

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

MAY 23, 2011

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, May 23, 2011, in Public Session, beginning at 5:00 p.m., at the offices of the Rhode 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: Governor Lincoln D. Chafee, Ms. Helena Foulkes, Mr. J.L. Singleton, Mr. Jerauld Adams, Dr. Timothy Babineau, Dr. David Dooley, Mr. Stephen Lane, Mr. George Nee, Ms. Cheryl Snead, Mr. Daniel Sullivan, Mr. Jack Templin, Mr. Karl Wadensten and Mr. Stanley Weiss.

Also present were: Executive Director Keith Stokes, the Governor's Chief of Staff Patrick Rogers and Secretary David M. Gilden.

1. CALL TO ORDER AND OPENING REMARKS

Governor Chafee called the meeting to order at 5:07 p.m. and welcomed everyone to the meeting. He commented on the recent pension conference that he attended and he emphasized that work needs to be done both methodically and diligently in order to craft reforms to address the pension crisis. Governor Chafee also commented that Standard and Poor's had raised the State's bond rating outlook from negative to stable.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON APRIL 25, 2011

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

VOTED: To approve the Public Session Minutes of the meeting of April 25, 2011, as submitted to the Board of Directors.

Voting in favor of the foregoing were: Ms. Foulkes, Mr. Singleton, Mr. Adams, Dr. Babineau, Dr. Dooley, Mr. Lane, Mr. Nee, Ms. Snead, Mr. Sullivan, Mr. Templin, Mr. Wadensten and Mr. Weiss.

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

A copy of Executive Director Keith Stokes's report is attached as **Exhibit A**. Mr. Stokes noted that, pursuant to the Board's direction at the prior meeting, the proposed Job Creation Guaranty Program Rules and Regulations ("JCGP Rules") were posted for public comment and that a public hearing was held that day on the JCGP Rules. He stated that the plan is to bring the JCGP Rules back at the June meeting for the final approval of the Board. Mr. Stokes highlighted portions of the JCGP Rules, including the \$10,000,000 project cap and the proposal to use up to \$5,000,000 in conjunction with the Small Business Administration ("SBA") 7(a). Program. He stated that the Corporation has engaged in discussions with SBA officials as to how best to implement this program and he thanked Mark Haywood, the district director of the SBA, for his assistance in this regard. Mr. Stokes also reported that, as a part of the Main Streets visits, he and Governor Chafee recently visited West Warwick. Mr. Stokes also commented that he participated in meetings with local chambers of commerce to discuss the Governor's FY 2012 budget.

4. ACCESS TO CAPITAL SUBCOMMITTEE OF BOARD REPORT

Ms. Foulkes stated that this Board meeting was the first opportunity for the Board members to hear back from the various subcommittees centered around each of the six areas of focus determined by the Governor. She noted that, since the last Board meeting, there had been at least 10 subcommittee meetings and that she was impressed with the subcommittees' work, which has created clarity, focus and momentum. Ms Foulkes reiterated the need to identify key milestones, to keep goals on a timeline and to track the subcommittees' work.

Ms. Snead, the Access to Capital subcommittee chairperson reported on the current status of access to capital within the State and the next steps in the subcommittee's goals. Ms. Snead described the capital continuum through the various stages of a business, from start up through bank debt financing. She noted that in the State many companies are starting off with bank or credit card debt due to lack of education as to the capital continuum. She also noted that while there are some capital start-up opportunities within the State, such as Betaspring, Cherrystone and Slater, and subordinated and bank debt, which represent the opposite ends of the capital continuum, what is missing in the State is access to mezzanine debt. She observed that other states, such as neighboring Massachusetts, have the full breadth of capital along the continuum to offer to businesses. She described the clusters of formational capital investments in various Massachusetts areas and cities, which differ from what has been generally available in Rhode Island.

Ms. Snead also commented that one of the challenges facing borrowers is that it can be difficult for a business owner to know where and how to obtain various types of financing. She noted that there is no "one stop shop" for financing. Ms. Snead then highlighted state-sponsored capital programs in states that have been successful in

economic development. In such states, she highlighted that the state had taken an active role in ensuring access to capital occurred and that the state took a role in creating in the solution, rather than leaving it to market forces alone. Ms. Snead articulated that the goal of the subcommittee is to deliver financing, financial incentives and consulting services in a more efficient and customer-focused approach.

Ms. Snead next highlighted the need to look at the equity architecture to determine where there are gaps and to find ways to fill them. Ms. Snead noted that the State Small Business Credit Initiative is a federal program that the State can apply to for approximately \$13 million in federal funds. She stressed the need to look to best practices in states across the county to implement within our own State. She noted the Corporation's potential to become the "one stop shop" where a business person could go to find the resources and bring together various organizations.

Ms. Foulkes questioned the role of other states in the capital continuum, to which Ms. Snead responded that this is a topic the subcommittee intends to look into. Mr. Stokes added that in most states it is a combination of public and private sources. Mr. Lane stressed the importance of addressing the lack of seed financing in the State quickly. He stated that such financing should be the main focus in order to have a robust capital continuum in the future. Ms. Snead agreed that many start-ups are obtaining initial capital in reverse on the capital continuum. Mr. Adams suggested the possibility of the State providing incentives to firms that bring branches to the State. Mr. Weiss questioned whether the State should be in the business of providing funding to private enterprise at all, but noted the need to pair or match up those with capital and to businesses seeking access to it. Mr. Stokes emphasized that the Corporation has sought to help companies utilize equity through such successful tools as guaranties and credit enhancement authority, as opposed to being a direct lender.

5. BUSINESS CULTIVATION/ATTRACTION SUBCOMMITTEE OF THE BOARD REPORT

Mr. Lane, chairman of the Business Cultivation and Attraction subcommittee, began by noting that Katharine Flynn had been instrumental in the subcommittee defining what it meant by "public-private partnership." He then reported on the goal of building public-private partnerships that will help grow key industries by cultivating in-state business and attracting out-of-state companies. He explained that the subcommittee's goals included serving start-ups, existing companies and new business to the State. Mr. Lane stated that areas of excellence could be identified within universities as a starting point (e.g. Brown University in the area of medical innovation), which could then be aligned with appropriate industry stakeholders (e.g. Lifespan, Ximedica, etc.), who could be potential partners. He noted how this model could be carried out with various universities within the State. With respect to the tools and tactics to achieve this, Mr. Lane proposed collaboration between the Corporation and the Greater Providence Chamber of Commerce ("GPCC"). He also noted the use of incubators to support start ups, symposiums to foster existing businesses within the State and themed global conferences to attract businesses and industry sectors to the

State. Mr. Lane noted that small boutique conferences could be used as a magnetic tool to attract industry and could be facilitated with the help of the GPCC.

Mr. Lane noted the State could establish a competitive advantage over other states by creating collaboration among our spheres of expertise through the proposed intersections between our universities and industries. With respect to implementation, he noted the low cost of start-up incubation expansion and hosting symposiums. Dr. Dooley noted that the development of a cultivation and attraction strategy based on expertise and research activities that bring together the universities and private sector would be a unique and new approach and would be an advantage to the State. He further noted that the State's small size works to its advantage and that there is already a great deal of collaboration among institutions of higher education within the State. Dr. Dooley cited a cyber security seminar hosted at the University of Rhode Island, which attracted regional companies at a low cost and which has generated continued activity since; he stated that this could be replicated in other industry areas. Mr. Stokes commented on the Ocean Tech Expo, attended by national technology firms, which was hosted in conjunction with URI and the Navy War College.

6. KNOWLEDGE DISTRICT SUBCOMMITTEE OF THE BOARD REPORT

Ms. Foulkes, co-chair of the Knowledge District subcommittee, began by noting Dr. Babineau's suggestion that the subcommittee should more aptly be named Knowledge District 2.0, due to the fact that there are already elements of a knowledge district existing in downtown Providence, such as in the Coro Building, a portion of which is being used for wetlands research. Dr. Babineau noted the resurgence in Cambridge, Massachusetts of biotech activity. He commented that people do not know that the same type of property conducive to biotech can be available a short distance away in Providence.

Ms. Foulkes described the subcommittee's vision of the Knowledge District as a mixed use community where people could live and work. She noted that plans already include a joint URI/RIC nursing center building project, Brown University, RI-CIE and Hasbro in the area. Ms. Foulkes acknowledged that the project brings with it politics which are beyond the Corporation's control and she noted the need for the Corporation to add value in the next 90 days so that when the area is ready on the legislative end the Corporation can help projects move forward. She stated that the Governor's staff has been working on I-195 land legislation. Ms. Foulkes further noted the desire to include other stakeholders in the subcommittee's future meetings, as well as to learn from knowledge gained during the visit Dr. Babineau and others made to Baltimore, Maryland, which also has life science-centered industry. She also described the plan to catalogue the existing anchor institutions and companies that are already in the area and determine the best ways to brand and market the Knowledge District.

Mr. Templin, the subcommittee co-chairman, noted that a vibrant collection of businesses can create cross-industry innovation and that, although life sciences and

healthcare may be the foundation, it is ripe opportunity for other industries such as internet, smart materials, etc., which have already located in the area. Mr. Lane emphasized the need to show others that we are open for business. The Board members discussed that cranes in the air by 2012 was still the goal, which will be easier to achieve once the proper legislation is in place. Governor Chafee commented on the importance of not only the healthcare industry, but also of non-profits in cities such as Houston and Baltimore which he had visited. Ms. Snead suggested that, based on Mr. Lane's suggestions regarding pairing of universities, knowledge districts could also be created near universities in the Kingstown area near URI or in Smithfield near Bryant University, which could move the Knowledge District beyond merely a Providence focus. Mr. Sullivan noted the need to have an aligned marketing and sales plan to present to potential businesses.

Mr. Stokes stated that initially the focus will be to combine both the Knowledge District and the Business Attraction/Cultivation concepts together with Providence as the starting point, while acknowledging the potential for other clusters throughout the State as a possibility in the future based upon financial services, defense, transportation, etc. Mr. Templin stressed the compelling story which the Knowledge District has for marketing with the tie in to local universities, which goes beyond merely the bio-tech draw.

7. MAIN STREETS SUBCOMMITTEE OF THE BOARD REPORT

Mr. Weiss, chairman of the Revitalize and Rebrand the Urban Core ("Main Streets") subcommittee, began by noting the importance of bringing capital to the main streets. He stressed the importance of having a program in place that is accountable to the main streets and their needs. Mr. Weiss commented that a state-wide main street coordinator will be hired by the Corporation and that the Corporation is also looking to hire a consultant to conduct market analysis, determine best practices and prepare training modules for the program's implementation. He reported that there have not been main street visits to Central Falls and Pawtucket yet, but that they plan to make those visits in the future. Mr. Weiss described that the approach to main streets will entail more than merely bricks and mortar, by aiming to provide services, such as access to capital.

Mr. Stokes explained that the State had not previously participated in the national Main Streets Program, which other neighboring states have. He explained that the plan is to start with the 5 communities identified and to then move to other main streets in other communities in the future. Mr. Stokes noted the potential to pool currently available resources to cities and towns, as well as rethink and refocus the urban and distressed community programs and the minority business enterprise programs to be strategically realigned and implemented in the urban communities. He also stressed the need to rebrand the urban main streets, with an emphasis on the attributes such as population density, conducive zoning to grow and expand businesses, transportation, utilities and the inventory of buildings and space. Mr. Weiss noted the great potential in the mill buildings throughout the State and in the urban communities. Ms. Snead also

commented that certain main street areas are designated Historically Underutilized Business Zones, known as HUBZones, which could be marketed. Mr. Stokes agreed that this is an excellent example of zones which have been neither understood nor marketed, that come with the benefit of federal assets.

Mr. Stokes stated that the Main Streets coordinator would be accountable to the Corporation and would work to develop goals and strategies for main street development. Mr. Stokes emphasized that the hiring of a consultant would help the State to develop criteria for investments.

8. MAKE IT EASIER TO DO BUSINESS SUBCOMMITTEE OF THE BOARD REPORT

Mr. Wadensten, chairman of the Making It Easier to Do Business subcommittee, began by noting the Board's optimism, while observing that many of its goals hinge on making it easier for companies to do business within the State. He noted the diversity of the members of the subcommittee, which represent various geographic areas and industries within the State. Mr. Wadensten explained the subcommittee's goal of examining the target condition, including elements such as timeframe, consistency and universal processes used. He emphasized the need to determine what the present obstacles are in order to address them. Mr. Wadensten set forth the subcommittee's goal, which is to focus on reducing permit and license approval times and simplifying regulatory processes for businesses across State and municipal agencies. He described how the subcommittee went into the field to the Secretary of State's Office, the Corporation's office, the State Fire Marshal and the Department of Environmental Management to see firsthand how various process controls and procedures functioned within these agencies.

[Dr. Babineau and Mr. Singleton left the meeting at this time due to prior commitments.]

Mr. Wadensten explained that in each of the just-mentioned agencies timelines were often not predictable and the information flow is often limited; however, he acknowledged the good nature of those who work at the agencies and their efforts to make the processes more efficient. He further noted that permitting on the city and town level adds additional complexity. Mr. Wadensten stated that one of the next significant steps will be to hire a director for the Office of Regulatory Reform ("ORR"). He additionally commended the work of Sherri Carrera as small business ombudsman for the Corporation. Mr. Stokes described to the Board that the ORR will be an office within the Corporation that will include a director and a small business ombudsman to provide technical advice and to help expedite development in critical areas in the State where there are significant land development opportunities. Mr. Wadensten emphasized the subcommittee's goal of streamlining and unifying regulatory processes, as opposed to competing with such agencies. He further noted the utility of showing cities and towns best practices. Mr. Wadensten and Mr. Stokes also commented on the potential to engage with communities in their development of zoning maps. Mr. Weiss

highlighted that what is proposed is centralization, taking an inventory of existing regulations and cross-agency analysis.

Ms. Foulkes stated that the Tourism Subcommittee would report back on their progress at the next meeting. She thanked the subcommittees for their hard work and acknowledged the energy and momentum already created. Mr. Nee recognized the recent honor received by Mr. Lane, President of Ximedica, as the recipient of the Innovation in Training award from the Governor's Workforce Board.

There being no further business in Public Session, the meeting was adjourned at 6:47 p.m., upon motion made and seconded.

Voting in favor of the foregoing were: Ms. Foulkes, Mr. Adams, Dr. Dooley, Mr. Lane, Mr. Nee, Ms. Snead, Mr. Sullivan, Mr. Templin, Mr. Wadensten and Mr. Weiss.

Voting against the foregoing were: None.

David M. Gilden, Secretary