed the RIEDC programs including the Small Business Loan Fund, the Industrial and Recreational Bonding Authority, the Rhode Island Industrial Facilities Corporation, the Renewable Energy Fund and the RIEDC Project Bonds. He summarized the proposed Job Creation Guaranty Program and the proposed recapitalization of seed programs.

Upon inquiry from Mr. Snead, inquiring about competition with Massachusetts and Connecticut programs, Mr. Saul and Governor Carcieri both indicated that the

RIEDC and Rhode Island could do better with guarantying and providing seed and growth debt.

7. NEW BUSINESS.

Mr. Wadensten indicated that North Carolina has been recruiting businesses in Rhode Island, New Jersey and Connecticut. Mr. Stokes indicated his awareness of the aggressive North Carolina activities in the northeast and will continue to monitor that with respect to Rhode Island companies.

Mr. Choquette inquired as to the status of the Race to the Top Application. Governor Carcieri indicated that the American Federation of Teachers in Rhode Island has been cooperative and the State continues to work with labor on improving its application. Governor Carcieri also indicated that all of the states have become more competitive in their applications, having had the opportunity to review each other's applications.

There being no further business to come before the Board, the meeting was adjourned at 6:30 p.m., upon motion made by Mr. Choquette and seconded by Mr. Nee.

Robert I. Stolzman, Secretary