

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

EXECUTIVE SESSION

JUNE 9, 2010

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Wednesday, June 9, 2010, in Executive Session, at 2:00 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. Alfred Verrecchia, Mr. Karl Wadensten, Mr. Shivan Subramanian, Ms. Cheryl Snead, Mr. Dan Sullivan, Mr. Lynn Singleton, Mr. Paul Choquette, Ms. Donna Cupelo and Mr. Stephen Lane.

Directors absent: Dr. Timothy Babineau, Dr. David Dooley and Mr. George Nee.

Also present were: Executive Director Keith Stokes and Attorney Robert I. Stolzman.

Governor Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

Prior to adjournment to executive session, upon motion of Mr. Choquette and seconded by Ms. Cupelo, it was voted that the Board adjourn to Executive Session to consider such matters as permitted by subsection (6) (location of prospective businesses in Rhode Island) of the Rhode Island General Laws, §42-46-5 (a), the Open Meetings Law.

Attorney Stolzman reviewed the procedures and rules regarding Executive Session meetings with the Board members, this being the first Executive Session meeting of the new Board.

1. CONSIDERATION OF NEW BUSINESS OR INDUSTRY TO BE LOCATED IN RHODE ISLAND

Governor Carcieri thanked everyone for attending this special meeting and explained that the reason for the meeting has to do with a fairly significant transaction which presented itself to the Corporation. He stated that, while no decision has been made, he wanted the Board to take some time to review and consider what appears to be an interesting opportunity for Rhode Island.

At the request of Mr. Stokes, Attorney Stolzman provided a summary of the matter before the Board. He referred to the Capital Continuum discussed by Mr. Saul at the May Board meeting. Mr. Stolzman explained that Rhode Island and the EDC presently have guaranty programs in place for “bricks and mortar” job programs, but that Rhode Island has fallen behind other states in its ability to provide similar assistance to “intellectual property” or “knowledge-based” jobs.

Mr. Stolzman stated that an opportunity presented itself to the Corporation by a chance meeting earlier in the year between Governor Carcieri and Curt Schilling, retired Red Sox baseball player. Mr. Schilling has established a company known as “38 Studios, LLC”. The name is derived from his number – 38 – on the Red Sox baseball team. Mr. Stolzman explained that Mr. Schilling has been a lifelong video game enthusiast and is now a video game entrepreneur. Now that he has retired from baseball, he wants to produce and sell video games. Mr. Schilling has invested over \$30 million of his own money in this venture, but needs more capital in order to grow the business. After hearing of Mr. Schilling’s venture, Governor Carcieri invited Mr. Schilling to talk to the RIEDC to see if Rhode Island could help him.

Mr. Stolzman explained that Rhode Island has film tax credits and that video games qualify as film for the purpose of these credits. He added that there is an annual cap on film tax credits. Mr. Schilling wants to increase his business capital, but does not want to lose his majority interest in the business by increasing investors.

The legislature has been discussing capital programs and suggested a program to allow the EDC to guarantee debt of “soft asset” companies. Mr. Stolzman described a bill presently under consideration in the Senate for a Job Creation Guaranty Program, which would allow the EDC to grant up to \$125 million in principal guarantees to companies that can create sustainable jobs. He explained that the aggregate capital would be up to \$125 million at any time, and that as the principal is paid down, the capacity can then be re-used.

Upon inquiry of Mr. Subramaniam, Mr. Stolzman explained that the EDC and the legislature are hesitant to expand the film tax credits as they presently exist, because film-making is too temporary. He also noted that tax credits are expensive.

Mr. Stokes stated that the Board’s Immediate Priorities Program calls for creation of capital programs.

Mr. Stolzman explained that the EDC will not directly loan money, but will guaranty the annual debt service in a way similar to the way mortgage insurance guarantees mortgages. He stated that the EDC would issue the bonds and the banks and/or investors would purchase the bonds. He reported that both the House and the Senate Finance Committee have passed this legislation. He also noted that the legislature is aware of the Schilling matter and has done some due diligence in its consideration of this program.

Mr. Stolzman explained that the legislation is a separate issue from 38 Studios. Governor Carcieri added that the Board needs to consider the video gaming industry first and then take a look at 38 Studios. He noted that this is an informational meeting.

Mr. J. Michael Saul next presented financial information regarding the video gaming industry and 38 Studios, LLC.

Mr. Saul explained that video gaming is a \$72 billion industry and includes all types of video games, including PC's, Nintendo, Smart Phone and the like. He noted that the industry is bigger than the movie box office industry, with more than 42% of American households owning video game consoles. The average gamer is 35 years old, but video gaming involves generations of users, with constantly evolving technology.

Mr. Saul explained that 70% of the video game industry is currently clustered in 7 metropolitan regions and is very attractive to capital venturers. The types of jobs created by video games include engineers, artists, game designers and quality assurance, to name a few.

The segment of the industry that 38 Studios is focused on is the Massively Multiplayer Online Game (MMOG), also referred to as Massively Multiplayer Online Role Playing Game (MMORPG) market. Mr. Saul explained that Rhode Island's video game assets include RISD, URI, Brown, as well as Hasbro and GTECH. He noted that the video game industry presents an economic opportunity to Rhode Island for job creation, which will increase tax revenues. The industry also has a great spawning potential.

Mr. Saul explained that this is a knowledge industry and commercialization is faster and requires less capital. Mr. Choquette noted that games are outdated quickly, to which Mr. Saul responded that this is the reason the industry is continually evolving to keep its products fresh.

Mr. Saul stated that 38 Studios has the potential of becoming a dynamic anchor for the video gaming industry in Rhode Island. The industry also provides a means of keeping Rhode Island's creative talent in Rhode Island.

Upon inquiry of Ms. Cupelo, Mr. Verrecchia spoke about what Hasbro has been doing in the video gaming industry. He explained that most of the people involved in Hasbro's video gaming are located outside of Rhode Island, and that studios are located all over the world. Mr. Verrecchia explained that creation of MMOG's is similar to the creation of a movie, in that a lot of money can be spent in production, but the product may or may not be successful.

Upon inquiry of Ms. Snead, Mr. Saul explained that the industry is moving away from selling game DVD's toward more downloading of games, which bypasses the retailers.

Mr. Saul then provided background information regarding 38 Studios. He noted that the company presently has locations in Baltimore, Maryland and Maynard, Massachusetts. The company is currently involved in producing Project Mercury, a single player console game, in Maryland, and Project Copernicus, a multi-player online game, in Massachusetts. The management team includes Jennifer MacLean, CEO, R.A. Salvatore, Executive Creator of Worlds, Todd McFarlane, Executive Art Director, and Curt Schilling, Founder. Mr. Saul also noted the video game credentials of the Design and Production Team.

Mr. Verrecchia explained the concept of online games, as opposed to console games. One of Hasbro's games is "Magic-The Gathering", which players subscribe to in order to play. To enhance play, digital objects can be purchased by the user. He explained that the studios create the content or storyline of the games, but then it takes a large distributor, such as Electronic Arts (EA), to get them out.

Governor Carcieri asked Ms. Cupelo what Verizon's take on this industry is, to which Ms. Cupelo responded that Verizon highly anticipates getting more involved through its FIOS network. She described Verizon's involvement as fast growing.

Mr. Verrecchia stated that betting on the industry is a "slam-dunk", but betting on specific games is where the gamble lies. Some are very good, others not so good.

Mr. Saul next discussed the project details of 38 Studios, including the risks and the rewards. He noted that the EDC has hired Strategy Analytics and Perimeter Partners to evaluate the industry and its place in Rhode Island.

Mr. Stolzman noted that Mr. Schilling was impressed with the speed of Rhode Island's meeting with him and that Mr. Schilling is committed to Rhode Island if the terms are agreeable.

Mr. Saul explained the due diligence process, including that being performed by Wells Fargo, Strategy Analytics and Perimeter Partners and the EDC.

Mr. Verrecchia noted that, although the video gaming industry has a lot of risk, it can also be a very worthwhile investment for Rhode Island.

Upon inquiry of Ms. Snead about the company's plans, Mr. Saul stated that the company's long range plans include an IPO after a few years.

Going forward, Attorney Stolzman explained that the next step is for a presentation to be made to the Board at the June 14 meeting. He noted that, while the Board will not necessarily have to vote on it at that meeting, the company is anticipating

some type of commitment, sooner rather than later. Mr. Stolzman added that the Board can go into executive session to discuss the matter.

Mr. Stokes explained that Strategy Analytics has prepared a “white paper” which will be distributed to the Board at the June 14 meeting.

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

VOTED: Pursuant to §42-46-4 and §42-46-5 of the General Laws, the minutes of the closed session shall not be made available to the public at the next regularly scheduled meeting of the Corporation, except as to the portions of such minutes as the Board of Directors ratifies and reports in Public Session of this meeting.

There being no further business to come before the Board in closed session, upon motion duly made by Mr. Singleton and seconded by Mr. Verrecchia, the executive session of the meeting was adjourned at 3:30 p.m.

Robert I. Stolzman, Secretary