

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS

ACCESS TO CAPITAL SUBCOMMITTEE

PUBLIC SESSION

January 17, 2013

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Economic Development Corporation (the “Corporation”) met on Thursday, January 17, 2013, 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 Exhibit A, 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, Mr. Jerauld Adams, Mr. Stanley Weiss, Mr. Cap Willey, Mr. Richard DeRienzo and Mr. Mark Hayward.

Also present were: Mr. Daniel Price, Mr. Sean Esten and Ms. Stacy Farrell, members of the Corporation Finance Staff. Also present was Ms. René Pickett, legal counsel for the Corporation from the law firm of Shechtman Halperin Savage, LLP.

Absent subcommittee members were: Mr. Anthony Rust and Ms. Janet Raymond.

Ms. Snead asked if there were any questions or comments regarding the minutes for the meeting held on October 18, 2012. There were no comments on the minutes.

Ms. Snead then noted that she had received a letter from Mr. Wayne Kezirian indicating his intention to resign from the Access to Capital subcommittee (attached hereto as Exhibit B). She asked members to let her know if they have any suggestions for a replacement member.

Ms. Snead asked that Mr. Crawford of The Corporate Marketplace (“TCMPi”) provide the subcommittee with some feedback regarding the guarantee his company received through the Job Creation Guarantee Program in January of 2012. Mr. Crawford thanked the subcommittee for allowing him to provide such feedback and asked that Mr. Mark Girolamo, CFO of TCMPi, discuss some concerns he had. Mr. Mark Girolamo began by expressing concerns over the penalties relating to the required job creation of the program. He urged the subcommittee to consider possible circumstances where these penalties could be waived based on other successes of the business. He noted that TCMPi was willing to pay the penalties rather than hire unnecessary employees only to meet the target number of employees required by loan documents. He stated that hiring additional employees at this point in the company’s growth may be premature and could jeopardize its future growth potential. Mr.

Crawford expressed concern over the program's requirements regarding job creation and suggested that covenants for accessing capital could be based on the performance of the business, not the addition of a certain number of employees. He felt that tying access to funds only to job creation could cause companies to ramp up too quickly in order to access capital. Mr. Esten noted that he believed that the requirements for TCMPi were also performance based.. Mr. Mark Girolamo added that there were costs associated with the capital reserve requirement aspect of the program that should be taken into consideration and reviewed to help prevent companies from suffering from this requirement. He felt that the interest expenses associated with the reserve could be used toward hiring employees. It was explained by staff that the capital reserve is a statutory requirement of the program. The reason behind the reserve was to put aside the largest year of debt service (principle and interest payments) which would then be used in the case of a default. These funds would cover the bond payments, and allow the Governor ample time to request that the General Assembly replenish the reserve in the following year's State budget should the default continue. Mr. Girolamo understood the need for the requirement but was hopeful that this dialog would encourage the subcommittee to suggest some ways to offset this cost for those companies that were performing as agreed.

The subcommittee thanked Mr. Crawford and Mr. Girolamo for their attendance and asked that they continue to provide feedback

regarding the program to Corporation staff.

Ms. Snead then asked that Mr. Rich Horan, Senior Managing Director of Slater Technology Fund (“Slater”) provide an update regarding its receipt of funds from the State Small Business Credit Initiative (“SSBCI”). Mr. Horan began by explaining that Slater is a 501(c)(3) corporation that provides support to entrepreneurs which have the potential of building a new business. He noted that Slater had received \$1.5 million of SSBCI funding. Mr. Horan provided the subcommittee with a slide presentation (attached hereto as Exhibit C) which outlined the deals which had received funding through Slater with SSBCI funds. He stated that Slater has built up a back log of potential deals which can be funded once the second tranche of funds is received from the US Treasury. Mr. Horan pointed out that the application for the second tranche had been submitted. He also recognized that the goal in funding the types of companies that Slater considered was to leverage the funds ten times with outside investments either in the form of debt or equity. This was required to take place over the next five years. When asked if he felt the leverage could be met, Mr. Horan indicated that he was confident this would occur due to the early stage of the companies that Slater funded. He noted that follow on capital would be required for most to move forward and even though some would not receive it, the average over the portfolio would easily meet the target of ten times leverage.

The subcommittee thanked Mr. Horan for his attendance and for

providing an update regarding SSBCI funds.

Mr. Jerauld Adams left the meeting at 9:40 a.m.

Ms. Snead then introduced Owen Johnson, Managing Partner of BetaSpring. She asked that he provide an update regarding BetaSpring's receipt of funds from the SSBCI. Mr. Johnson provided a slide presentation (attached hereto as Exhibit D). He explained that Betaspring is a mentorship-driven startup accelerator program for technology and design entrepreneurs who are ready to build a product and launch a company. He noted the twelve week program provided by BetaSpring combines micro-seed funding as well as mentorship and introductions to potential investors within the community. He noted that the application process begins with approximately three hundred (300) applications which are reviewed and eventually narrowed down to approximately 13 applicants who are invited to attend the program based in Providence. Prior to the participants arrival, BetaSpring provides them with resources which allow them to form their businesses and ensure they are properly documented with the help of legal counsel. Mr. Johnson have an overview of the program which results in the participants having the ability to pitch their company's product and ideas to investors on "Demo Day", which is the conclusion of the program. He noted that the SSBCI funding helped BetaSpring conduct their program for these very early stage companies. As with Slater, the chance for follow on capital is great with an early stage company. Although

some will wind down, a few success stories can provide the overall ten times leverage required for SSBCI funds. He stated that BetaSpring to date has received all the funds that had been allocated to them under the SSBCI program.

The subcommittee thanked Mr. Johnson for his attendance and for providing an update regarding SSBCI funds.

Ms. Snead then asked that Mr. Esten to provide an overview of the Corporation's financing programs. Mr. Esten provided a slide presentation (attached hereto as Exhibit E). He indicated that the Small Business Loan Fund Corporation ("SBLFC") has funded two projects through the initiative to date for a total of \$300,000. He noted that the SBLFC would provide an update regarding this program at the next Access to Capital meeting.

Mr. Esten then discussed the existing portfolio of the SBLFC. He stated that at the present time the SBLFC had a performing portfolio containing 72 loans, with an outstanding balance of \$7.4 million. Mr. Esten noted that the fund had \$3.2 available to lend. He explained that the program pipeline was virtually non-existent. He felt that this may be due to negative publicity surrounding the agency and lack of marketing. Mr Esten then reviewed the Bond Programs administered by the Finance staff. He stated that to date there were 31 Corporation active Bonds which totaled \$1,432,510,000, and 18 Rhode Island Facilities Corporation ("RIIFC") Bonds, which totaled \$99,215,000. It

was noted that 7 of the Bonds issued by RIIFC were insured by the Rhode Island Industrial Recreational Building Authority (“IRBA”) for a total of \$24,415,000. The IRBA program is also administered by the Corporation Finance staff. Additionally, Mr. Esten stated that there were 3 guarantees issued through the Job Creation Guarantee Program for a total of \$80,500,000.

Mr. Esten expressed concern about proper marketing of the programs, hoping that proper marketing would be developed that would clearly identify the products offered by the Corporation. He noted that a significant amount of time was spent by Corporation staff with companies that were interested in the Job Creation Guarantee Program, but were not debt ready and were not working with the Banks that would be providing the funding that would be guaranteed by the program.

The subcommittee then entered a discussion regarding upcoming meetings and possible revisions to the annual calendar. Ms. Snead noted that the February meeting would be moved to February 11th and the March meeting would be moved to March 18th. A revised copy of the calendar is attached hereto as Exhibit F.

There being no further business in public session, the meeting was adjourned at 10:42 a.m., upon a motion duly made motion by Mr. Weiss and seconded by Mr. DiRienzo, which was approved unanimously.

Secretary