

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS **ACCESS TO CAPITAL SUBCOMMITTEE**

PUBLIC SESSION

APRIL 19, 2012

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Thursday, April 19, 2012, in Public Session, beginning at 8:30 a.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 subcommittee members, 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 subcommittee members were present and participated throughout the meeting as indicated: Subcommittee Chairperson Ms. Cheryl Snead, Executive Director Keith Stokes, Mr. Richard DeRienzo, Mr. Peter Dorsey, Mr. Wayne Kezirian, Ms. Janet Raymond, Mr. Anthony Rust, and Mr. Grafton Willey.

Also present were: Mr. Earl Queenan, Mr. Timothy Cole, Mr. Dan Price, Mr. Sean Esten, Mr. Christopher Cannata, Ms. Armeather Gibbs, and Ms. Alexandra Pezzello.

Absent subcommittee members were: Mr. J.L. Singleton, Mr. Stephen Lane and Mr. Mark Hayward.

Ms. Snead opened the meeting at 8:31 a.m. She introduced Mr. Richard Horan, Senior Managing Director of the Slater Technology Fund ("Slater"), to report to the subcommittee on Slater's status regarding the State Small Business Credit Initiative ("SSBCI") funds. Mr. Horan stated that Slater has received \$1.5 million of its \$9 million SSBCI allocation. To date, it has deployed \$500,000 of the \$1.5 million received to a Providence-based venture pharmaceutical company, which already has a 1:1 co-investment ratio and 4:1 leverage ratio. Mr. Horan reported that Slater has also committed to invest another \$500,000 in that same company when certain benchmarks are reached. He reported that Slater's board of directors has also approved approximately \$1.5 million for investment in 7 additional companies, a portion of which will be funded with the second tranche of SSBCI funds. Mr. Horan demonstrated the subcommittee how Slater tracks and monitors the SSBCI fund deployment and leverage. He also reported on the pipeline of companies that it intends to invest in through the SSBCI funds.

Mr. Horan stated that Slater is focused on seed and early stage start-up companies in the life sciences, software, internet and media, and energy and environmental technology sectors. He reported that Slater forecasts a \$206.550 million leveraging of the \$9 million in SSBCI funds, which would be approximately 23:1

leverage ratio which exceeds the 10:1 ratio required under the SSBCI program. Mr. Horan introduced Mr. Geoffrey Davis, a member of Slater's Board of Directors. Mr. Davis stated that Slater is ideally suited for the SSCBI funds because the investment portfolio that Slater has been able to create and its experience vetting entrepreneurs. He further noted that Slater is a 501(c)(3) corporation with its mission tied to economic development. Mr. Horan noted that Slater's strategy has always included investment with leveraging of other capital and that their model is a hybrid of economic development and return on investment. He noted the holes on the capital continuum for early to mid-stage companies and reported that Slater is looking to help fill in those areas in addition to its continued focus on seed-stage investments. Mr. Horan reviewed Slater's current portfolio of active investments, which total approximately \$9 million, and he noted that Slater has invested in 110 companies since 1997, which have raised in excess of \$350 million. Mr. Horan noted the economic impact multipliers demonstrating additional capital raised, millions in payroll created and years of employment as a result of Slater. Ms. Snead thanked Mr. Horan for his presentation and noted that the subcommittee looks forward to hearing back from Slater in the future regarding its SSBCI fund deployment.

Ms. Snead asked if there were any questions or comments regarding the minutes for the meeting held on March 15, 2012. There were no comments on the minutes.

Mr. Queenan reported that, with respect to the overall SSBCI fund deployment, Slater has deployed \$500,000, Betaspring has deployed \$800,000 and the Small Business Loan Fund has deployed \$300,000. He projected that the second tranche of funds could be drawn down in mid-July. Mr. Queenan stated that there are three smaller applicants (\$1.5 to \$3 million range) in the Job Creation Guaranty Program ("JCGP") pipeline that he anticipates coming before the subcommittee in the near future.

Ms. Snead reported that she spoke at the spring meeting of the Commodores which was focused on economic development and highlighted the work of the Corporation. She reported that the Corporation's communications and marketing staff will be preparing materials to advertise the Corporation's finance programs, including the JCGP, more extensively. Ms. Raymond reported that the Greater Providence Chamber of Commerce ("GPCC") convened a meeting of 12 members of the business community regarding venture capital within the State and the group will be looking into generating a list of venture capitalists with connections to the State. Ms. Snead reported that the GPCC will be working on this matter in parallel to the work of subcommittee and will report its progress. She noted that, at the next meeting, the subcommittee will hear from Ms. Judy Chong, managing director of communications for the Corporation, regarding marketing; Betaspring regarding its deployment of the SSBCI funds; and Tim Cole, senior strategy and research manager of the Corporation, regarding return on investment figures.

Mr. Dorsey noted that the JCGP pre-qualifying criteria states that a pre-revenue company must demonstrate a positive cash flow within 12 months. He stated that he

had thought the subcommittee had agreed to have the requirement be 24 months from the final point of funding. The members of the subcommittee agreed to have that error in the pre-qualifying criteria corrected. Mr. Dorsey also questioned the equity requirement being a set figure; while noting that he agreed that the equity requirement is extremely important, Mr. Dorsey questioned whether a specific figure should be indicated. Members of the subcommittee and staff agreed that, while 30% would be indicated as the pre-qualifying criteria, all applications would be reviewed on a case-by-case basis and if an application does not meet the exact figure it would not necessarily be precluded from consideration if staff deemed it to be worthy of consideration otherwise. It was noted that the pre-qualifying criteria were to act as guidelines for staff to use while reviewing applications and can be revisited as needed.

The meeting was adjourned at 9:46 a.m., upon a motion duly made by Ms. Raymond and seconded by Mr. DeRienzo.

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