

# RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

## MEETING OF DIRECTORS

### PUBLIC SESSION

JULY 25, 2011

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, July 25, 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. David Dooley, Mr. George Nee, Ms. Cheryl Snead, Mr. Daniel Sullivan, Mr. Jack Templin, and Mr. Stanley Weiss.

Directors absent: Dr. Timothy Babineau, Mr. Stephen Lane, and Mr. Karl Wadensten.

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 5:06 p.m. and welcomed everyone to the meeting. He noted the recent announcement that Hasbro, Inc. will be expanding into downtown Providence in addition to its existing locations in Pawtucket and East Providence. Governor Chafee remarked that Hasbro has been one of Rhode Island's great success stories.

#### **2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON JUNE 27, 2011**

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

**VOTED:** To approve the Public Session Minutes of the meeting of June 27, 2011, as submitted to the Board of Directors.

Voting in favor of the foregoing were: Ms. Foulkes, Mr. Singleton, Mr. Adams, Dr. Dooley, Mr. Nee, Ms. Snead, Mr. Sullivan, Mr. Templin, 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 reported that the Small Business Loan Fund had recently approved applications from 10 businesses and granted approval for \$2.4 million in financing. He noted that the funding is expected to create and sustain nearly 200 jobs in the State. With respect to the Job Creation Guaranty Program ("JCGP"), Mr. Stokes reported that the Corporation is working closely with the Access to Capital Subcommittee of the Corporation Board, which will be performing part of the underwriting function for the program. He then set forth five elements the program evaluates: a strong fundamental business model; creation of high skill and high wage jobs; a company that fits within strategic growth sectors (IT, advanced manufacturing, life sciences, digital media); a company that pulls experienced investment capital from outside of the State to leverage into future opportunities; and a good total return for the Corporation and the State. Mr. Stokes further explained that the goal of the JCGP is to induce private sector investment and not to compete with it.

Mr. Stokes further reported that the Corporation presently has 12 applications for the JCGP, which consist of 6 in-state and 6 out-of-state applicants. The total new full-time jobs created if all applications were granted would be 636; however, the applicants seek a total of approximately \$66 million and there is only \$50 million in existing guaranty authority. The average application request is for \$5.5 million. Mr. Stokes reminded the Board members that the JCGP Rules and Regulations, which are before the Board for adoption at this meeting, place a cap on the amount of any one guaranty at \$10 million, and 10% (or \$5 million) will be set aside to be used in conjunction with the SBA 7(a) Program. Mr. Stokes then presented the Board with profiles of each of the current applicants. He explained that the JCGP was intended to focus on emerging and growing technology companies in order to help them to accelerate their growth, and was not meant to be a source of capital guaranty for existing large scale companies. (See **Exhibit B** for slides presented relating to the JCGP.)

Mr. Stokes stated that once the JCGP Rules and Regulations are approved, the Corporation will begin to actively advertise the JCGP to companies that are looking to relocate to the State. He described how the Access to Capital subcommittee, which is composed of Board members and individuals from the capital market sector, will undertake a deliberate vetting process of the JCGP applications and will then review the applications with the Board. With respect to measurements of success of the program, Mr. Stokes noted that average salaries of the jobs created are approximately \$75,000, demonstrating that the new jobs to be created would be high skill and high wage, which aids in tax contributions to the State. He also discussed the similarities to the Industrial-Recreational Building Authority ("IRBA") program, which was capped at \$5 million per project by statute, and which is primarily for funding of machinery and

equipment. Mr. Stokes stated that IRBA applicants were similarly small- to medium-sized companies.

Ms. Snead added that if the JCGP Rules and Regulations are approved, the Corporation and the Board will create metrics of success, undertake actual marketing of the program, and educate customers as to the expectations of the program. She explained that applicants must understand that they need to obtain financing first and then seek the Corporation's guaranty under the JCGP. Mr. Stokes reminded the Board that the JCGP is not the only credit program that the Corporation offers. He explained that Corporation staff members often meet with representatives of a company and discuss long term business needs and assist them in determining which capital program is most suitable for their needs. He noted that the JCGP offers another element within the comprehensive marketing plan that includes a suite of capital programs.

Ms. Snead reiterated that the JCGP is one of a series of financial packages that the State needs to offer in order to compete with neighboring states. She also highlighted the \$13.1 million that will go to other capital programs from the SSBCI federal funds. Ms. Snead noted that the JCGP does not offer financing, but only a guaranty.

Dr. Dooley stressed the importance of taking a broad view of return on investment. He stated that the program should not just look at the particular jobs that are going to be created over a period of time, but also look at the impact of applicants on economic activity within the State and the impact on bringing additional companies into the State and the impact on bringing additional companies to the State. Dr. Dooley stated that the program should also determine whether applicants have connections to other companies or universities, and the potential for partnerships with applicants. He stressed that certain companies locating in the State could be catalytic beyond the jobs they themselves create. Mr. Templin added that clustering is also important, similar what has occurred with Hasbro locating near 38 Studios. He also noted that young companies are often quite portable and can disappear from the State very quickly if not supported here.

Ms. Foulkes suggested that, at the next Board meeting, the members of the Board examine the full capital continuum and the programs offered by the Corporation, in order to ensure that the money invested is in companies that they are confident can create jobs. Members of the Board discussed the need for both a fast turnaround on applications and proper vetting of the JCGP applications. Ms. Foulkes noted that with the project status having been repealed there is a need for programs to drive job creation. Mr. Stokes explained that a cost-benefit analysis was done of the project status program in May of this year, which showed that based on the 25 companies that had received Project Status there was a \$34 million sales tax cost with a \$72 million income tax gain. He noted that Project Status was an important tool and accelerator. Mr. Stokes stated that the Corporation and the Board may recommend legislation that tightens up the program and demonstrates this cost-benefit. Mr. Nee noted the need

for the Corporation to make a formal request to the legislature to revisit the Project Status issue as early as October, and he also noted the lack of a systematic review of its importance by the legislature. Mr. Stokes stated that the information could be brought back before the Board in order for it to determine its recommendations and whether it wishes to reach out to the legislature.

**4. FINAL APPROVAL OF THE ISSUANCE OF TAX-EXEMPT BONDS FOR THE YMCA OF PAWTUCKET**

Mr. Afonso, bond counsel to the Corporation, explained that the resolution presented to the Board would authorize the issuance of up to \$5 million in variable rate bonds for the YMCA of Pawtucket (“YMCA”). He noted that this follows the inducement resolution approved by the Board at its April meeting. Mr. Afonso reviewed the provisions of the resolution and he stated that it is likely that one bond will be issued and purchased by RBS Citizens, N.A. on a private placement basis. He described that it is a special obligation of the Corporation conduit revenue bond, which does not expose the general credit of the Corporation and payments on the bonds are limited to the pledged collateral, namely the YMCA facility and the gross receipts of the YMCA. He also noted that Mr. McNulty, Executive Director of the YMCA, was present to answer any further questions. (The authorizing Resolution and a copy of the commitment letter to be executed by RBS Citizens, N.A. and YMCA are attached hereto as **Exhibit C.**)

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

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

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

Voting against the foregoing were: None.

**5. APPROVAL OF THE JOB CREATION GUARANTY PROGRAM RULES AND REGULATIONS**

Mr. Gilden reminded the Board that it had given its approval to proceed with the rule-making process for the Job Creation Guaranty Program Rules and Regulations (the “Rules”) at the April 2011 Board meeting. Since then, a rule-making file was created, notices of the Rules were given to the Governor and the legislature, and the proposed Rules were posted on the Secretary of State’s website. He stated that the Corporation held a public hearing on May 23, 2011, which was not attended by anyone from the public, and that during the public comment period only two comments were received, both supporting the approval of the proposed Rules. Upon review after the closing of the public comment period, no changes were made to the proposed Rules. The Rules are

now being presented to the Board for its approval. (A copy of the JCGP Rules and Regulations are attached as **Exhibit D.**) Mr. Gilden explained that, if approved, the Rules would be filed with the Secretary of State's office and would thereafter become effective after twenty days. He noted that, with respect to the part of the rules allowing a 15% guaranty on top of an SBA 7(a) Program guaranty, if the SBA rejects the program then the Board can revisit the \$5 million set aside for that program. Mr. Gilden reiterated that the Rules establish a general process for how JCGP applications are considered, which will be conducted in part by the Access to Capital subcommittee of the Board. Mr. Sullivan stated that having a full contingent of capital products to offer and having people to market them is what needs to be accomplished. He further noted that a weak market is the best opportunity to show the assets that the State has at a lower cost than many of its New England competitors.

Upon motion duly made by Dr. Dooley and seconded by Mr. Adams, the following vote was adopted:

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

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

Voting against the foregoing were: None.

## **6. APPROVAL OF THE EMPLOYMENT ASSISTANCE POLICY**

Mr. Stokes explained that Employment Assistance Policy (the "Policy") was drafted in response to concerns previously raised by Mr. Nee regarding how the Corporation can encourage companies which obtain assistance from the Corporation's programs to invest in Rhode Island companies and vendors, and hire Rhode Islander workers. Mr. Stokes stated that a small work group was formed which discussed a policy that could be recommended to the Board. Members of the Corporation's staff additionally researched policies around the country urging the hiring of local residents. He explained that the Policy presented to the Board provides that companies that receive financial assistance from the Corporation will agree to work with the Corporation to engage local companies and hire Rhode Island residents. Mr. Stokes stressed that this is not a mandate, preference policy or a statutory requirement, but is instead a policy that demonstrates the Corporation's commitment to investment in Rhode Islanders and Rhode Island companies.

Mr. Nee stated that when the Corporation is investing and making decisions with respect to State funds, it is best when Rhode Island businesses and workers are the beneficiaries of those decisions. He explained that the size of the State and the fact that it is within a New England economy, which often works across state borders, prevents a mandate from being practical. However, this Policy represents the public

policy of the Corporation on record and the use of the power of the Corporation to engage in discussions with companies which are getting taxpayer funds. Mr. Nee thanked the Governor and Mr. Stokes for their prompt work on this Policy. He then introduced Mr. Sabitoni, President of the Rhode Island Building and Construction Trades Council, which represents construction workers and contractors, and Vice-Chairman of BuildRI.

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

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

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

Voting against the foregoing were: None.

Ms. Foulkes acknowledged the work of Katharine Flynn and Judy Chong with respect to the Knowledge District and noted the progress made on the public-private partnership. She stated that legislation has allowed the Corporation to put money into creating this partnership with the Greater Providence Chamber of Commerce. Ms. Snead also advised the other members of the Board of the upcoming 4<sup>th</sup> Annual Supply Chain Management Summit being held at Bryant University on August 25, 2011.

There being no further business in Public Session, the meeting was adjourned at 6:02 p.m., upon motion made by Ms. Foulkes and seconded by Mr. Weiss.

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

Voting against the foregoing were: None.

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David M. Gilden, Secretary