

**MEETING OF THE  
RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**AGENDA**

**MONDAY, DECEMBER 16, 2013**

**PUBLIC SESSION**

Call to Order: The Chairman Lincoln D. Chafee

1. Welcome by Chairman Lincoln D. Chafee.
2. To consider for approval the Executive (Confidential) Session Minutes for the meeting held on October 28, 2013 (See **Tab 1**).\*
3. To consider for approval the Public Session Minutes for the meetings held on November 18, 2013 and November 21, 2013 (See **Tab 2**).
4. To consider, as may be appropriate, matters covered in the Executive Director's Report: Marcel Valois.
5. To receive a presentation from the Rhode Island Department of Environmental Management (See **Tab 3**): Janet Coit.
6. To receive a presentation regarding the Rhode Island Commerce Corporation changes effective as of January 1, 2014: John Pagliarini.
7. To consider for approval the 2014-2016 Rules and Regulations for the Renewable Energy Development Fund Programs (See **Tab 4**): Hannah Morini.
8. To receive a presentation regarding the Renewable Energy Fund Early Stage Commercialization Program application of rTerra PV Solutions, LLC in the amount of \$300,000.00 (See **Tab 5**): Hannah Morini.
9. Vote to Adjourn.

\* Board members may seek to convene in Executive Session to approve minutes previously sealed.

**TAB 1**

**VOTE OF THE BOARD OF DIRECTORS OF THE  
RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**CLOSED SESSION MINUTES  
OF THE MEETING HELD ON  
OCTOBER 28, 2013**

**APPROVED**

**VOTED:** To approve the Closed Session Minutes of the meeting of October 28, 2013, as submitted to the Board of Directors; and

**VOTED:** That the minutes of the Closed Session, pursuant to R.I. Gen. Laws §§ 42-46-4, 5, and 7, shall not be made available to the public except as to the portions of such minutes as the Board of Directors ratifies and reports in the Public Session of the October 28, 2013 meeting.

Dated: December 16, 2013

**TAB 2**

**VOTES OF THE BOARD OF DIRECTORS OF THE  
RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**PUBLIC SESSION MINUTES  
OF THE MEETINGS HELD ON  
NOVEMBER 18, 2013 AND NOVEMBER 21, 2013**

**APPROVED**

**VOTED:** To approve the Public Session Minutes of the meetings of November 18, 2013 and November 21, 2013, as submitted to the Board of Directors; and

Dated: December 16, 2013

# RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

## MEETING OF DIRECTORS

### PUBLIC SESSION

NOVEMBER 18, 2013

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, November 18, 2013, in Public Session, beginning at 9:30 a.m. at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the notice of the meeting to all Directors, 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 to Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Mr. Jerauld Adams, Mr. Roland Fiore, Mr. Karl Wadensten, Mr. Stanley Weiss, Mr. Jason Kelly, Ms. Shannon Brawley, Mr. Tim Hebert, Ms. Elizabeth Francis, Ms. Judith Diaz, Dr. Nancy Carriuolo, and Mr. George Nee.

Directors absent were: Governor Lincoln D. Chafee, Ms. Maeve Donohue.

Also present were: Marcel Valois and Thomas Carlotto.

#### 1. CALL TO ORDER AND OPENING REMARKS

Mr. Adams called the meeting to order at 9:31 a.m. indicating that a quorum was present.

#### 2. TO REVIEW AND DISCUSS THE ANNUAL AUDIT OF THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION COMPLETED BY LEFKOWITZ, GARFINKEL, CHAMPI & DERIENZO

After an introduction by Mr. Valois, Mr. Adam Quinlan, Chief Financial Officer of the Corporation and Mr. Steve Geremia of Lefkowitz, Garfinkel, Champi and Derienzo ("LGCD") began the review of the Corporation's FY '13 draft audited Financial Statements, as prepared by LGCD. See Exhibit B. Mr. Geremia advised the Board that the draft Audit Report includes the Financial Statements for both the Corporation and the Renewable Energy Fund. Mr. Geremia discussed the process undertaken during the audit review and the sections contained within the Audit Report. Mr. Geremia then outlined the steps undertaken during the audit: (1) that the auditors concentrated on auditing the Corporation's Financial Statements and footnotes as contained in the Audit Report; (2) that the information contained in the footnotes was clear and understandable; (3) that the Financial Statements complied with Governmental Accounting Standards Board (GASB) criteria; and (4) that any deficiencies discovered in the Corporation's control processes, were effectively communicated to the Corporation.

Dr. Carriuolo entered the Meeting at 9:42 a.m.

A detailed discussion and review of the Audit Report followed, with input and inquiries by Board Members and responses by Mr. Quinlan and Mr. Geremia. The Board discussed ways to address any changes to be made to the draft Audit Report following the meeting. Mr. Quinlan stated that any changes would be summarized and emailed to each Board Member by the morning of November 21, 2013, for review prior to the Corporation's Board Meeting scheduled for that evening.

The Board next reviewed and discussed the assets and expenses of the Corporation as contained in the draft Audit Report. Mr. Quinlan specifically noted that the Corporation's expenses were lower this year as a result of the many cost-cutting measures undertaken. Upon inquiry by Mr. Wadensten, Mr. Geremia went on to explain the process undertaken by the auditors to verify the accuracy of the items included in the financial statements, including reviewing the required backup documentation, reviewing loan payment histories, and verifying that transactions are accurately reported.

Mr. Geremia then commented on management recommendations relating to the Corporation's control processes: (1) review existing contracts to identify transactions or other items that should be reported; (2) review transactions after year-end to ensure capture of all required financial data; and (3) confirm that all transactions with the State have been captured. In response, Mr. Quinlan outlined for the Board the corrective processes that have been put into effect to meet those recommendations.

After further discussion and review of the draft Audit Report, the Board thanked Mr. Geremia for his time and assistance throughout the audit review.

Vote to Adjourn.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 11:00 a.m. upon motion made by Mr. Nee and seconded by Mr. Wadensten.

---

Thomas Carlotto, Secretary

**Exhibit A**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**PUBLIC NOTICE OF MEETING**

A meeting of the Rhode Island Economic Development Corporation Board of Directors will be held at the offices of the **Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island**, on **Monday, November 18, 2013**, beginning at **9:30 a.m.** for the following purposes:

**PUBLIC SESSION**

1. To review and discuss the annual audit of the Rhode Island Economic Development Corporation completed by Lefkowitz, Garfinkel, Champi & DeRienzo.

This notice shall be posted no later than 9:30 a.m. on Thursday November 14, 2013, at the Office of the Rhode Island Economic Development Corporation, at the State House, and by electronic filing with the Secretary of State's Office.

Shechtman Halperin Savage, LLP, Counsel to the Corporation

The location is accessible to the handicapped. Those requiring interpreter services for the hearing impaired must notify the Rhode Island Economic Development Corporation at 278-9100 forty-eight (48) hours in advance of the meeting. Also for the hearing impaired, assisted listening devices are available onsite, without notice, at this location.

Dated: November 12, 2013

**EXHIBIT B**

2010-2013

Management Discussion and Analysis  
Supplemental Information

**RHODE ISLAND ECONOMIC  
DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE  
OF RHODE ISLAND)**

**YEAR ENDED JUNE 30, 2013**

*Draft*



RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEAR ENDED JUNE 30, 2013

CONTENTS

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Financial statements:	
Statement of net position	8-9
Statement of revenues, expenses, and changes in net position	10-11
Statement of cash flows	12-13
Notes to financial statements	14-36
Required supplementary information, schedule of finding progress	37
Independent Auditors' Report on Accompanying Information	38
Accompanying information to financial statements:	
Schedule of expenditures of federal awards	39
State of Rhode Island required format:	
Attachment B Statement of Net Position	40-42
Attachment C Statement of Activities	43
Attachment D Schedule of Long-Term Debt	44
Attachment E Schedule of Changes in Long-Term Debt	45
Schedule of travel and entertainment expenses	46-47
Combining statement of net position	48
Combining statement of revenues, expenses, and changes in net position	49
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	50-51
Schedule of findings and responses	52-53

**Independent Auditors' Report**

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Rhode Island Economic Development Corporation (the Corporation), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## Independent Auditors' Report (Continued)

Board of Directors  
Rhode Island Economic Development Corporation

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

### *Auditors' Responsibility (Continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Emphasis of Matters*

As discussed in Note 7 to the financial statements, the Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island to fund its operating expenses.

As discussed in Note 1 to the financial statements, prior to the year ended June 30, 2013, the Corporation's financial statements included certain entities determined to be component units of the Corporation. Based on the application of amended accounting guidance, those entities are no longer considered to be component units and are not included in the accompanying financial statements.

Our opinion is not modified with respect to these matters.

### *Other Matter*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the schedule of funding progress on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Independent Auditors' Report (Continued)**

Board of Directors  
Rhode Island Economic Development Corporation

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated \_\_\_\_\_, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

Providence, Rhode Island  
\_\_\_\_\_, 2013

Draft

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rhode Island Economic Development Corporation (RIEDC), a component unit of the State of Rhode Island (the State), we offer readers of RIEDC's financial statements this narrative overview and analysis of the financial activities of RIEDC for the year ended June 30, 2013. RIEDC's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

### Introduction

RIEDC was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to RIEDC's financial statements.

As of and for the year ended June 30, 2012, the Quonset Development Corporation (QDC), the Rhode Island Airport Corporation (RIAC), and the I-195 Redevelopment District Commission (the Commission) were reported as component units of RIEDC. Based on the application of amended guidance issued by the Governmental Accounting Standards Board, the QDC, RIAC, and the Commission are reported as component units of the State as of and for the year ended June 30, 2013, and are not included in the Corporation's financial statements.

RIEDC engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, RIEDC's basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of RIEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on RIEDC's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Changes in RIEDC's net position serve as a useful indicator of whether RIEDC's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating RIEDC's net position. The statement of revenues, expenses, and changes in net position presents information on how RIEDC's net position changed during the year.

All assets, liabilities, and changes in net position are reported as soon as the underlying event affecting the asset or liability or deferred outflow or inflow, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statement of revenues, expenses, and changes in net position will result in cash flows in future periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2013 Financial Highlights

Total assets exceeded total liabilities by \$2,845,892 (net position) at June 30, 2013. Net deficit position totaling \$(141,455) is unrestricted. Net position totaling \$2,805,282 is restricted to be used principally to fulfill grant requirements and for repayment of obligations under direct financing leases. RIEDC's net position invested in capital assets, totaling \$182,065, is attributable to the acquisition and associated depreciation of RIEDC's capital assets.

Operating loss for 2013 was \$4,980,664, an increase of \$481,900 when compared to 2012.

Nonoperating revenues net of nonoperating expenses totaled \$4,949,063 in 2013 as compared to \$4,185,554 in 2012.

Transfers from other State component units totaled \$234,531 as compared to \$632,156 in 2012.

Net position increased by \$202,930 in 2013.

Draft

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Condensed Comparative Information

November 6, 2013

The following table reflects a summary of changes in certain balances in the statements of net position, and revenues, expenses and changes in net position, as required by GASB No. 34 (in thousands):

Statements of Net Position

	June 30,		Increase (decrease)
	2013	2012	2013 v 2012
Net position:			
Current assets	\$ 19,769	\$ 18,263	\$ 1,506
Noncurrent assets	34,528	36,902	(2,374)
Total assets	54,297	55,165	(868)
Current liabilities	6,938	17,038	(10,100)
Noncurrent liabilities	44,513	35,484	9,029
Total liabilities	51,451	52,522	(1,071)
Net position	\$ 2,846	\$ 2,643	\$ 203

Statements of Revenues, Expenses, and Changes in Net Position

	Year ended June 30,		Increase (decrease)
	2013	2012	2013 v 2012
Changes in net position:			
Operating revenues	\$ 2,530	\$ 3,275	\$ (745)
Operating expenses	7,511	7,773	(262)
Operating loss	(4,981)	(4,498)	(483)
Nonoperating revenues, net	4,949	4,186	763
Transfers	235	632	(397)
Change in net position	\$ 203	\$ 320	\$ (117)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2013 Financial Analysis

Total assets of RIEDC decreased approximately \$868,000 during 2013, due principally to decreases in grants and other receivables, amounts due from the State, and net investments in direct financing leases.

Total liabilities decreased approximately \$1,071,000 due principally to decreases in bonds and leases payable, unearned revenue, other payables and accrued expenses, offset by an increase in amounts payable from restricted assets.

### 2013 Operating Activity

Total operating revenues decreased approximately \$745,000 during 2013, due principally to a decline in revenues derived from the renewable energy program.

Total operating expenses decreased approximately \$262,000 during 2013, due principally to a decline in expenses incurred pertaining to the renewable energy program, offset by increases in legal and consulting fees and other grant-related expenses.

As a result of the above, the operating loss to RIEDC was approximately \$4,981,000 in 2013 compared to \$4,498,000 in 2012.

### Requests for Information

This financial report is designed as a general overview of RIEDC's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Executive Director, Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET POSITION – JUNE 30, 2013**

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 838,657	\$ 4,730,076
Accounts receivable	1,019,542	
Notes and loans receivable, less allowance for loan losses		1,700,001
Interest receivable		28,113
Interfund receivable	96,776	
Due from State of Rhode Island	108,139	
Due from other State component units	95,362	
Deposits and prepaid expenses	74,201	3,117
Restricted:		
Cash and cash equivalents	12,893,936	
Grants and other receivables	1,675,765	
Investments	947,164	
Net investment in direct financing leases	2,019,566	
Total current assets	19,769,108	6,461,307
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	6,401,078	
Notes receivable	1,135,417	
Net investment in direct financing leases, less current portion	26,112,895	
Investment in joint venture		1,877,576
Due from other State component units	696,557	
Notes and loans receivable, less allowance for loan losses		4,551,482
Capital assets not being depreciated	128,762	
Capital assets being depreciated, net	53,303	
Total noncurrent assets	34,528,012	6,429,058
Total assets	54,297,120	12,890,365

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET POSITION – JUNE 30, 2013 (CONTINUED)**

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 573,592	\$ 15,424
Accrued expenses and other	799,498	7,110
Interfund payable		96,776
Payable from restricted assets	5,158,688	
Unearned revenue	406,759	40,047
Total current liabilities	6,938,537	159,357
Noncurrent liabilities:		
Liabilities payable from restricted cash and cash equivalents	3,092,877	
Net pension obligation	624,277	
Bonds and leases payable, less current portion	28,697,867	
Unearned revenue	12,097,670	
Total noncurrent liabilities	44,512,691	-
Total liabilities	51,451,228	159,357
Commitments and contingencies (Note 10)		
<b>NET POSITION:</b>		
Investment in capital assets	182,065	
Restricted for grants and other programs	2,805,282	
Unrestricted (deficit)	(141,455)	12,731,008
Total net position	\$ 2,845,892	\$ 12,731,008

See notes to financial statements.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**YEAR ENDED JUNE 30, 2013**

November 2013  
For Management Discussion Purposes Only  
Subject to Final Review

	<u>Primary reporting entity</u>	<u>Component unit</u>
	<u>Rhode Island Economic Development Corporation</u>	<u>Small Business Loan Fund Corporation</u>
Operating revenues:		
Charges for services:		
Rental fees	\$ 7,500	
Interest on loans	11,526	\$ 579,961
Other income, principally renewable energy fund	2,500,811	
Total operating revenues	<u>2,529,837</u>	<u>579,961</u>
Operating expenses:		
Personnel services	3,067,805	108,203
Contractual services	1,801,581	41,868
Grants	1,454,816	
Other expenses	1,166,406	52,043
Provision for loan losses and uncollectibles, net of recoveries		612,885
Depreciation and amortization	19,893	
Total operating expenses	<u>7,510,501</u>	<u>814,999</u>
Operating loss	<u>(4,980,664)</u>	<u>(235,038)</u>

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

**YEAR ENDED JUNE 30, 2013** November 6, 2013  
For Management Discussion Purposes Only  
Subject to Final Review

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
Nonoperating revenues (expenses):		
Appropriations from State	\$ 15,389,096	
Investment and other revenue	3,538,898	
Interest expense	(2,516,259)	
Grant income	12,099,972	\$ 984,252
Grant expenses	(12,138,717)	(397,789)
Public investment payments and job credits	(6,640,526)	
Other	(4,783,401)	(122,424)
Total nonoperating revenues, net	<u>4,949,063</u>	<u>464,039</u>
Income (loss) before transfer	(31,601)	229,001
Transfer from other State component units	<u>234,531</u>	<u>-</u>
Change in net position	202,930	229,001
Total net position, beginning of year	<u>2,642,962</u>	<u>12,502,007</u>
Total net position, end of year	<u>\$ 2,845,892</u>	<u>\$ 12,731,008</u>

See notes to financial statements.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2013**

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
Cash flows from operating activities:		
Receipts from customers/borrowers	\$ 688,655	\$ 2,084,299
Payments to suppliers	(4,820,275)	(1,077,078)
Payments to employees	(2,795,874)	(227,569)
Net cash provided by (used in) operating activities	(6,927,494)	779,652
Cash flows from noncapital financing activities:		
State of Rhode Island appropriations received	16,165,957	
Grants received	10,662,303	984,252
Grant expenditures	(13,782,995)	(397,789)
Public investment payments and job credits	(6,640,526)	
Transfers	234,531	
Net cash provided by noncapital financing activities	6,639,270	586,463
Cash flows from capital and related financing activities:		
Interest paid, long-term obligations	(2,516,259)	
Acquisition of capital assets	(18,391)	
Receipts under direct financing leases	1,871,621	
Payments under direct financing leases	(1,871,622)	
Liabilities payable from restricted assets	(44,337)	
Net cash used in capital and related financing activities	(2,578,988)	
Cash flows from investing activities:		
Purchase of investments		(600,000)
Interest income	2,668,170	
Net cash provided by (used in) investing activities	2,668,170	(600,000)

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS (CONTINUED)**

YEAR ENDED JUNE 30, 2013 For Management Discussion Purposes Only  
Subject to Final Review

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
Net increase (decrease) in cash and cash equivalents	\$ (199,042)	\$ 766,115
Cash and cash equivalents, beginning of year	20,332,713	3,963,961
Cash and cash equivalents, end of year	\$ 20,133,671	\$ 4,730,076
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (4,980,664)	\$ (235,038)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	19,893	
Provision for loan losses, net		612,885
Changes in:		
Notes and accounts receivable	283,715	1,504,338
Deposits and prepaid expenses	7,341	(3,117)
Due to/from other State component units	36,017	(119,366)
Accounts payable, accrued expenses, and unearned revenue	(2,229,643)	(980,050)
Net pension obligation	(64,153)	
Net cash provided by (used in) operating activities	\$ (6,927,494)	\$ 779,652

See notes to financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies:

*Description of business:*

The Rhode Island Economic Development Corporation (RIEDC) was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State of Rhode Island (the State) for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose. Certain bonds issued under the provisions of the Act are not a liability of RIEDC and accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

RIEDC is a component unit of the State for financial reporting purposes. As such, the financial statements of RIEDC are included in the State's comprehensive annual financial report.

RIEDC and its component unit are exempt from federal and state income taxes.

*Reporting entity:*

The accompanying financial statements present RIEDC (referred to herein as the primary reporting entity) and its component unit, an entity for which RIEDC has control over and for which RIEDC has financial accountability. RIEDC and its component unit are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB criteria, the Small Business Loan Fund Corporation (SBLF) has been presented as a component unit of RIEDC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies (continued):

*Reporting entity (continued):*

As of and for the year ended June 30, 2012, the Quonset Development Corporation (QDC), the Rhode Island Airport Corporation (RIAC), and the I-195 Redevelopment District Commission (the Commission) were reported as component units of RIEDC. Based on the application of amended GASB guidance; the QDC, RIAC, and the Commission are reported as component units of the State as of and for the year ended June 30, 2013, and are not included in the Corporation's financial statements.

In August 2008, pursuant to an act of the General Assembly of the State, the management and fund balance of the Renewable Energy Fund (REF) was transferred from the State's Office of Energy Resources to RIEDC. While RIEDC is responsible for managing REF, REF does not have separate corporate powers that would distinguish it as being legally separate from RIEDC; therefore, its activities have been included in the primary reporting entity.

*Discretely presented component unit:*

SBLF, a discretely presented component unit, is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from RIEDC.

SBLF was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of RIEDC for the purpose of granting secured and unsecured loans to small businesses located throughout Rhode Island. The SBLF Board serves at the pleasure of the RIEDC Board.

SBLF does not prepare separate financial statements.

*Financial statement presentation, measurement focus, and basis of accounting:*

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Corporation uses the economic resources management focus and accrual basis of accounting.

The Corporation distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided, administrative expense, and depreciation and amortization expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies (continued):

*Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions are the allowances for doubtful accounts and loan losses. Actual results could differ from those estimates.

*Recent accounting pronouncements:*

Effective for the fiscal year ended June 30, 2013, the Corporation adopted Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). Deferred outflows of resources represent the consumption of the Corporation's net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. GASB 63 prescribes the reporting requirements for those two elements and requires that the statement of net assets title be changed to statement of net position. The Corporation had no deferred inflows or outflows of resources at June 30, 2013.

Effective July 1, 2012, the Corporation adopted Statement No. 61 of the GASB, *The Financial Reporting Entity Omnibus*, which modifies certain requirements for inclusion of component units in the financial reporting entity. As a result, and as discussed previously in these financial statements, certain entities previously determined to be component units of RIEDC, with net assets as of June 30, 2012 totaling approximately \$456,954,000, are now reported as component units of the State and are no longer included in the Corporation's financial statements.

*Cash and cash equivalents, restricted:*

Unexpended grant funds and payments received under direct financing leases are reported as restricted cash and cash equivalents in the accompanying statements of net position and are classified as either current or noncurrent based on the reporting period in which the underlying monies are expected to be used.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies (continued):

*Cash and cash equivalents:*

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Under the "Rhode Island Collateralization of Public Deposits Act" depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. At June 30, 2013, \$15,930,020 of the Corporation's deposits, excluding money markets, were required to be collateralized.

*Accounts receivable:*

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers.

*Investments:*

Money market investments having a maturity of one year or less at the time of purchase are reported on the statement of net position at their amortized cost. All other investments are reported at fair value.

SBLF's investment in a joint venture (see Note 3) is accounted for using the equity method, under which the investment in the joint venture is increased (decreased) by SBLF's share of the venture's undistributed earnings (losses) and decreased by distributions received from the joint venture.

*Notes and loans receivable:*

Notes and loans receivable are stated at the principal amount outstanding less any charge-offs and an allowance for loan losses. Interest income on notes and loans receivable is recognized over the term of the notes and loans and is calculated using the simple-interest method on principal amounts outstanding.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies (continued):

*Notes and loans receivable (continued):*

Accrual of interest income on notes and loans receivable is discontinued when management has determined that the borrower will be unable to meet contractual obligations. When a note or loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current-period income. Interest received on nonaccrual notes and loans is either applied against principal or reported as income according to management's judgment as to the collectibility of principal. Nonaccrual notes and loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the note or loan have improved to the extent that there no longer exists a concern as to the collectibility of principal.

The Corporation measures impairment using a discounted cash-flow method, or the loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent. However, impairment is based on the fair value of the collateral if it is determined that foreclosure is probable.

*Allowance for loan losses:*

The allowance for loan losses is established through a provision charged to operations based on management's assessment of many factors, including the risk characteristics of the notes and loans, current economic conditions that may affect the borrowers' ability to pay, and trends in delinquencies and charge-offs. Realized losses, net of recoveries, are charged directly to the allowance. While management uses information available in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions or other factors differ substantially from the assumptions used in making the evaluation.

*Capital assets and depreciation:*

Capital assets are stated at cost except for capital assets conveyed to the Corporation by the State or the United States of America, which are stated at fair value as of the date of contribution. Expenditures in excess of \$2,500 which substantially increase the useful lives of existing assets are capitalized; routine maintenance and repairs are expensed as incurred. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of these assets.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

1. Description of business and summary of significant accounting policies (continued):

*Capital assets and depreciation (continued):*

The Corporation evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted cash flows from the use and disposition of the asset is less than the carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Corporation did not record an impairment loss during the year ended June 30, 2013.

*Unearned revenue:*

Unearned revenue pertains principally to payments received by REF in advance of revenues earned under terms of applicable energy programs.

*Direct financing leases:*

Land and buildings leased to unrelated parties under capital leases are recorded as net investment in direct financing leases. Interest income under capital leases consists of the excess of lease payments due under the terms of the leases over the cost of land and buildings and is recognized over the lease terms using the level yield method.

*Grants:*

Revenues from grants are recognized as soon as all eligibility requirements imposed by the provider have been met.

*Net position:*

The Corporation's net position has been segregated into the following three components:

Investment in capital assets – represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to these assets, if any.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted – a residual category for the balance of net position

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

2. Cash and cash equivalents:

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2013:

	RIEDC	SBLF
Deposits held in Bank of America	\$ 1,592,133	\$ 4,730,076
Short-term investments, cash equivalents	8,541,538	
	\$ 20,133,671	\$ 4,730,076

At June 30, 2013, the Corporation had \$23,971,559 (bank balance) on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

The carrying amounts of cash equivalents approximate fair value and consist of the following:

Money market mutual funds, Bank of America	\$ 3,810,798
Money market mutual funds, US Bank	4,730,740
	\$ 8,541,538

The bank balance of the Corporation's cash and cash equivalents, excluding money market accounts, is as follows:

	RIEDC	SBLF
Bank balance	\$ 11,692,625	\$ 4,737,395
Bank balance insured by federal depository insurance	250,000	250,000
Uninsured or uncollateralized	\$ 11,442,625	\$ 4,487,395

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

2. Cash and cash equivalents (continued):

The Corporation's money market mutual funds at Bank of America are invested in Goldman Sachs Financial Square Funds - Government (FGTXX) as of June 30, 2013. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 58 days as of June 30, 2013. At June 30, 2013, the funds were invested as follows: 55% in a government agency repurchase agreement, 43% in government agency debt, and 2% in United States treasury debt. As of June 30, 2013, the funds were rated Aaa3 by Moody's Investors Services (Moody's) and AAAM2 by Standard & Poor's (S&P).

The Corporation's money market mutual fund accounts held at US Bank are invested in Fidelity Institutional Money Market Government Portfolio - Class I (FIGXX) as of June 30, 2013. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 50 days as of June 30, 2013. At June 30, 2013, approximately 80% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2013, the funds were rated AAA-m1 by Moody's and AAAM by S&P.

*Interest rate risk:*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Corporation manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

*Credit risk:*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Corporation manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

*Concentration of credit risk:*

Although it has no established policy, the Corporation continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

2. Cash and cash equivalents (continued):

*Custodial credit risk:*

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Corporation's deposits and investments may not be returned. The Corporation does not have a deposit or investment policy for custodial credit risk. The Corporation manages the custody of its cash and cash equivalents through analysis and review of the custodians' or counterparties' credit worthiness.

3. Investments:

At June 30, 2013, the Corporation's investments consist of the following:

	RIEDC	SBLF
United States government obligations	\$ 947,164	
Investment in joint venture		\$ 1,877,576
	\$ 947,164	\$ 1,877,576

As of June 30, 2013, RIEDC funds were invested in United States Government obligations that accrue interest at 1.875% and have a maturity date of April 30, 2014. The obligations were rated Aaa by Moody's and AAA by S&P.

The State Small Business Credit Initiative (SSBCI) received by the State is being monitored through SBLF. During fiscal 2012, SBLF and Betaspring Managers 100, LLC (Betaspring Managers 100) formed Startup Investments, LLC (Startup), a joint venture. Under the terms of the Startup Operating Agreement, SBLF's initial contribution was \$2,000,000. In exchange for the \$2,000,000 investment, SBLF received half of the 100,000 outstanding shares of common stock in Startup.

Also during fiscal 2012, Startup invested in BetaSpring, an entity that helps develop entrepreneurs through a "bootcamp" process to allow their "graduates" to be placed before investors to help bootstrap their idea into a future viable business. BetaSpring acquires a 6% interest in the common stock of the entrepreneurs' companies via Betaspring Managers 100. BetaSpring does not prepare separate financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

3. Investments (continued):

SBLF has accounted for its investment in Startup as an investment in a joint venture due to SBLF's ongoing financial interest in BetaSpring. From the date of initial contribution, SBLF's share of net loss generated by the investment in the joint venture was \$122,424. The losses attributable to SBLF's ownership interest in BetaSpring via Startup are classified as other nonoperating expenses on the statement of revenues, expenses, and changes in net position for the year ended June 30, 2013.

4. Loans and notes receivable:

*Provision for loan losses:*

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2013 is as follows:

Balance, beginning of year	\$ 684,174
Provision for loan losses	624,709
Loans charged off	<u>(663,483)</u>
Balance, end of year	<u>\$ 645,400</u>

*Commitments*

SBLF had the following outstanding loan and grant commitments at June 30, 2013:

Commitments to originate loans	\$ 700,000
Undisbursed portions of commercial loans	97,355

REF had outstanding commitments under loans and grants at June 30, 2013 of \$1,707,723.

*Notes receivable:*

RIEDC issues notes and grants loans to private-sector entities and others located in Rhode Island. The ability of RIEDC's debtors to honor their contracts is primarily dependent upon various factors, including among others, the financial success of the borrower, success of the project financed, and general economic conditions in Rhode Island.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

3. Capital assets

	Depreciable life	Balance, July 1, 2012	Increases	Decreases	Balance, June 30, 2013
Capital assets not being depreciated, land		\$ 128,762		\$ -	\$ 128,762
Capital assets being depreciated:					
Equipment	5	74,507	\$ 18,391		92,898
Automobiles	5	22,038			22,038
Total capital assets being depreciated		96,545	18,391		114,936
Accumulated depreciation:					
Equipment		(38,802)	(15,485)		(54,287)
Automobiles		(2,938)	(4,408)		(7,346)
Total accumulated depreciation		(41,740)	(19,893)		(61,633)
Total capital assets being depreciated, net		54,805	(1,502)		53,303
Total capital assets, net		\$ 183,567	\$ (1,502)	\$ -	\$ 182,065

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

6. Long-term debt:

*RIEDC bonds payable and net investment in direct financing leases:*

During 1995, RIEDC issued bonds totaling \$34,070,000 to finance the rehabilitation and other related costs of the Shepard Building. The debt service of the bonds was being funded by the State under a lease agreement between the Corporation and the State. In August 1997, the Corporation transferred the Shepard Building to the State through a Certificate of Participation Plan and the lease receivable with the State and the bonds were removed from the Corporation's financial statements. The outstanding balance of these defeased bonds at June 30, 2013 was approximately \$10,765,000.

During 1996, RIEDC issued \$25,000,000 of 1996 Series bonds to finance the acquisition of land and to make land improvements and construct a building at Island Woods Industrial Park (the FMR Rhode Island, Inc. Project). The 1996 Series bonds bear interest at 8.28%, are payable in semi-annual installments of approximately \$1,244,000 and mature May 1, 2021. During 2002, RIEDC issued \$10,000,000 of 2002 Series bonds to the FMR Rhode Island, Inc. Project. The 2002 Series bonds bear interest at 7.24%, interest only until 2008, and mature in 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

During November 1997, RIEDC issued \$11,000,000 of 1997 Series bonds to finance the acquisition of land and to make improvements and renovations to a building and parking lot (the Fleet National Bank Project). The 1997 Series bonds bear interest at 7.61%, are payable in semi-annual installments of approximately \$43,000, and mature May 1, 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

6. Long-term debt (continued):

*RIEDC bonds payable and net investment in direct financing leases (continued):*

Aggregate scheduled principal and interest payments due on RIEDC's revenue bonds and total future minimum lease payments receivable at June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest
2014	\$ 2,019,566	\$ 2,363,960
2015	2,188,059	2,199,403
2016	2,365,510	2,023,604
2017	2,560,035	1,828,449
2018	2,765,676	1,619,895
2019-2023	12,350,886	4,637,714
2024-2027	6,467,701	1,125,976
	<u>30,717,433</u>	<u>\$ 15,799,001</u>
Less current portion of long-term debt	<u>2,019,566</u>	
Net long-term portion of bonds payable	<u>\$ 28,697,867</u>	

RIEDC has entered into direct financing leases with Bank of America and FMR Rhode Island, Inc. Total minimum lease payments receivable and unearned income under direct financing leases is equivalent to scheduled aggregate principal payments and scheduled aggregate interest payments, respectively, under the bonds payable, net of job rent credits. Job rent credits are payable by RIEDC semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the year ended June 30, 2013, job rent credits issued by RIEDC totaled \$3,080,526.

Cash and investments on hand related to, and collections on, net investment in direct financing leases are restricted to pay the bonds issued to finance such direct financing lease transactions. The current portion of amounts payable from restricted assets of \$5,158,688 includes the \$2,019,566 current portion of long-term debt and \$3,139,122 of other grant-related current liabilities payable from restricted assets.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

6. Long-term debt (continued):

*Notes payable, Masonic Temple tax credit loans:*

In July 2007, the Corporation closed on transactions relative to the State's retirement of approximately \$21,000,000 of unused historic tax credit obligations on the Masonic Temple Hotel (Hotel), resulting in a net benefit to the State of approximately \$7,000,000.

To satisfy payment, the Corporation issued \$14,280,000 of notes payable, the proceeds from which were used to loan \$14,000,000 to the owner of the Hotel, MTRI, Inc. (MTRI), in exchange for MTRI's and its affiliate's forbearance on utilizing or selling the eligible tax credits. MTRI was to pay the Corporation annual interest only payments until the loan is due 40 years from the date of closing. In addition, MTRI was required to deposit funds in escrow as security for the loan.

In July 2013, RIEDC was notified by MTRI's legal counsel that MTRI would be defaulting on the loan. As a result, RIEDC pursued and recovered the \$874,040 balance in the pledged escrow account in August 2013. This amount is reported as accounts receivable in the accompanying statement of net position.

Changes in long-term obligations during the year ended June 30, 2013, excluding the net pension obligation and including SBLF, were as follows:

	Balance, July 1, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts due within one year
Revenue bonds	\$ 32,589,054	\$ -	\$ (1,871,621)	\$ 30,717,433	\$ 2,019,566
Unearned revenue	15,323,768		(2,779,292)	12,544,476	446,806
Payable from restricted assets	3,095,676		(2,799)	3,092,877	
	<u>\$ 51,008,498</u>	<u>\$ -</u>	<u>\$ (4,653,712)</u>	<u>\$ 46,354,786</u>	<u>\$ 2,466,372</u>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013  
For Management Discussion Purposes Only  
Subject to Final Review

7. State appropriations:

During the year ended June 30, 2013, RIEDC received the following appropriations from the State:

Budget	\$ 3,972,864
Legislative	633,189
Slater technology fund	1,500,000
Public investment payment (Note 10)	3,560,000
Job rent credits (Note 6)	3,080,526
RI Airport Impact Aid	1,008,086
Science and Technology Advisory Council (STAC)	1,150,000
Leased employee	108,139
America's Cup	567,375
	15,580,179
Less STAC unearned revenue at June 30, 2013	(308,824)
Less due from State at June 30, 2013	(108,139)
Add STAC unearned revenue at June 30, 2012	117,741
Add due from State at June 30, 2012	885,000
	\$ 16,165,957

RIEDC is dependent upon annual appropriations by the General Assembly of the State to fund its operating expenses.

8. Pension plans:

RIEDC pension plan:

Employees of the Corporation hired prior to January 1, 2006 are covered by the Rhode Island Economic Development Corporation Pension Plan and Trust (the Plan), a single-employer defined benefit pension plan administered by RIEDC. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The Plan was amended to eliminate the 3% cost of living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009. The Plan assigns to RIEDC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after five years of service.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

8. Pension plans (continued):

*Funding policy:*

The contribution requirements are established by RIEDC. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits.

*Annual pension cost and net pension obligation:*

RIEDC's annual pension cost for the year ended June 30, 2013 and net pension obligation were as follows:

Annual required contribution	\$ 241,738
Interest on net pension obligation	107,135
Adjustment to annual required contribution	<u>(255,884)</u>
Annual pension cost	92,989
Contributions made	<u>(260,000)</u>
Decrease in net pension obligation	(167,011)
Net pension obligation, beginning of year	<u>1,648,223</u>
Net pension obligation, end of year	<u>\$ 1,481,222</u>

The net pension obligation and annual pension cost are allocated by the Plan's actuary between RIEDC and the QDC, an entity established for the purpose of developing and managing state lands for commercial purposes. At June 30, 2013, \$624,277 and \$856,945 of the net pension obligation was allocated to RIEDC and QDC, respectively.

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

8. Pension plans (continued):

*Annual pension cost and net pension obligation (continued):*

Fiscal Year Ended June 30,	Three-year trend information			Percentage of APC Contributed	Net Pension Obligation
	Annual Pension Cost (APC)	Actual Contribution			
2013	\$ 92,989	\$ 260,000	279.6%	\$ 1,481,222	
2012	\$ 7,355	\$ 125,000	1700.0%	\$ 1,648,233	
2011	\$ 193,850	\$ 300,000	155.0%	\$ 1,765,878	

*Funding progress:*

As of July 1, 2013, the latest actuarial valuation date, the actuarial value of assets in the RIEDC plan was \$16,002,801 and the actuarial accrued liability was \$15,973,599, for a funding excess of \$29,202. The actuarial value of assets as a percentage of the actuarial accrued liability was 100.2% at June 30, 2013. Annual covered payroll was \$2,768,284; the funding excess is 1.1% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the RIEDC plan.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Other plans:*

Employees of RIEDC hired on or after January 1, 2006 participate in the RIEDC Section 401a Retirement and Savings Plan (the 401a Plan), a discretionary contribution plan. The 401a Plan provides for RIEDC to make discretionary matching or additional contributions as approved by the Board of Directors. For the fiscal year ended June 30, 2013, RIEDC contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the RIEDC Section 475 Deferred Compensation Plan (the 457 Plan). Contributions for the fiscal year ended June 30, 2013 were \$93,405. All employees are eligible to participate in the 457 Plan. Both the 401a Plan and the 457 Plan are calendar year based.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

9. Postemployment healthcare plan:

For certain employees, the RIEDC contributes to the State Employees' defined benefit post-employment health care plan, a cost-sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created, and established under Chapter 36-12.1 of the Rhode Island General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB System. The plan provides medical benefits to certain retired employees of participating employers, including the RIEDC.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB System issues a stand-alone publically available financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

*Funding policy*

Rhode Island General Law (RIGL) Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2013 was 6.86% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. RIEDC's contribution to the plan for the years ended June 30, 2013, 2012 and 2011 was approximately \$6,000, \$6,400 and \$88,800, respectively, representing 100% of the ARC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

10. Commitments and contingencies:

*Grants:*

Under the terms of federal and other grants, periodic expenditures financed by grants are subject to audits by the grantors or their representatives and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Corporation officials believe that such disallowances, if any, would not be material.

*Public investment payments:*

RIEDC has entered into a Public Investment and HOV Agreement dated September 9, 1996 (the PIP Agreement) with Providence Place Group Limited Partnership (PPG). The PIP Agreement requires RIEDC to make annual public investment payments to PPG equal to the lesser of \$3,680,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within Providence Place Mall (the Mall) for the first five years, and annual public investment payments to PPG equal to the lesser of \$3,560,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within the Mall for the next 15 years. RIEDC's requirement to make public investment payments to PPG is subject to the State's annual appropriations to RIEDC of related sales tax. During the year ended June 30, 2013, RIEDC made public investment payments to PPG totaling \$3,560,000.

*Litigation:*

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against RIEDC have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by RIEDC for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between RIEDC and FMR (see Note 6), FMR is obligated to pay the Corporation's costs resulting from such condemnation. The likelihood of an unfavorable outcome and the amount or range of potential loss to RIEDC, if any, is unknown.

RIEDC is the defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of RIEDC's management, the resolution of these matters will not have a material adverse effect on the financial position of RIEDC.

As of June 30, 2013, the Corporation has been named, along with other parties, in a pending lawsuit for negligence. The Corporation is unable to determine the likely outcome and potential liability due as a result of the lawsuit; therefore, no liability has been recorded in the accompanying financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

10. Commitments and contingencies (continued):

*Risk management:*

RIEDC is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2013 because RIEDC officials are of the opinion that, based upon prior years' experience, any claims will not be material.

RIEDC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which RIEDC carries commercial insurance. Neither RIEDC nor its insurers have settled any claims which exceeded RIEDC's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

*Private-sector entity insured commitment:*

Under a Settlement Agreement, dated March 3, 2001, by and between Cyto Therapeutics, Inc. (CTI), RIEDC, Rhode Island Industrial-Recreational Building Authority (RIIRBA), and Rhode Island Industrial Facilities Corporation (RIIFC) (both component units of the State), RIEDC advanced to RIIRBA an amount equal to that previously funded by CTI and held in reserve by RIIRBA. The reserve is to be used by RIIRBA to fund shortfalls, if any, resulting from the difference between the amounts required to repay the outstanding bonds on the related building formerly occupied by CTI and insured by RIIRBA and the lease payments received or proceeds from the sale of the building. Upon repayment of all outstanding bonds relating to the building, RIIRBA will return to RIEDC any unused funds. At June 30, 2013, \$696,557 is due from RIIRBA.

11. Conduit debt obligations:

From time to time, RIEDC issues revenue bonds and notes to provide financial assistance to private-sector and public-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector or public-sector entity serviced by the bond or note issuance. RIEDC is not obligated in any manner for repayment of the bonds and notes, except for the loan provided to 38 Studios LLC, as described below. The bonds and notes are not reported as liabilities in the accompanying financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

11. Conduit debt obligations (continued):

Under the terms of the various indentures and related loan and lease agreements, the private-sector and public-sector entities make loan and lease payments directly to the trustees of the related bond and note issues in the amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of RIEDC. The aggregate principal amount outstanding under such conduit debt obligations at June 30, 2013 was approximately \$903,539,000.

During the fiscal 2010 legislative session, the General Assembly approved the Job Creation Guaranty Program (JCGP), which authorizes RIEDC to provide credit enhancements of up to \$125,000,000 on bonds or loans privately placed with capital providers and banks. The State will use its "moral obligation" authority to guarantee debt service payments to the bondholders and lenders.

On November 2, 2010, a loan in the amount of \$75,000,000 was provided to 38 Studios LLC (38 Studios) under the JCGP as follows:

Capital Reserve Account, held by trustee	\$ 12,750,000
Capitalized Interest Account, held by trustee	10,600,000
Amount available for the 38 Studios Project and bond issuance costs	<u>51,650,000</u>
	<u>\$ 75,000,000</u>

Under this program, the State used its "moral obligation" authority to guarantee debt service payments to the bondholders.

This is a conduit debt transaction and, accordingly, this loan is not reported as a liability in the accompanying financial statements. RIEDC is obligated to the bondholders under the loan and trust agreement for all sums borrowed and not repaid, provided, however, that the bondholders may only satisfy such obligation by executing upon the collateral pledged pursuant to the terms of the loan and trust agreement. Pursuant to RIGL Section 42-64-18(5), all amounts paid to RIEDC by the State pursuant to the provisions of this section shall constitute and be accounted for as advances by the State to RIEDC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

11. Conduit debt obligations (continued):

On June 7, 2012, 38 Studios filed for bankruptcy under Chapter 7 in Delaware listing \$151,000,000 in liabilities and \$21,700,000 in assets. On August 8, 2012, a federal judge allowed the assets to be liquidated through the state court in Rhode Island. As of June 30, 2012, the Capitalized Interest Account was estimated to be \$2,650,000, the Capital Reserve Account was estimated to be \$12,750,000, and all project funds have been completely expended. Funds from the Capitalized Interest Account and the Capital Reserve Account are available to pay the debt service due to the bondholders in November 2012 and May 2013. The amount, if any, that may be realized from the liquidation of assets to be used to pay debt service is not presently determinable.

In accordance with the enabling legislation and an agreement between RIEDC, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, RIEDC has agreed to present the Governor of Rhode Island with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in a budget request for appropriation to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts. The General Assembly approved approximately \$2,500,000 in its budget for the fiscal year ended June 30, 2013 to cover the scheduled bond payment in May 2014.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2013 was approximately \$978,539,000.

12. ProvPort crane and barge project:

During the year ended June 30, 2013, the United States Department of Transportation, Maritime Administration (MARAD), and RIEDC executed a Grant Agreement, and RIEDC and ProvPort, Inc. (the Organization) executed a Sub-grant Agreement, regarding a Transportation Investments Generating Economic Recovery Grant II (TIGER II Grant). Under the terms of the Grant Agreement, RIEDC and the Organization were designated as grant recipient and sub-recipient, respectively, of TIGER II Grant funds of up to \$10,500,000 for the purchase of two mobile harbor cranes, two barges, and related equipment (collectively, the Project).

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

12. ProvPort crane and barge project (continued):

Title to the cranes, barges, and other equipment (the Project Equipment) is held solely by RIEDC. The Project Equipment, which is located at the Port of Providence, has been leased by RIEDC to the Organization. Upon final payment of the lease obligations, or after a minimum of three years and repayment of the Organization's Bank of America loan, title to the Project Equipment will vest in the Organization. RIEDC and the Organization have entered into separate lease agreements for the cranes and barges. Each lease features a term of twelve years and annual payments of \$1. At the end of each lease term, the Organization has the option to purchase the cranes and barges for \$1. RIEDC has provided a first priority security interest in the barges to Bank of America. RIEDC and the Organization have granted a collateral assignment of their respective interests in the leases to Bank of America. Based on the terms of this agreement, RIEDC has accounted for this lease as a direct financing capital lease.

Through June 30, 2013, amounts owed for work completed by the crane vendor totaled \$9,739,230. RIEDC owes the Organization \$3,139,123 of this amount, which is to be paid from TIGER II Grant funds and is classified as a current payable from restricted assets in the accompanying statement of net position. At June 30, 2013, RIEDC has restricted cash on hand of \$2,027,860 and has recorded \$1,111,263 in restricted grant receivables to satisfy the payable owed to the Organization.

The RIEDC earned an annual administrative fee from the Organization in the amount of one-eighth of one percent of the Project cost, which amounted to \$26,572 for the year ended June 30, 2013.

13. Contractual services:

Contractual services by service category for RIEDC and SBLF for the year ended June 30, 2013 are as follows:

	RIEDC	SBLF
Information technology	\$ 136,983	
Legal services	835,614	\$ 19,376
Consulting	523,379	16,473
Other	305,605	6,019
	\$ 1,801,581	\$ 41,868

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

RIEDC's schedule of funding progress for the Pension Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((b-a)/c)
7/1/2011	\$15,385,170	\$13,619,019	\$(1,766,151)	113.0%	\$3,316,037	-53.3%
7/1/2012	\$14,895,987	\$14,943,184	\$ 47,197	99.7%	\$3,026,453	1.6%
7/1/2013	\$16,002,801	\$15,973,599	\$ (29,202)	100.2%	\$2,768,284	-1.1%

Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the Plan.



November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**Independent Auditors' Report on Accompanying Information**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

Our audit was performed for the purpose of forming an opinion on the 2013 basic financial statements of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 39 through 49 is presented for purposes of additional analysis and is not a required part of the 2013 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Providence, Rhode Island  
\_\_\_\_\_, 2013

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

Federal Grantor/Program Title/ Pass-through grantor	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF DEFENSE</b>		
Procurement Technical Assistance for Business Firms	12.002	\$ 352,601
<b>DEPARTMENT OF LABOR</b>		
WIA Pilots, Demonstrations, and Research Projects	17.261	97,879
<b>DEPARTMENT OF COMMERCE</b>		
State Broadband Data and Development Grant Program - ARRA	11.558	578,875
Economic Adjustment Assistance	11.307	10,421,245
<b>Total Department of Commerce</b>		<u>11,000,120</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
Port Security Grant Program	97.056	1,269,506
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	13,538
<b>DEPARTMENT OF ENERGY</b>		
Pass-through programs from the State of Rhode Island; State Energy Program	81.041	294,232
<b>DEPARTMENT OF TRANSPORTATION, <i>Maritime Administration</i></b>		
Surface Transportation - Discretionary Grants for Capital Investment	20.932	9,739,230
<b>Total expenditures of federal awards</b>		<u><u>\$ 22,767,106</u></u>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

Combined Statement of Net Position

Attachment B

**Assets**

Current assets:

Cash and cash equivalents	\$ 5,568,733
Investments	
Receivables (net)	2,747,656
Restricted assets:	
Cash and cash equivalents	12,893,936
Investments	2,966,730
Receivables (net)	1,675,765
Other assets	
Due from primary government	108,139
Due from other State component units	95,362
Due from other governments	
Inventories	
Other assets	77,318

Total current assets	26,133,639
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Noncurrent assets:

Investments	1,877,576
Receivables (net)	4,551,482
Restricted assets:	
Cash and cash equivalents	6,401,078
Investments	26,112,895
Receivables (net)	
Other assets	1,135,417
Due from other State component units	696,557
Capital assets - nondepreciable	128,762
Capital assets - depreciable (net)	53,303
Other assets, net of amortization	

Total noncurrent assets	40,957,070
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Total assets	67,090,709
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Deferred outflows of resources, accumulated decrease in fair value of hedging derivatives	
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(continued)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

Combined Statement of Net Position (Continued)

Attachment B

**Liabilities**

Current liabilities:

Cash overdraft	
Accounts payable	\$ 589,016
Due to primary government	
Due to other State component units	
Due to other governments	
Unearned revenue	446,806
Other liabilities	3,945,730
Current portion of long-term debt	2,019,566

Total current liabilities	7,001,118
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Noncurrent liabilities:

Due to primary government	
Due to other governments	
Due to other State component units	
Unearned revenue	12,097,670
Notes payable	
Loans payable	
Obligations under capital leases	
Net OPEB obligation	624,277
Other liabilities	3,092,877
Compensated absences	
Bonds payable	28,697,867

Total noncurrent liabilities	44,512,691
------------------------------	------------

Total liabilities	51,513,809
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**Deferred inflows of resources:**

Accumulated increase in fair value of hedging derivatives	
Deferred service concession agreement receipts	

Total deferred inflows of resources	
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(continued)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

Combined Statement of Net Position (Continued)

Attachment B

**Net position**

Investment in capital assets	182,065
Restricted for:	
Debt	
Other (deficit)	(11,431,107)
Other nonexpendable	14,236,389
Unrestricted	12,589,553
Total net position	<u>\$ 15,576,900</u>

Draft

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**Combined Statement of Activities**

**Attachment C**

<b>Expenses</b>	<b>\$ 34,690,085</b>
<b>Program revenues:</b>	
Charges for services	2,518,311
Operating grants and contributions	13,084,224
Capital grants and contributions	-
Total program revenues	<u>15,602,535</u>
Net (expenses) revenues	<u>(19,087,550)</u>
<b>General revenues:</b>	
Interest and investment earnings	4,130,385
Miscellaneous revenue	15,389,096
Total general revenues	<u>19,519,481</u>
Income before transfers and special and extraordinary items	431,931
Transfer from other State component unit	
Special items	
Extraordinary items	
Change in net assets	<u>431,931</u>
Total net position - beginning	<u>15,144,969</u>
Total net position - ending	<u><u>\$ 15,576,900</u></u>

Draft

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORM June 6, 2013

JUNE 30, 2013

For Management Discussion Purposes Only  
Subject to Final Review

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,019,566	\$ 2,363,960
2015	2,188,059	2,199,403
2016	2,365,510	2,023,604
2017	2,560,035	1,828,449
2018	2,765,676	1,619,895
2019 - 2023	12,350,886	4,637,714
2024 - 2027	6,467,701	1,125,976
	<u>\$ 30,717,433</u>	<u>\$ 15,799,001</u>

Draft

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2013

Attachment E

Combined Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 32,589,054		\$ 1,871,622	\$ 30,717,432	\$ 2,019,565	\$ 28,697,867
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable	32,589,054	-	1,871,622	30,717,432	2,019,565	28,697,867
Notes payable						
Loans payable						
Obligations under capital leases						
Net OPEB obligation	688,430		64,153	624,277		624,277
Compensated absences	157,504		57,756	99,748	99,748	-
Due to primary governments and agencies						
Due to other governments						
Unearned revenue	15,323,768		2,779,292	12,544,476	446,806	12,097,670
Due to other State component units						
Other liabilities, payable from restricted assets	3,095,676		2,799	3,092,877		3,092,877
	\$ 51,854,432	\$ 0	\$ 4,775,622	\$ 47,078,810	\$ 2,566,119	\$ 44,512,691

For Management Discussion Purposes Only  
Subject to Final Review

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2013

Date	Payee	Amount	Purpose
7/12/2012	RI Food Dealers Assoc.	\$ 265	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC for D. Reynolds
8/2/2012	Dorothy Reynolds	951	APTAC Summer 2012 in Knoxville, TN
8/9/2012	Dorothy Reynolds	470	AMEXP Open Conf. in Merrimack, NH
8/23/2012	Katrina White	1,714	National Tour Association in San Diego, CA
8/23/2012	Stuart Freiman	228	NGA Forum in Leesburg, VA
8/23/2012	Mark Brodeur	465	Mommy Bloggers Meeting in New York, NY
8/30/2012	Dorothy Reynolds	517	SBIR Conference in Hagerst, MD
9/13/2012	APTAC	545	Dorothy Reynolds Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/13/2012	APTAC	695	Louis Francis Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/20/2012	APTAC	695	Richard Ferro Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/20/2012	Dorothy Reynolds	326	Sean for Reed Day in Washington, DC
10/5/2012	Shane White	540	NSGIC Conference in La Gr Buena Vista, FL
10/11/2012	Paul Harden	85	IBEX Conference in Louisville, KY
10/11/2012	Sean Esten	88	SSBCI Conference Chicago, IL
10/11/2012	Mark Brodeur	1,096	ESTO Conference in Boston, MA
10/18/2012	Louis Francis	1,096	David Matchmaker Conference in Rochester, NY
10/18/2012	APTAC	595	Stephen Katz Registration Fee for Fall 2012 APTAC Conference in Washington, DC
10/25/2012	Sean Esten	891	NADO Conference in Las Vegas, NV
10/31/2012	BetaSpring LLC	277	SSBCI Conference Chicago, IL for Owen Johnson
11/1/2012	RI General Treasurer	1,179	SSBCI Conference Chicago, IL for Bernard Lane
11/2/2012	Christine Smith	1,669	SSTI 2012 Conference in Atlanta, GA
11/2/2012	Paul Harden	336	NEDA Conference in Hartford, CT
11/8/2012	Dorothy Reynolds	1,277	APTAC Fall 2012 in Washington, DC
11/15/2012	Hannah D. Morini	207	Clean Energy State Alliance Conference in Albany, NY
11/15/2012	Stephen P. Katz	756	APTAC Fall 2012 in Washington, DC
12/3/2012	Louis Francis	1,002	APTAC Fall 2012 in Washington, DC
12/6/2012	Richard Ferro	1,370	APTAC Fall 2012 in Washington, DC
1/10/2013	APTAC	125	Dorothy Reynolds Registration Fee for Winter APTAC Board Meeting Washington, DC
1/17/2013	Governor Lincoln Chafee	2,440	Meeting with Dassault Systems in Paris, France
1/17/2013	RI Convention Center	468	Chauffeur Service for Gov. Chafee during meeting with Dassault Systems in Paris, France
1/17/2013	Katrina White	1,586	American Bus Association Conference in Charlotte, NC
1/25/2013	Star Destinations	895	Katrina White registration fee for 2013 Bank Travel Conference in Virginia Beach, VA
1/25/2013	Jayne Panarello	804	Japanese Seminar and Workshop for Tour & Receptive Operators in Los Angeles, CA
2/7/2013	APTAC	2,705	Registration Fee for Spring 2013 APTAC Conference in Atlanta, GA for PTAC Employees

(continued)

November 2013  
 Financial Management Discussion Purposes Only  
 Subject to Final Review

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)**

YEAR ENDED JUNE 30, 2013

Date	Payee	Amount	Purpose
2/7/2013	Mark Brodeur	\$ 292	Media Trip in Nashua, NH
2/7/2013	Katrina White	301	Educational Travel Conference in Orlando, FL (Flight covered by NTA expenses)
2/7/2013	Katrina White	1,366	National Tour Association Conference in Orlando, FL
2/14/2013	Katrina White	764	Bank Travel Conference in Virginia Beach, VA
2/14/2013	Stuart Freiman	442	FCC Broadband Meeting in Washington, DC
3/7/2013	Katrina White	256	ALHFAM Conference in Sturbridge, MA
3/7/2013	Dorothy Reynolds	314	APTAC Winter 2012 Meeting in Washington, DC
3/25/2013	Paul Harden	1,173	NAWB Conference in Washington, DC
4/5/2013	Mark Brodeur	467	Discover New England Conference in Stockbridge, MA
4/5/2013	Mark Brodeur	379	New York Media Trip in New York City, NY
4/5/2013	APTAC	645	Victor Howard Registration Fee for Spring 2013 APTAC Conference in Atlanta, GA
4/17/2013	Katrina White	748	Destination Capitol Hill Conference in Washington, DC
4/19/2013	RI Export Assistance Center	4,000	Participation Fee for Mark Brodeur for the China Trade Mission
4/25/2013	Christine Smith	706	BIO 2013 Conference in Chicago, IL
5/2/2013	Sean Esten	1,670	NAADO Conference in Greenville, SC
5/2/2013	Louis Francis	1,655	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Victor Howard	9,470	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Stephen P. Katz	1,062	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Dorothy Reynolds	1,043	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	RFL-Richard Ferro	1,485	APTAC Spring 2013 Conference in Atlanta, GA
5/16/2013	Alisson Walsh	1,735	SHLB Conference in Washington, DC
5/16/2013	Stuart Freiman	1,725	SHLB Conference in Washington, DC
5/16/2013	Jayne Panarello	780	Discover New England Conference in Stowe, VT
5/30/2013	SSTI	550	Christine Smith Registration Fee for SSTI Conference in Portland, OR
6/13/2013	Sean Esten	1,301	SSBCI Conference in Dallas, TX
6/19/2013	Jayne Panarello	1,592	PowWow 2013 in Las Vegas, NV
6/24/2013	Richard G. Horan	1,035	SSBCI Conference in Dallas, TX
6/30/2013	RI General Treasurer	1,303	SSBCI Conference Chicago, IL for Bernard Lane
6/30/2013	Mark Brodeur	390	Trade Mission to China
	<b>Total</b>	<b>\$ 65,607</b>	

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2013

	Rhode Island Economic Development Corporation	Renewable Energy Fund	November 6, 2013		
			Creation Community	For Management Discussion Purposes Only Subject to Final Review ARRA Energy	Total
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 838,657				\$ 838,657
Accounts receivable	1,010,027		\$ 9,515		1,019,542
Interfund receivable	(265,022)	\$ 361,798			96,776
Due from State of Rhode Island	108,139				108,139
Due from other State component units	95,362				95,362
Deposits and prepaid expenses	74,201				74,201
Restricted:					
Cash and cash equivalents	2,784,058	10,069,616	20,046	\$ 20,216	12,893,936
Investments	947,164				947,164
Grants and other receivables	1,672,756	3,009			1,675,765
Net investment in direct financing leases	2,019,566				2,019,566
<b>Total current assets</b>	<b>9,284,908</b>	<b>10,434,423</b>	<b>29,561</b>	<b>20,216</b>	<b>19,769,108</b>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	4,730,741		1,670,337		6,401,078
Notes receivable	-	1,135,417			1,135,417
Net investments in direct financing leases, less current portion	26,112,895				26,112,895
Due from other State component units	696,557				696,557
Capital assets not being depreciated	128,762				128,762
Capital assets being depreciated, net	1,703	9,600			53,303
<b>Total noncurrent assets</b>	<b>31,672,658</b>	<b>1,145,017</b>	<b>1,670,337</b>	<b>-</b>	<b>34,528,012</b>
<b>Total assets</b>	<b>40,957,566</b>	<b>11,579,440</b>	<b>1,699,898</b>	<b>20,216</b>	<b>54,297,120</b>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	573,592				573,592
Accrued expenses and other	577,783	89,492	132,223		799,498
Interfund payable	(154,786)		154,786		-
Current portion of notes, bonds and leases payable	-				-
Payable from restricted assets	5,158,688				5,158,688
Unearned revenue	386,543			20,216	406,759
<b>Total current liabilities</b>	<b>6,541,820</b>	<b>89,492</b>	<b>287,009</b>	<b>20,216</b>	<b>6,938,537</b>
Noncurrent liabilities:					
Liabilities payable from restricted cash and cash equivalents	3,092,877				3,092,877
Net pension obligation	624,277				624,277
Bonds and leases payable, less current portion	28,697,867				28,697,867
Unearned revenue	7,656	11,431,107	658,907		12,097,670
<b>Total noncurrent liabilities</b>	<b>32,422,677</b>	<b>11,431,107</b>	<b>658,907</b>	<b>-</b>	<b>44,512,691</b>
<b>Total liabilities</b>	<b>38,964,497</b>	<b>11,520,599</b>	<b>945,916</b>	<b>20,216</b>	<b>51,451,228</b>
<b>NET POSITION:</b>					
Investment in capital assets	172,465	9,600	-	-	182,065
Restricted	1,317,748	(223,065)	1,690,383	20,216	2,805,282
Unrestricted (deficit)	542,856	272,306	(936,401)	(20,216)	(141,455)
<b>Total net position</b>	<b>\$ 2,033,069</b>	<b>\$ 58,841</b>	<b>\$ 753,982</b>	<b>\$ -</b>	<b>\$ 2,845,892</b>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

	Rhode Island Economic Development Corporation	Renewable Energy Fund	Job Creation Guaranty	November 6, 2013 For Management Discussion Purposes Only Subject to Final Review ARRA Energy	Total
Operating revenues:					
Charges for services:					
Rentals and fees	\$ 17,500				\$ 17,500
Interest on loans	-	\$ 11,526			11,526
Other income	26,572	1,755,507	\$ 424,421	\$ 294,311	2,500,811
Total operating revenues	44,072	1,767,033	424,421	294,311	2,529,837
Operating expenses:					
Personnel services	2,908,970	97,830	61,005		3,067,805
Contractual services	1,358,711	176,165	266,705		1,801,581
Grants	-	1,454,816			1,454,816
Other expenses	855,057	17,095		294,232	1,166,406
Depreciation and amortization	19,893				19,893
Total operating expenses	5,142,631	1,745,906	327,732	294,232	7,510,501
Operating income (loss)	(5,098,559)	21,127	96,689	79	(4,980,664)
Nonoperating revenues (expenses):					
Appropriations from State	15,389,096				15,389,096
Investment and other revenue	3,537,761	1,137			3,538,898
Interest expense	(2,516,259)				(2,516,259)
Grant income	12,099,972				12,099,972
Grant expenses	(12,138,717)				(12,138,717)
Public investment payments and job credits	(6,640,526)				(6,640,526)
Other	(4,783,401)				(4,783,401)
Total nonoperating revenues, net	4,947,926	1,137		-	4,949,063
Income (loss) before transfers	(150,633)	22,264	96,689	79	(31,601)
Transfer from other State component unit	234,531				234,531
Change in net position	83,898	22,264	96,689	79	202,930
Total net position, beginning of year	1,949,171	36,577	657,293	(79)	2,642,962
Total net position, end of year	\$ 2,033,069	\$ 58,841	\$ 753,982	\$ -	\$ 2,845,892

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Rhode Island Economic Development Corporation (the Corporation), a component unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2013, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated \_\_\_\_\_, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**Independent Auditors' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards (Continued)**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**Internal Control Over Financial Reporting (Continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 2013-1 and 2013-2 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Providence, Rhode Island  
\_\_\_\_\_, 2013

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

We consider the following deficiencies in the Corporation's internal control to be material weaknesses:

**2013-1 Recording of Financial Transactions**

*Observations:*

Certain transactions were not recorded in the Corporation's books and records in the period in which the underlying transaction occurred or consistent with the financial elements of the underlying transactions. As a result, significant audit adjustments were required to record such transactions, adjust previously recorded amounts, or reclassify the manner in which previously recorded amounts were presented.

*Recommendations:*

We recommend that management design and implement a process which (i) incorporates the review of the various existing contracts, grants and agreements, including amendments thereto, for which the Corporation currently is a party, and that incorporates the timely review of such agreements entered into in the future in order to identify and record transactions in the period during which they occur based on the economic substance of the transaction; (ii) includes a review of transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period and to adjust previously recorded transactions based on the most recent information available; and (iii) if information required to record certain transactions is required from the State Controller's office, to initiate communication with the State Controller's office when known transactions are expected to occur to obtain information required to record such transactions in the period during which they occur.

We also recommend that a person independent of the person responsible for identifying and recording such transactions review available financial information and approve recorded transactions to determine whether all transactions were properly recorded during the period to which they relate based on the substance of the underlying transaction.

*Management's Response:*

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2013

November 6, 2013

For Management Discussion Purposes Only  
Subject to Final Review

**2013-2 Renewable Energy Fund – Loan Files and Compliance**

*Observations:*

Certain Renewable Energy Fund (REF) loans require borrowers to comply with certain terms and provisions, including, among others, financial reporting requirements and the requirement to commence loan repayment upon the achievement of certain financial targets. During our audit, we noted that the Corporation had not fully implemented periodic loan monitoring processes as of year-end to monitor the terms and conditions with which a borrower must comply, including provisions which would require the borrower to make loan repayments upon the achievement of certain financial targets. It is our understanding that the Corporation began implementing loan monitoring processes near year-end in response to a similar finding contained within the Bureau of Audits' final report, dated July 8, 2013, of its audit of the REF (the Bureau's Report).

Also, although no REF loans were originated during the year ended June 30, 2013, we reviewed the loan file for selected loans recorded as loans receivable at year-end. During our review of the selected loan files, consistent with management's prior knowledge based on similar findings contained within the Bureau's Report, we noted that the selected loan files did not contain sufficient supporting documentation evidencing decisions related to loan origination and were not maintained using a consistent file structure.

*Recommendations:*

We recommend that management complete the implementation of its monitoring processes which would incorporate the review of all loans to determine the terms and provisions with which each borrower must comply and to monitor the borrowers' compliance with such terms and provisions. Also, we recommend that management implement a formal loan origination and maintenance file structure, similar to that currently used within the Small Business Loan Fund, to facilitate the documentation of all loan decisions.

*Management's Response:*

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**MEETING OF DIRECTORS**

**PUBLIC SESSION**

**NOVEMBER 21, 2013**

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Thursday, November 21, 2013, in Public Session, beginning at 5:00 p.m. at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the notice of the meeting to all Directors, 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 to Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Lincoln D. Chafee, Mr. Jerauld Adams, Mr. Roland Fiore, Ms. Shannon Brawley, Ms. Judith Diaz, Ms. Maeve Donohue, Dr. Nancy Carriuolo, Mr. Jason Kelly, Mr. Karl Wadensten, Mr. Tim Hebert, Mr. Stanley Weiss, and Mr. George Nee.

Directors absent were: Ms. Elizabeth Francis

Also present were: Marcel Valois and Thomas Carlotto.

1. **CALL TO ORDER AND OPENING REMARKS**

Governor Chafee called the meeting to order at 5:06 p.m. indicating that a quorum was present.

2. **APPROVAL OF THE PUBLIC SESSION MINUTES OF THE MEETING HELD ON OCTOBER 28, 2013.**

Upon motion duly made by Dr. Carriuolo and seconded by Ms. Brawley, the following vote was adopted:

**VOTED:** To approve the Public Session Minutes of the meeting of October 28, 2013, as submitted to the Board of Directors.

Voting in favor of the foregoing were Mr. Jerauld Adams, Mr. Roland Fiore, Ms. Shannon Brawley, Ms. Judith Diaz, Ms. Maeve Donohue, Dr. Nancy Carriuolo, Mr. Jason Kelly, Mr. Karl Wadensten, Mr. Stanley Weiss and Mr. George Nee.

Voting against the foregoing were: None.

Mr. Tim Hebert was not present for the vote.

3. **SIGNING OF AN EXECUTIVE ORDER FOR THE RHODE ISLAND STATE SAILING COMMISSION.**

Governor Chafee introduced representatives from the newly formed Rhode Island Sailing Events Commission. Governor Chafee discussed the Commission's efforts to secure the return of the America's Cup and America's Cup World Series to Newport. After introduction by the Governor, Mr. Paul Harden thanked the Governor for his support and presented two short videos on international sailing events and their host cities, which included the City of Newport. Mr. Michael Keyworth discussed the Commission's work and its mission to bring national and international sailing events to Newport and to the State of Rhode Island such as the upcoming Volvo Ocean Race Stopover in 2015 and to have Newport serve as the premier Olympic sailing training location. Governor Chafee then signed the Executive Order and presented a Citation to Dr. Robin Wallace commemorating his 38 years in the sailing industry.

Mr. Hebert entered the meeting at 5:36 p.m.

4. **EXECUTIVE DIRECTOR'S REPORT**

Mr. Valois stated that he would not give a presentation; however, Mr. Valois did provide a written report to the Board Members, which includes updates on various issues involving the Corporation. See **Exhibit B**.

5. **TO RECEIVE AND DISCUSS A STATUS UPDATE WITH RESPECT TO THE I-195 COMMISSION.**

Governor Chafee introduced Colin Kane to discuss a status update regarding the I-195 Redevelopment Commission (the "Commission"). See **Exhibit C**. Mr. Kane thanked the Governor and began his presentation by noting that the Commission had just passed its two-year mark and had officially launched its new marketing campaign. Mr. Kane then presented a PowerPoint outlining the I-195 Relocation Project. Mr. Kane stated that the road construction phase of the project is targeted for completion in November 2014. Mr. Kane added that they expect to have a "framework package" completed in the next month that will serve as a tool kit to present to the institutional development community and potential investors. The "framework package" will contain marketing materials and lifecycle project development information for investors and developers.

Mr. Kane continued that the I-195 Redevelopment Project is expected to house 3 million square feet of building fabric, adding that the goal of the I-195 Redevelopment Project is to create jobs by creating a dynamic environment where employees want to live and work and is attractive to employers. Mr. Kane then discussed the many qualities of the I-195 Redevelopment Project that are especially appealing to employers and employees, including location, accessibility, infrastructure, and open space.

Mr. Adams inquired as to why such a large amount of the project is allocated to parks and open spaces. Mr. Kane responded by stating that all highway project plans go through a rigorous and lengthy federal environmental impact process and that the planning for I-195 Redevelopment Project that began 25 years ago required 14 acres of dedicated open space projects. Mr. Kane added that a great deal of the 14 acres of open space has already been built. He continued that when the Commission was formed, the Commission felt the original open space plans did not make economical or environmental sense and went back to the Federal Government and requested permission to carve out "parcel 42", which will house one of the most highly desirable hotel site locations in the Northeast. The Board then discussed the challenges and location of parking garages to serve the I-195 Redevelopment Project. Mr. Kane pointed out the various parking locations and discussed the plans for meeting the increased parking and transportation needs. The Board Members and Mr. Kane concluded the update by discussing the marketing challenges, strengths, and opportunities of the I-195 Redevelopment Project, and the impact on the project from taxes, transportation and parking infrastructure, and the impact of the South Street Power Station.

6. **TO CONSIDER FOR APPROVAL THE ANNUAL AUDIT OF THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION COMPLETED BY LEFKOWITZ, GARFINKEL, CHAMPI & DERIENZO.**

Governor Chafee asked Mr. Valois to discuss the annual audit as completed by Lefkowitz, Garfinkel, Champi and Derienzo ("LGCD"). See **Exhibit D**. Mr. Valois stated that the Board Members had met in Public Session Meeting on November 18, 2013 and conducted a lengthy, in-depth review of the Corporation's FY '13 draft Audited Financial Statements. Mr. Valois continued that answers to the questions raised by Board Members at the November 18, 2013 meeting had been emailed to each Board Member following that meeting. Mr. Quinlan then added that a few subsequent changes had been made to the Audited Financial Statements relating to items contained in the audit footnotes, that the changes were emailed to each Board Member for their review prior to this Board Meeting, and requested that the changes be supplemented in the Audited Financial Statements.

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

**VOTED:** To approve the Annual Audit of the Rhode Island Economic Development Corporation as completed by Lefkowitz, Garfinkel, Champi & Derienzo.

Voting in favor of the foregoing were: Mr. Jerauld Adams, Mr. Roland Fiore, Ms. Shannon Brawley, Ms. Judith Diaz, Ms. Maeve Donohue, Dr. Nancy Carriuolo, Mr. Jason Kelly, Mr. Karl Wadensten, Mr. Tim Hebert, Mr. Stanley Weiss, and Mr. George Nee.

Voting against the foregoing were: None.

Mr. Jerauld Adams left the meeting at 5:51 p.m.

7. **TO RECEIVE A PRESENTATION REGARDING THE PROPOSED RULES CHANGES FOR THE RENEWABLE ENERGY FUND.**

Governor Chafee introduced Hannah Morini to give a presentation regarding the proposed changes to the rules and regulations of the Renewable Energy Fund (the "Fund"). Ms. Morini began her presentation by stating that the current rules and regulations for the Fund expire in December 2013 and that a public hearing is scheduled for December 9, 2013. Ms. Morini then outlined the summary of changes that took place in 2013, which included a stronger review and award process and the formation of a Renewable Energy Fund Advisory Committee to review all fund applications. She went on to summarize the further improvements to take place in 2014 which include the ability to adapt and make changes during the Fund's programs and to change the program to a three-year term from one-year at present. Mr. Wadensten inquired as to whom or what was the driving force behind the proposed changes and whether there was input from the Office of Regulatory Reform. Ms. Morini responded that the changes were mainly internal, but that they had received input from the Office of Regulatory Reform. Ms. Morini then passed out a draft of the proposed changes to the rules and regulations to each Board Member for their review. Mr. Valois added that if Board Members have any questions or comments after they review the proposed changes, they can email Mr. Valois or Ms. Morini, and any comments will be incorporated for the public hearing.

8. **TO AUTHORIZE THE ENGAGEMENT OF A CONSULTANT FOR SERVICES RELATED TO THE U.S. DEPARTMENT OF COMMERCE EDA PLANNING GRANT FOR A MANUFACTURING AND DESIGN CENTER, IN AN AMOUNT NOT TO EXCEED \$150,000.**

Governor Chafee introduced John Riendeau to discuss the request to engage a consultant for services related to the U.S. Department of Commerce EDA Planning Grant for the Rhode Island Manufacturing and Design Center. See **Exhibit E.** Mr. Riendeau presented a PowerPoint outlining the plans for the new Rhode Island Design and Manufacturing Center. Mr. Riendeau stated that the budget for the program was \$200,000.00, consisting of: a \$100,000.00 grant from the EDA; a \$75,000.00 contribution from the Corporation, \$25,000.00 of which is a cash contribution and \$50,000.00 of which is an "in-kind" contribution, and; a \$25,000.00 cash contribution from the Rhode Island Foundation. Mr. Riendeau discussed the benefits in bringing the design, research and manufacturing sectors together in the development of the Rhode Island Design and Manufacturing Center. Mr. Riendeau then outlined the scope of work to be undertaken by the proposed consultant: (1) determine market size and value proposition; (2) create potential target profiles; (3) determine the positioning and role of the Center; and (3) creation of a Business Plan. Discussion on the proposed Rhode Island Design and Manufacturing Center and its importance to the State followed, with input from Board Members and responses by Mr. Valois and Mr. Riendeau.

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

**VOTED:** To approve the engagement of a consultant for services related to the U.S. Department of Commerce EDA Planning Grant for a manufacturing and design center, in an amount not to exceed \$150,000, pursuant to the Resolution submitted to the Board of Directors.

Voting in favor of the foregoing were: Mr. Roland Fiore, Ms. Shannon Brawley, Ms. Judith Diaz, Ms. Maeve Donohue, Dr. Nancy Carriuolo, Mr. Jason Kelly, Mr. Karl Wadensten, Mr. Tim Hebert, Mr. Stanley Weiss, and Mr. George Nee.

Voting against the foregoing were: None.

Mr. Jerauld Adams was not present for the vote.

A copy of the Resolution is attached hereto as **Exhibit F**.

Dr. Carriuolo left the Meeting at 6:16.

Mr. Valois then called on Board Members to update the Board on any sub-committee meetings or other events. Mr. Nee presented a brief update on the success of the recent Governor's Workforce Board Retreat, specifically noting the commitment of Governor Chafee in the event. Mr. Hebert echoed Mr. Nee's sentiment.

Vote to Adjourn.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 6:19 p.m., upon motion made by Mr. Wadensten and seconded by Mr. Weiss.

---

Thomas Carlotto, Secretary

## EXHIBIT A

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**PUBLIC NOTICE OF MEETING**

A meeting of the Rhode Island Economic Development Corporation Board of Directors will be held at the offices of the **Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island**, on **Thursday, November 21, 2013**, beginning at **5:00 p.m.** for the following purposes:

**PUBLIC SESSION**

1. To consider for approval the Public and Executive (Confidential) Session Minutes for the meeting held on October 28, 2013.\*
  2. To consider, as may be appropriate, matters covered in the Executive Director's Report.
  3. To receive and discuss a status update with respect to the I-195 Commission.
  4. To consider for approval the annual audit of the Rhode Island Economic Development Corporation completed by Lefkowitz, Garfinkel, Champi & DeRienzo.
  5. Signing of an Executive Order for the Rhode Island State Sailing Commission.
  6. To receive a presentation regarding the proposed rules changes for the Renewable Energy Fund.
  7. To authorize the engagement of a consultant for services related to the U.S. Department of Commerce EDA Planning Grant for a Manufacturing and Design Center, in an amount not to exceed \$150,000.
- \* Board members may seek to convene in Executive Session to approve minutes previously sealed.

This notice shall be posted no later than 5:00 p.m. on Tuesday November 19, 2013, at the Office of the Rhode Island Economic Development Corporation, at the State House, and by electronic filing with the Secretary of State's Office.

Shechtman Halperin Savage, LLP, Counsel to the Corporation

The location is accessible to the handicapped. Those requiring interpreter services for the hearing impaired must notify the Rhode Island Economic Development Corporation at 278-9100 forty-eight (48) hours in advance of the meeting. Also for the hearing impaired, assisted listening devices are available onsite, without notice, at this location.

Dated: November 19, 2013

**EXHIBIT B**

## EXECUTIVE DIRECTOR'S REPORT

### R.I. ECONOMIC DEVELOPMENT CORPORATION BOARD MEETING

November 21, 2013

The following report highlights RIEDC activities since the last board meeting on October 28, 2013.

#### Hot Topics:

- *Rhode Island Foundation, RIEDC Continue Series of Industry Sector Workshops*
- *Rhode Island Trade Mission to Israel*
- *Made in Rhode Island Collaborative Examines Best Practices*
- *PTAC Holds Service Disabled and Veteran-Owned Small Business Event*

#### **Rhode Island Foundation, RIEDC Continue Series of Industry Sector Workshops**

The Rhode Island Foundation and the RIEDC have conducted the second round of workshops with leaders from eight industry sectors to develop action steps to grow the economy as well as inform and contribute to the Division of Planning's RhodeMap RI economic development planning process. The final round of sector meetings will take place in December.

#### **Rhode Island Trade Mission to Israel**

The Rhode Island delegation to Israel for the Healthcare and Life Science Trade Mission returned after a productive and successful trip November 8 - 16. The RIEDC partnered with the Rhode Island Department of Health, the Chafee Center at Bryant University, Nevel International and the Israeli government for this mission. The International Trade team is compiling mission results and will prepare a full report in the next couple of weeks.

#### **Made in Rhode Island Collaborative Examines Best Practices**

The Made in Rhode Island Collaborative and Advisory Council held their second meeting on October 29. The group, tasked with providing recommendations on a Made in Rhode Island program to the General Assembly, will review current programs in several states to identify best practices and determine the best potential model for Rhode Island.

#### **PTAC Holds Service Disabled and Veteran-Owned Small Business Event**

On November 20, RIEDC's Procurement Technical Assistance Center (PTAC) held the 7<sup>th</sup> Annual Service Disabled and Veteran-Owned Small Business Matchmaker and Training event. The event was sponsored by PTAC, the Newport County Chamber and the National Contract Management Association and hosted by Naval Undersea Warfare Center at the Officers Club. The event featured more than 40 tables staffed by NUWC technical staff, other federal agencies, and Dept. of Defense prime contractors looking to do business with qualified veteran-owned small businesses. Some 99 representatives of 63 veteran-owned businesses attended.

## **Additional Economic Development Updates**

### **Business Development**

- City Centre Warwick: The working group has been working to finish a new website, with a planned release in the coming weeks.
- Manufacturing 2500 Project: In partnership with RIMA, Bryant University and RIMES, several Additive (3D printing) Manufacturing conferences are planned for November 2013 and January 2014 due to the overwhelming response to this new technology.

### **Client Services**

- Outreach to Rhode Island businesses continues with an emphasis on the manufacturing sector.
- CRM software project: Contracts with Salesforce.com and Buan Consulting have been finalized. We will soon embark on the business process review phase of the project.
- Made in Rhode Island Manufacturing Collaborative: The Made in Rhode Island Manufacturing Collaborative has had two meetings and is well on its way to compiling recommendations for the General Assembly regarding Rhode Island's program. The final report to the General Assembly is due on April 30. We are currently reviewing best practices and will see a demonstration on the Manufactured in North Carolina website at the next meeting. North Carolina's program is one of the best that we have researched. Quotes are being gathered on what a similar website would cost to implement for here in Rhode Island. Next meeting is December 11.
- Staff attended/participated in the following events:
  - The November 15<sup>th</sup> SBA Economic Development Summit
  - Presentation at the November 12<sup>th</sup> monthly SCORE meeting to discuss the Client Services mission to assist Rhode Island businesses.
  - Intersection focus groups: Staff attended the workshops at RIEDC and the Rhode Island Foundation during the second phase of meetings.
- 2015 Volvo Ocean Race: Staff continues to participate in planning meetings for the event.

### **Communications**

The Communications Department continues media and publicity outreach on behalf of multiple RIEDC departments and initiatives and received print and broadcast coverage in daily, statewide and national media outlets. From October 25, 2013, through November 19, 2013, RIEDC and related programs and initiatives received coverage in 83 print, broadcast and online media reports.

The RIEDC continues to distribute two bi-weekly email newsletters to an audience of almost 10,000. The first is the *Moving Rhode Island Forward* e-newsletter, which highlights the latest RIEDC news; the second is *Marcel's Memo*, an e-memo from the executive director personally. These two publications have had an average open rate of 19 percent and a click rate of seven percent, both of which are well above the marketing industry average.

### **International Trade**

- Just returned from a very successful Healthcare and Life Science Trade Mission to Israel. The International Trade team is compiling mission results and will prepare a full report in the next couple of weeks. The mission participants were: Biomedical Structures, Lifespan, Polyworks, Care New England, Bio Tree Systems, Rhode Island Department of Health, and the University of Rhode Island.
- Upcoming events:
  - Food Export Seminar on December 4
  - 3D Printing in Manufacturing, Promoting a "Maker Culture" in Rhode Island on December 5, 2013, in partnership with Bryant

### **Marine Trades**

- Met with a company about their possible relocation. At the current time, they are planning to remain at their leased facility through December 2015 and are looking at possible sites to build a new facility
- Met with RIMTA for an update on the status of the Providence Boat Show, which they took over from Newport Exhibition Group
- Attended RIMTA's annual meeting that was held at URI's Graduate School of Oceanography
- Visited a company with CCRI's Dean Woodberry to discuss companies training needs, etc.

### **Procurement Technical Assistance Center (PTAC)**

- 71 counseling sessions matching criteria (44 distinct clients)
- Total client hours: 74.217
- 21 new clients
- Four congressional referrals/requests
- One outreach event
- RITPAC staff attended four days of federal contracting training in Washington, DC.
- Client surveys coming in reporting so far \$20+ million in contract awards to RIPTAC clients during the period 5/1/13 – 10/31/13. Surveys not due until end of the month.
- November 20: 7<sup>th</sup> Annual Service Disabled and Veteran Owned Small Business Matchmaker and Training Event sponsored by PTAC, Newport Chamber and National Contract Management Association – RI Chapter, hosted by Naval Undersea Warfare Center at the Officers Club. 43 tables staffed by NUWC Technical Codes, other federal agencies, DoD prime contractors looking to do business with qualified veteran-owned small businesses. 99 representatives of 63 veteran-owned business attending. Keynote speaker is the director of the Center for Veteran Verification and Evaluation, U.S. Department of Veteran Affairs.
- Application to Defense Logistics Agency for next program year to begin 5/1/14 is due by December 15, 2013. Awaiting RIEDC's calculated Indirect Cost Rate – critical to establish non-federal match to draw down federal funding.

## **Science and Technology Advisory Council (STAC)**

### Internal Activities

- Collected and reviewed applications for “Innovate RI Small Business Fund” SBIR/STTR Phase I grants and applications to reimburse bioscience and engineering companies for internship stipends.
- Began to develop program guidelines for SBIR/STTR Phase 0 grants.
- Processed 18 final proposals for the 2014 Research Alliance Collaborative Research Grant applications.
- Recruited selection panel for 2014 Research Alliance Collaborative Research Grants.
- Worked with Rhode Island NSF EPSCoR office to finalize process to select topic of next NSF grant.
- Held November 7 STAC meeting.
- Developed news items and longer stories for STAC website and tweets for STAC Twitter.
- Participated in intersections meetings to collect preliminary data for the 2014 Rhode Island Science & Technology plan update.

### External Activities

- Attended and presented at “URI Ocean and Marine Trades” Symposium.
- Attended annual Fidelity Higher Education Dinner.
- Attended SBA Small Business Summit.

## **Workforce Development**

- Attended the Strategic Retreat and the Career Pathways meeting of the Governor Workforce Board.
- Attended board and committee meetings of the Workforce Partnership of Greater Rhode Island.

## **Broadband Rhode Island (BBRI)**

Accomplishments Oct 2013/Nov 2013 (please note that all of this work is done in close collaboration with the RI Office of Digital Excellence):

- Attended OSHEAN event celebrating the completion of their new Beacon 2.0 high-speed fiber network -- which will provide advanced internet services to community anchor institutions in every city and town in Rhode Island (except New Shoreham). The project was funded by the same agency that funded the Broadband Rhode Island program (National Telecommunications and Information Administration) and BBRI has been working closely with OSHEAN to understand the impact and opportunities of this new network.
- Participated on panel regarding “Digital Inclusion” at the Northeast Conference on Public Administration (NECoPA) hosted at the University of Delaware.
- Attended several meetings with Rhode Island Emergency Management Agency (RIEMA) to finalize the broadband data collection and mapping work that the BBRI program will be doing in collaboration with RIEMA.
- Met with Rhode Island Department of Education Office of Multiple Pathways to finalize BBRI role in their new State Technology Initiative program for adult education.

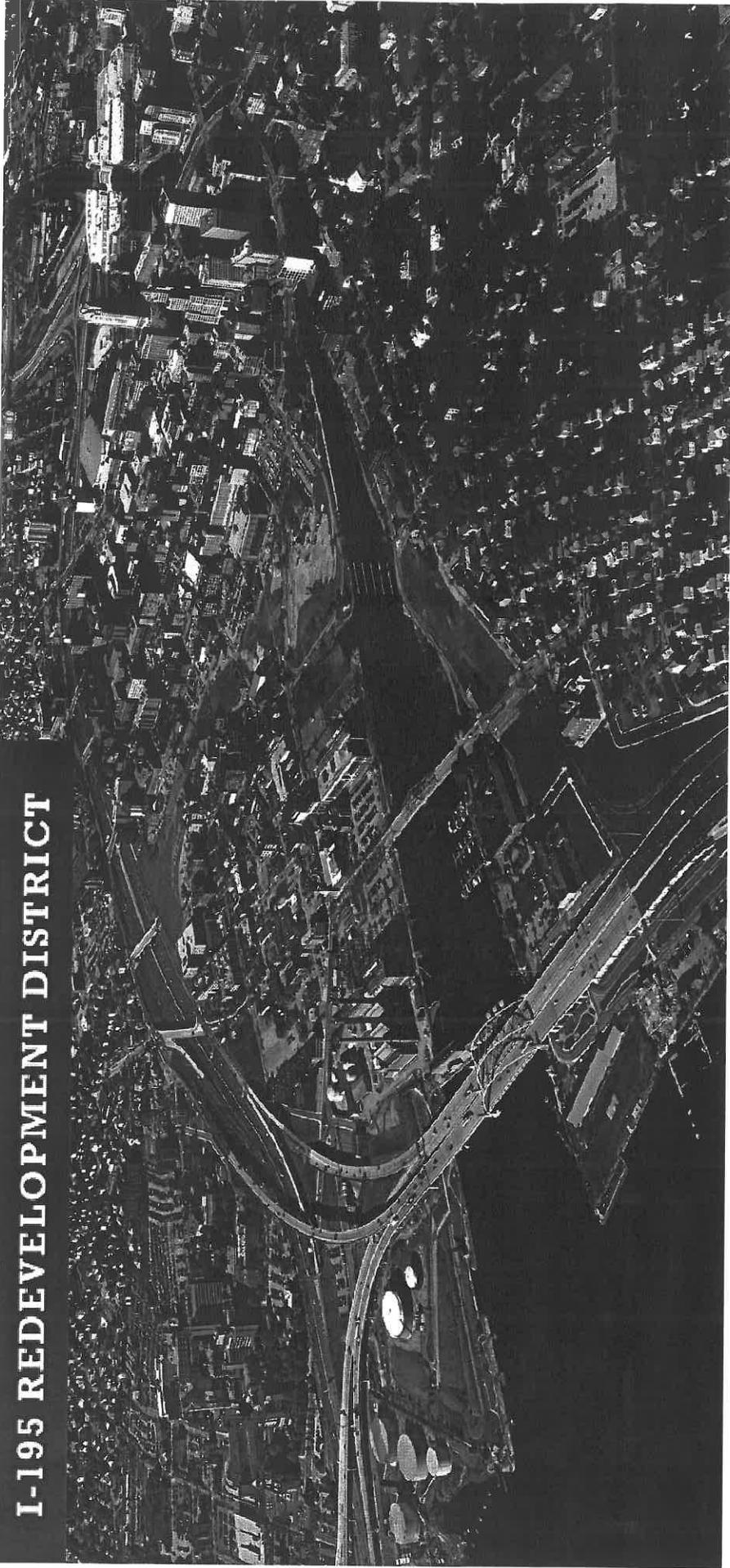
- Worked closely with the Newport/Aquidneck Island broadband initiative to develop a narrative describing their goals and objectives. This document is in process and will be completed at the end of December, following a workshop we have scheduled with the group on December 12, 2013.
- Met with Kelly Ramirez, executive director, Social Enterprise Greenhouse (formerly Social Venture Partners) to discuss their efforts to launch an online incubator for social venture entrepreneurs based on the BBRI Online Business Incubator (OBI) pilot.
- Attended several Healthsource RI (HSRI) meetings and workshops to support their new Healthcare Exchange rollout with assistance for people with low digital literacy skills.

###

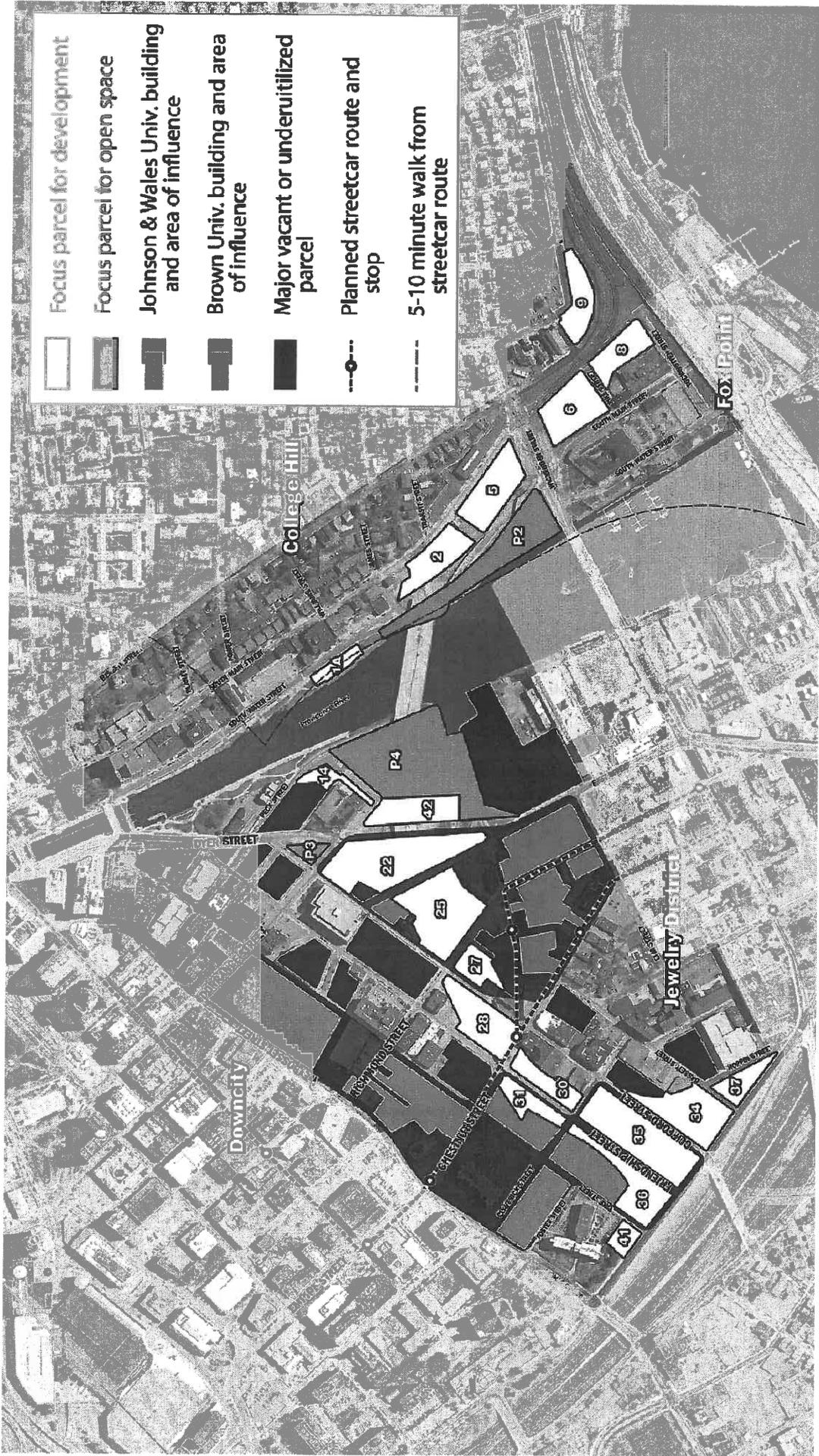
**EXHIBIT C**



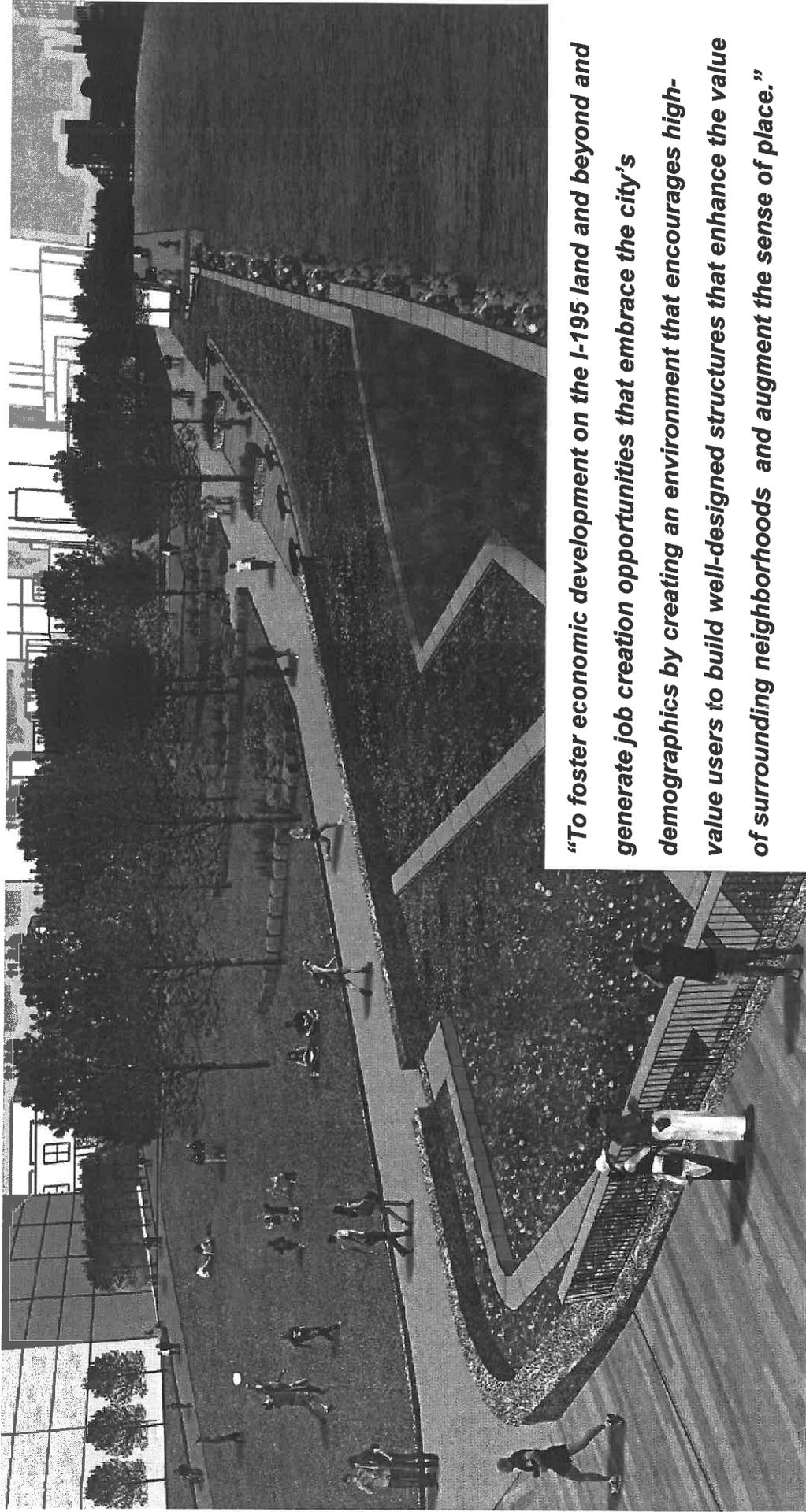
# I-195 REDEVELOPMENT DISTRICT



# The whole district— and its varied context



# The vision



*“To foster economic development on the I-195 land and beyond and generate job creation opportunities that embrace the city’s demographics by creating an environment that encourages high-value users to build well-designed structures that enhance the value of surrounding neighborhoods and augment the sense of place.”*

# History—first 18 months

- **Late 2011** I-195 Redevelopment District Commission created for the sale, marketing, and oversight of land made available by the relocation of I-195
- **Master Permitting with RIDEM, CRMC, NBC approved November 2013**
- **April 2013** Governor Lincoln Chaffee and RIDOT announce completion of the land transfer from the State to the I-195 Commission
- **17 developable parcels (19 acres), supporting 2.5 to 3 million sf and 3 open space parcels (8 acres) transferred**
- **RIDOT Schedule:**
  - **April 2013** RIDOT begins work on Iway Contract 14 (west side)
  - **Spring 2014** full construction begins on Iway Contract 15 (east side)
  - **October 2014** Completion—West
  - **August 2015** Completion—East
  - **Fall/Spring 2015/16** Parks and Bridge Completion
- **May 2013** I-195 Commission funded to proceed with land disposition process

# Current—6 months

**August 2013** - Public relations, urban design consultants hired

**November 2013** - Logo and promotional materials developed

Website “live”

**Frameworks Toolkit** underway, including:

- Zoning summary
- Environmental summary
- Permitting summary—site plan, building/fire
- Design guidelines, preferred uses
- Parks and bridge design, management options
- Interconnected open spaces—walking and biking initiatives
- Parking strategies and options
- Disposition checklist, scoring
- Business summary, funding options, fees and taxes
- Covenants, conditions and restrictions

**January 2014 RFI for development proposals becomes publicly available**

# Next—marketing

## TO WHOM

1. Brokers
2. Investors
3. Users: corporate, institutions, expansion
4. Site selectors, corporate consultants
5. Speculative developers—master developers, commercial, residential

## HOW

1. Firm(s) selected by December, with Northeast-wide impact
2. Conferences, real estate events, website, graphic materials
3. Collaboration/events with RIEDC, City Planning, Chamber, Airport, Quonset, Foundations, GPWCC, start-ups
4. Direct contact with key consultants
5. Outreach by all; visits to MA, NY, CT

# The opportunity

- 19 buildable acres, flexible zoning supports 2.5 million sf new construction
- 8 acres of new urban parks, open spaces, pathways; grand central park linked to East Side parks via new pedestrian bridge
- 195 Commission—single point of ownership, sales and permitting authority
- Political will and universal City and State endorsement
- Master permitting for CRMC and RIDEM processes; reduces permitting by 18 months
- Full infrastructure: gas, electric, telecom, water/sewer, new roads, sidewalks, landscaping completed by others
- Small (<.5 acre) and large parcels (1 to 5 acres) available individually, subdivided or merged allowing for variety of uses, high-rise office and waterfront hotels, coffee shops and townhouses
- Adjacent to thriving downtown and connected to highly desirable residential neighborhoods
- Located at the nexus of university/hospital uses (Brown Medical, JWU, URI, RISD, Lifespan/Care NE)



# What will it be

<b>NOT</b>	<ul style="list-style-type: none"><li>• parking lots</li><li>• land banking</li><li>• a casino</li></ul>
<b>MAYBE</b>	<ul style="list-style-type: none"><li>• master developer for clusters of parcels</li><li>• individual parcel-by-parcel projects</li><li>• phased</li></ul>
<b>YES</b>	<ul style="list-style-type: none"><li>• transparent, systematic disposition process</li><li>• national and local developers and businesses</li><li>• mixture of building types</li><li>• mixture of uses</li><li>• mixture of populations served</li><li>• active streets, programming</li></ul>

# Challenges: financial feasibility

## Capital + Demand + Expertise = Growth

- 3-way institution, private and government investment and services
- Diversity of disciplines
  - find what's new
  - focus on strengths
- Anchors – from institutions to housing
- Commercialize research
- Advance K-12
- Educate the non-traditional

Incentivize for near future

Invest for long term

- youth
- natural resources
- infrastructure
- innovation

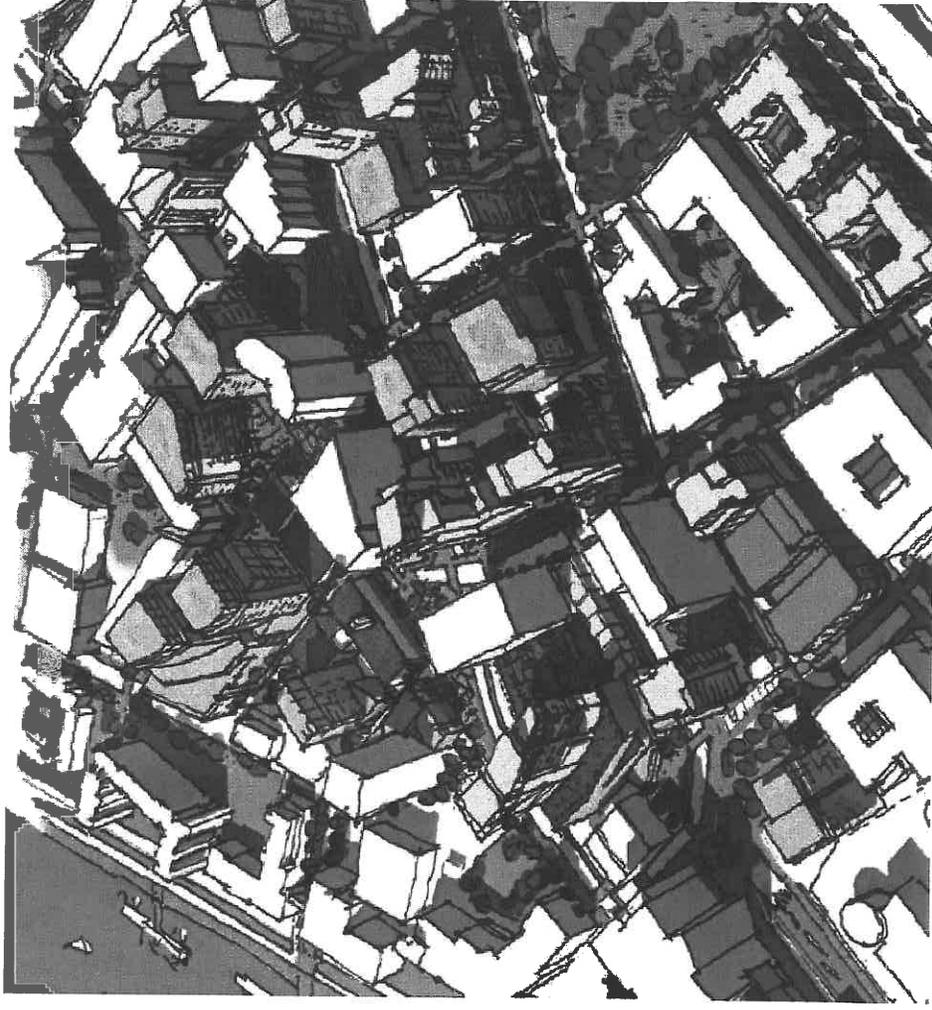


# Challenges: competition

## Rise of the Creative Class

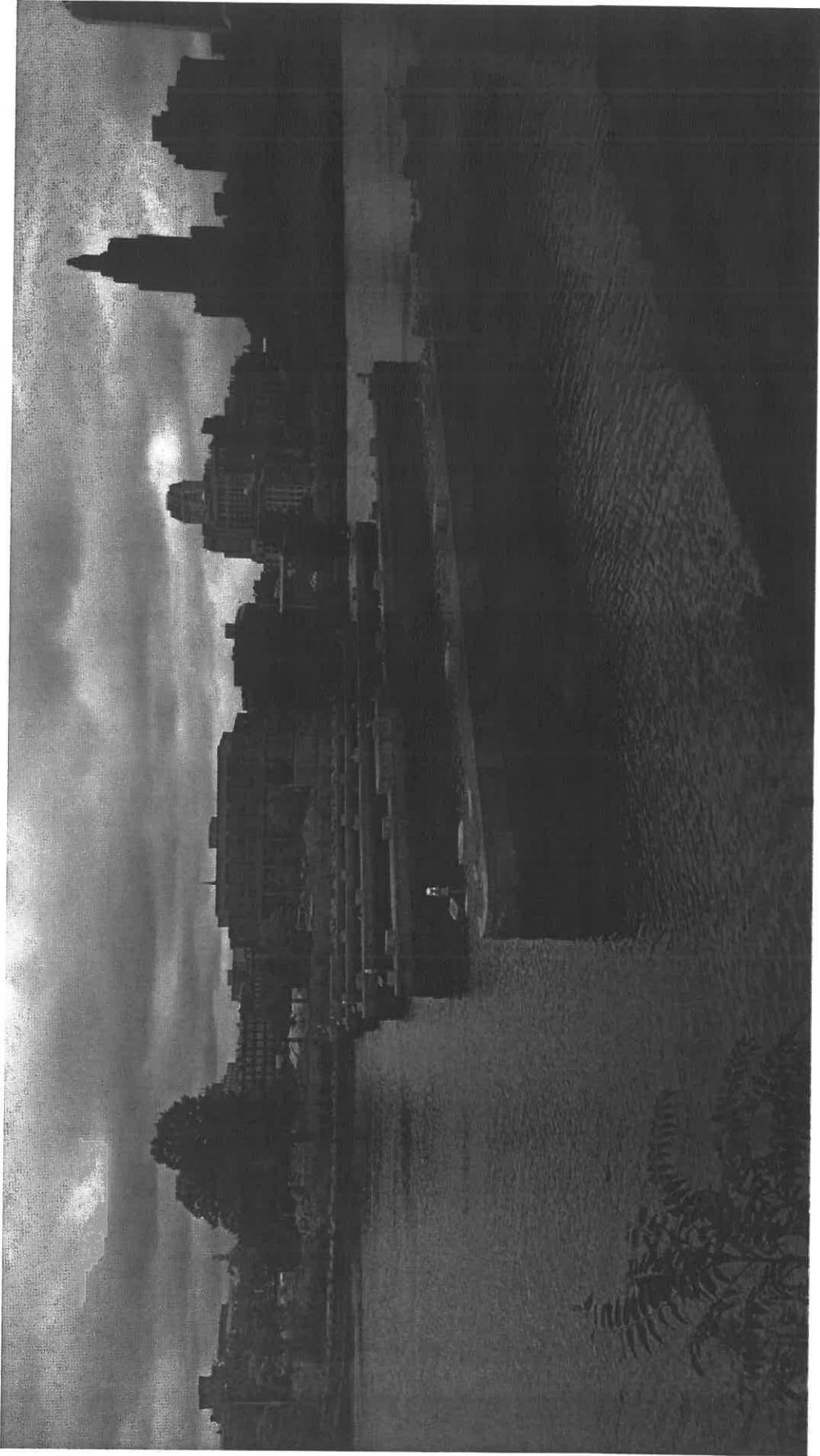
- Urban Core
- Visionary, stable leadership
- Seed money for innovation
- Social Balance
- Universities
  - how to support them
  - keeping graduates
- Live, Work, Play
  - open space
  - culture, lifestyle
  - walkable, bikeable
  - housing for all incomes
  - programming

Employers find employees



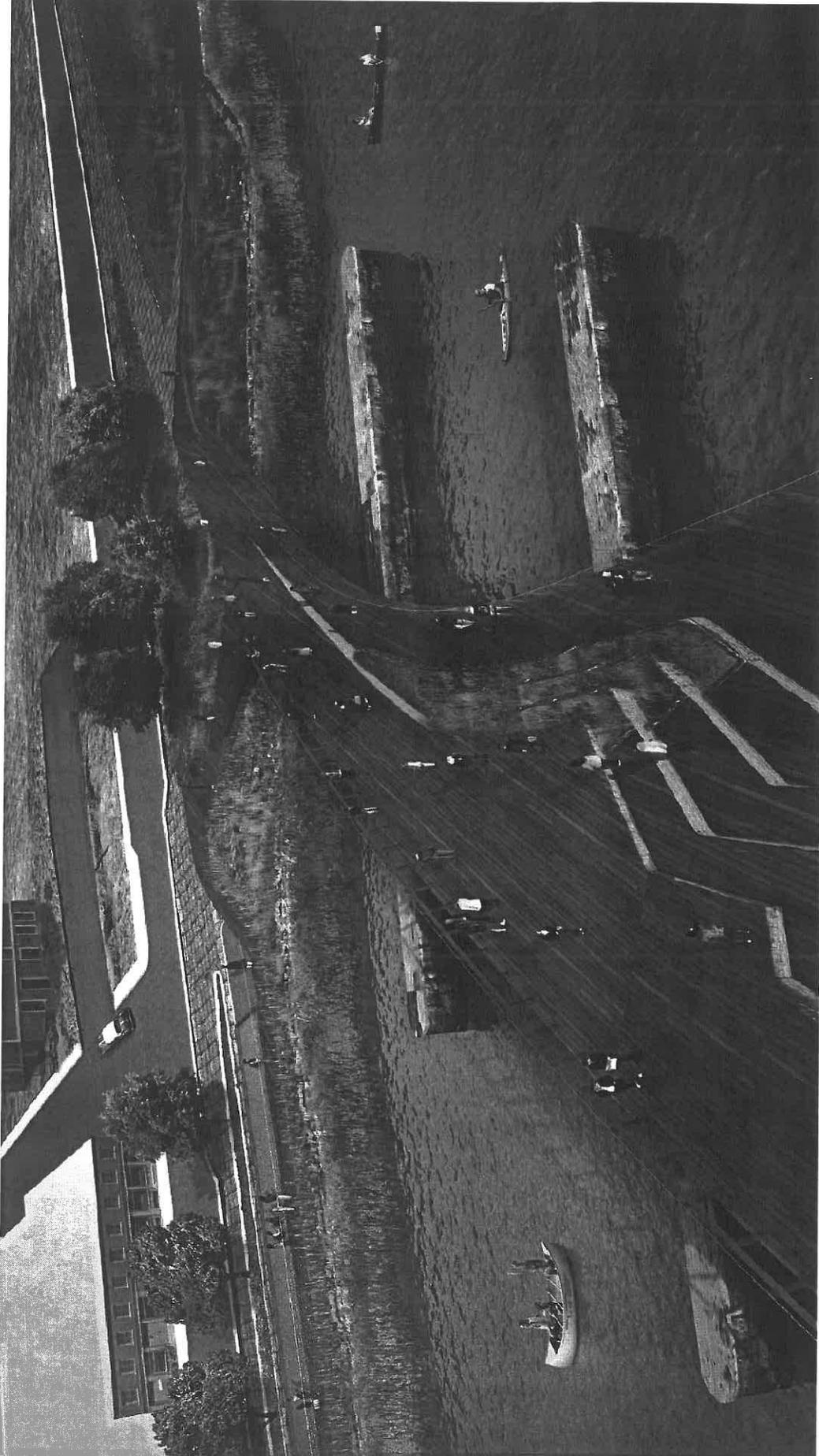
I-195 REDEVELOPMENT DISTRICT

# Parks, Bridge—today



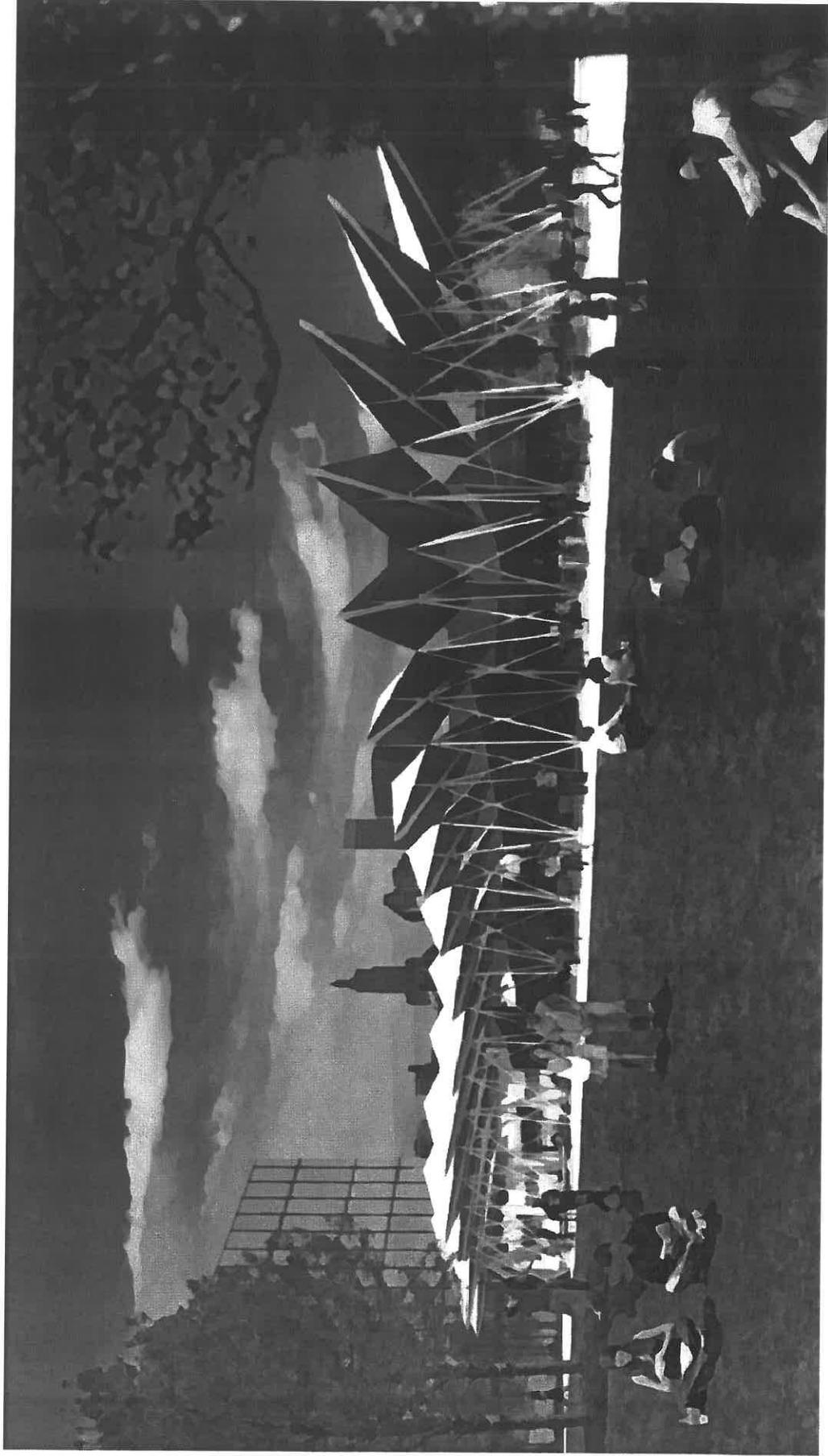
I-195 REDEVELOPMENT DISTRICT

# Parks, Bridge (East Side)—tomorrow



I-195 REDEVELOPMENT DISTRICT

# Parks (West Side)—tomorrow



**LINK**  
THE  
PROVIDENCE • RIDGE ISLAND

I-195 REDEVELOPMENT DISTRICT

**Coming soon...**

[www.195district.com](http://www.195district.com)

**EXHIBIT D**

June 30, 2013

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**RHODE ISLAND ECONOMIC  
DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE  
OF RHODE ISLAND)**

**YEAR ENDED JUNE 30, 2013**

*Draft*



RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEAR ENDED JUNE 30, 2013

CONTENTS

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Financial statements:	
Statement of net position	8-9
Statement of revenues, expenses, and changes in net position	10-11
Statement of cash flows	12-13
Notes to financial statements	14-36
Required supplementary information, schedule of funding progress	37
Independent Auditors' Report on Accompanying Information	38
Accompanying information to financial statements:	
Schedule of expenditures of federal awards	39
State of Rhode Island required format:	
Attachment B Statement of Net Position	40-42
Attachment C Statement of Activities	43
Attachment D Schedule of Long-Term Debt	44
Attachment E Schedule of Changes in Long-Term Debt	45
Schedule of travel and entertainment expenses	46-47
Combining statement of net position	48
Combining statement of revenues, expenses, and changes in net position	49
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	50-51
Schedule of findings and responses	52-54

**Independent Auditors' Report**



Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Rhode Island Economic Development Corporation (the Corporation), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Independent Auditors' Report (Continued)**

Board of Directors  
Rhode Island Economic Development Corporation



***Auditors' Responsibility (Continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 7 to the financial statements, for the year ended June 30, 2013, appropriations by the General Assembly of the State of Rhode Island received by the Corporation to fund its expenses comprised approximately 42% of the Corporation's total operating and nonoperating revenues.

As discussed in Note 1 to the financial statements, prior to the year ended June 30, 2013, the Corporation's financial statements included certain entities determined to be component units of the Corporation. Based on the application of amended accounting guidance, those entities are no longer considered to be component units and are not included in the accompanying financial statements.

Our opinion is not modified with respect to these matters.

***Other Matter***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the schedule of funding progress on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditors' Report (Continued)

Board of Directors  
Rhode Island Economic Development Corporation

March 20, 2013

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SUBJECT: RIEM 13000

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated \_\_\_\_\_, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

Providence, Rhode Island  
\_\_\_\_\_, 2013

Draft

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rhode Island Economic Development Corporation (RIEDC), a component unit of the State of Rhode Island (the State), we offer readers of RIEDC's financial statements this narrative overview and analysis of the financial activities of RIEDC for the year ended June 30, 2013. RIEDC's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

### Introduction

RIEDC was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to RIEDC's financial statements.

As of and for the year ended June 30, 2012, the Quonset Development Corporation (QDC), the Rhode Island Airport Corporation (RIAC), and the I-195 Redevelopment District Commission (the Commission) were reported as component units of RIEDC. Based on the application of amended guidance issued by the Governmental Accounting Standards Board, the QDC, RIAC, and the Commission are reported as component units of the State as of and for the year ended June 30, 2013, and are not included in the Corporation's financial statements.

RIEDC engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, RIEDC's basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of RIEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on RIEDC's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Changes in RIEDC's net position serve as a useful indicator of whether RIEDC's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating RIEDC's net position. The statement of revenues, expenses, and changes in net position presents information on how RIEDC's net position changed during the year.

All assets, liabilities, and changes in net position are reported as soon as the underlying event affecting the asset or liability or deferred outflow or inflow, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statement of revenues, expenses, and changes in net position will result in cash flows in future periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2013 Financial Highlights

Total assets exceeded total liabilities by \$2,845,892 (net position) at June 30, 2013. Net deficit position totaling \$(141,455) is unrestricted. Net position totaling \$2,845,892 is restricted and is available primarily to fulfill grant requirements and for repayment of obligations under direct financing leases. RIEDC's net position invested in capital assets, totaling \$182,065, is attributable to the acquisition and associated depreciation of RIEDC's capital assets.

Operating loss for 2013 was \$4,980,664, an increase of \$481,900 when compared to 2012.

Nonoperating revenues net of nonoperating expenses totaled \$4,980,664 in 2013 as compared to \$4,185,554 in 2012.

Transfers from other State component units totaled \$234,531 as compared to \$632,156 in 2012.

Net position increased by \$202,930 in 2013.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Condensed Comparative Information

The following table reflects a summary of changes in certain balance sheet items, revenues, expenses and changes in net position, as required by GAAP No. 23 (in thousands):

**Statements of Net Position**

	June 30,		Increase (decrease)
	2013	2012	2013 v 2012
Net position:			
Current assets	\$ 19,769	18,263	\$ 1,506
Noncurrent assets	34,528	36,792	(2,374)
Total assets	54,297	55,055	(868)
Current liabilities	3,938	17,038	(10,100)
Noncurrent liabilities	4,513	35,484	9,029
Total liabilities	8,451	52,522	(1,071)
Net position	\$ 2,846	\$ 2,643	\$ 203

**Statements of Revenues, Expenses, and Changes in Net Position**

	Year ended June 30,		Increase (decrease)
	2013	2012	2013 v 2012
Changes in net position:			
Operating revenues	\$ 2,530	\$ 3,275	\$ (745)
Operating expenses	7,511	7,773	(262)
Operating loss	(4,981)	(4,498)	(483)
Nonoperating revenues, net	4,949	4,186	763
Transfers	235	632	(397)
Change in net position	\$ 203	\$ 320	\$ (117)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2013 Financial Analysis

Total assets of RIEDC decreased approximately \$868,000 during 2013, due principally to decreases in grants and other receivables, amounts due from the State, and net investment in other financing leases.

Total liabilities decreased approximately \$1,071,000 due principally to decreases in bonds and leases payable, unearned revenue, other payables and accrued expenses, offset by an increase in amounts payable from restricted assets.

### 2013 Operating Activity

Total operating revenues decreased approximately \$745,000 during 2013, due principally to a decline in revenues derived from the renewable energy program.

Total operating expenses decreased approximately \$262,000 during 2013, due principally to a decline in expenses incurred pertaining to the renewable energy program, offset by increases in legal and consulting fees and other grant-related expenses.

As a result of the above, the operating loss to RIEDC was approximately \$4,981,000 in 2013 compared to \$4,498,000 in 2012.

### Requests for Information

This financial report is designed as a general overview of RIEDC's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Executive Director, Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET POSITION – JUNE 30, 2013**

	<u>Primary reporting entity</u>	<u>Component unit</u>
	<u>Rhode Island Economic Development Corporation</u>	<u>Small Business Loan Fund Corporation</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,018,657	\$ 4,730,076
Accounts receivable	1,019,542	
Notes and loans receivable, less allowance for loan losses		1,700,001
Interest receivable		28,113
Interfund receivable	26,776	
Due from State of Rhode Island	108,139	
Due from other State component units	95,362	
Deposits and prepaid expenses	74,201	3,117
Restricted:		
Cash and cash equivalents	12,893,936	
Grants and other receivable	1,675,765	
Investment	947,164	
Net investment in direct financing leases	2,019,566	
<b>Total current assets</b>	<b>19,769,108</b>	<b>6,461,307</b>
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	6,401,078	
Notes receivable	1,135,417	
Net investment in direct financing leases, less current portion	26,112,895	
Investment in joint venture		1,877,576
Due from other State component units	696,557	
Notes and loans receivable, less allowance for loan losses		4,551,482
Capital assets not being depreciated	128,762	
Capital assets being depreciated, net	53,303	
<b>Total noncurrent assets</b>	<b>34,528,012</b>	<b>6,429,058</b>
<b>Total assets</b>	<b>54,297,120</b>	<b>12,890,365</b>

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET POSITION – JUNE 30, 2013 (CONTINUED)**

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 23,592	\$ 15,424
Accrued expenses and other	79,498	7,110
Interfund payable		96,776
Payable from restricted assets	5,108,688	
Unearned revenue	40,047	40,047
<b>Total current liabilities</b>	<b>6,938,537</b>	<b>159,357</b>
Noncurrent liabilities:		
Liabilities payable from restricted cash and cash equivalents	3,092,877	
Net pension obligation	624,277	
Bonds and leases payable, less current portion	28,697,867	
Unearned revenue	12,097,670	
<b>Total noncurrent liabilities</b>	<b>44,512,691</b>	<b>-</b>
<b>Total liabilities</b>	<b>51,451,228</b>	<b>159,357</b>
Commitments and contingencies (Note 10)		
<b>NET POSITION:</b>		
Investment in capital assets	182,065	
Restricted for grants and other programs	2,805,282	
Unrestricted (deficit)	(141,455)	12,731,008
<b>Total net position</b>	<b>\$ 2,845,892</b>	<b>\$ 12,731,008</b>

See notes to financial statements.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**YEAR ENDED JUNE 30,**

**2013**

	<u>Primary reporting entity</u>	<u>Component unit</u>
	<u>Rhode Island Economic Development Corporation</u>	<u>Small Business Loan Fund Corporation</u>
Operating revenues:		
Charges for services:		
Rental fees	500	
Interest on loans	1,500	\$ 579,961
Other income, principally renewable energy fund	2,500,811	
<b>Total operating revenues</b>	<u>2,529,837</u>	<u>579,961</u>
Operating expenses:		
Personnel services	3,067,805	108,203
Contractual services	1,801,581	41,868
Grants	1,454,816	
Other expenses	1,166,406	52,043
Provision for loan losses and uncollectibles, net of recoveries		612,885
Depreciation and amortization	19,893	
<b>Total operating expenses</b>	<u>7,510,501</u>	<u>814,999</u>
Operating loss	<u>(4,980,664)</u>	<u>(235,038)</u>

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

YEAR ENDED JUNE 30,

2019 Management Information System  
2019/2020 Fiscal Year

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
Nonoperating revenues (expenses):		
Appropriations from State	\$ 15,389,096	
Investment and other revenue	3,538,898	
Interest expense	(2,516,257)	
Grant income	12,099,972	\$ 984,252
Grant expenses	(12,138,717)	(397,789)
Public investment payments and job credits	(6,640,526)	
Other	(4,783,401)	(122,424)
Total nonoperating revenues, net	<u>4,949,063</u>	<u>464,039</u>
Income (loss) before transfer	(31,601)	229,001
Transfer from other State component units	<u>234,531</u>	<u>-</u>
Change in net position	202,930	229,001
Total net position, beginning of year	<u>2,642,962</u>	<u>12,502,007</u>
Total net position, end of year	<u>\$ 2,845,892</u>	<u>\$ 12,731,008</u>

See notes to financial statements.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30,**

[REDACTED]  
[REDACTED]  
[REDACTED]

	Primary reporting entity	Component unit
	Rhode Island Economic Development Corporation	Small Business Loan Fund Corporation
<b>Cash flows from operating activities:</b>		
Receipts from customers/borrowers	688,655	\$ 2,084,299
Payments to suppliers	(4,820,275)	(1,077,078)
Payments to employees	(2,795,874)	(227,569)
<b>Net cash provided by (used in) operating activities</b>	<b>(6,927,494)</b>	<b>779,652</b>
<b>Cash flows from noncapital financing activities:</b>		
State of Rhode Island appropriations received	16,165,957	
Grants received	10,662,303	984,252
Grant expenditures	(13,782,995)	(397,789)
Public investment payments and fee credits	(6,640,526)	
Transfers	234,531	
<b>Net cash provided by noncapital financing activities</b>	<b>6,639,270</b>	<b>586,463</b>
<b>Cash flows from capital and related financing activities:</b>		
Interest paid, long-term obligations	(2,516,259)	
Acquisition of capital assets	(18,391)	
Receipts under direct financing leases	1,871,621	
Payments under direct financing leases	(1,871,622)	
Liabilities payable from restricted assets	(44,337)	
<b>Net cash used in capital and related financing activities</b>	<b>(2,578,988)</b>	
<b>Cash flows from investing activities:</b>		
Purchase of investments		(600,000)
Interest income	2,668,170	
<b>Net cash provided by (used in) investing activities</b>	<b>2,668,170</b>	<b>(600,000)</b>

(continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**YEAR ENDED JUNE 30,**

	<u>Primary reporting entity</u>	<u>Component unit</u>
	<u>Rhode Island Economic Development Corporation</u>	<u>Small Business Loan Fund Corporation</u>
Net increase (decrease) in cash and cash equivalents	\$ (199,042)	\$ 766,115
Cash and cash equivalents, beginning of year	20,302,713	3,963,961
Cash and cash equivalents, end of year	<u>20,103,671</u>	<u>\$ 4,730,076</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (4,980,664)	\$ (235,038)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	19,893	
Provision for loan losses, net		612,885
Changes in:		
Notes and accounts receivable	283,715	1,504,338
Deposits and prepaid expenses	7,341	(3,117)
Due to/from other State component units	36,017	(119,366)
Accounts payable, accrued expenses, and unearned revenue	(2,229,643)	(980,050)
Net pension obligation	(64,153)	
Net cash provided by (used in) operating activities	<u>\$ (6,927,494)</u>	<u>\$ 779,652</u>

See notes to financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies:

*Description of business:*

The Rhode Island Economic Development Corporation (RIEDC) was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State of Rhode Island (the State) for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose. Certain bonds issued under the provisions of the Act are not a liability of RIEDC and accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

RIEDC is a component unit of the State for financial reporting purposes. As such, the financial statements of RIEDC are included in the State's comprehensive annual financial report.

RIEDC and its component unit are exempt from federal and state income taxes.

*Reporting entity:*

The accompanying financial statements present RIEDC (referred to herein as the primary reporting entity) and its component unit, an entity for which RIEDC has control over and for which RIEDC has financial accountability. RIEDC and its component unit are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB criteria, the Small Business Loan Fund Corporation (SBLF) has been presented as a component unit of RIEDC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies (continued):

*Reporting entity (continued):*

As of and for the year ended June 30, 2012, the Quonset Development Corporation (QDC), the Rhode Island Airport Corporation (RIAC), and the I-195 Redevelopment District Commission (the Commission) were reported as component units of RIEDC. Based on the application of amended GASB guidance; the QDC, RIAC, and the Commission are reported as component units of the State as of and for the year ended June 30, 2013, and are not included in the Corporation's financial statements.

In August 2008, pursuant to an act of the General Assembly of the State, the management and fund balance of the Renewable Energy Fund (REF) was transferred from the State's Office of Energy Resources to RIEDC. While RIEDC is responsible for managing REF, REF does not have separate corporate powers that would distinguish it as being legally separate from RIEDC; therefore, its activities have been included in the primary reporting entity.

*Discretely presented component unit*

SBLF, a discretely presented component unit, is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from RIEDC.

SBLF was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of RIEDC for the purpose of granting secured and unsecured loans to small businesses located throughout Rhode Island. The SBLF Board serves at the pleasure of the RIEDC Board.

SBLF does not prepare separate financial statements.

*Financial statement presentation, measurement focus, and basis of accounting:*

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Corporation uses the economic resources management focus and accrual basis of accounting.

The Corporation distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided, administrative expense, and depreciation and amortization expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies (continued):

*Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions are the allowances for doubtful accounts and loan losses. Actual results could differ from those estimates.

*Recent accounting pronouncements:*

Effective for the fiscal year ended June 30, 2013, the Corporation adopted Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63). Deferred outflows of resources represent the consumption of the Corporation's net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. GASB 63 prescribes the reporting requirements for those two elements and requires that the statement of net assets title be changed to statement of net position. The Corporation had no deferred inflows or outflows of resources at June 30, 2013.

Effective July 1, 2012, the Corporation adopted Statement No. 61 of the GASB, *The Financial Reporting Entity Omnibus*, which modifies certain requirements for inclusion of component units in the financial reporting entity. As a result, and as discussed previously in these financial statements, certain entities previously determined to be component units of RIEDC, with net assets as of June 30, 2012 totaling approximately \$456,954,000, are now reported as component units of the State and are no longer included in the Corporation's financial statements.

*Cash and cash equivalents, restricted:*

Unexpended grant funds and payments received under direct financing leases are reported as restricted cash and cash equivalents in the accompanying statements of net position and are classified as either current or noncurrent based on the reporting period in which the underlying monies are expected to be used.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies (continued):

*Cash and cash equivalents:*

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Under the "Rhode Island Collateralization of Public Deposits Act" depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. At June 30, 2013, \$15,930,020 of the Corporation's deposits, excluding money markets, were required to be collateralized.

*Accounts receivable:*

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers.

*Investments:*

Money market investments having a maturity of one year or less at the time of purchase are reported on the statement of net position at their amortized cost. All other investments are reported at fair value.

SBLF's investment in a joint venture (see Note 3) is accounted for using the equity method, under which the investment in the joint venture is increased (decreased) by SBLF's share of the venture's undistributed earnings (losses) and decreased by distributions received from the joint venture.

*Notes and loans receivable:*

Notes and loans receivable are stated at the principal amount outstanding less any charge-offs and an allowance for loan losses. Interest income on notes and loans receivable is recognized over the term of the notes and loans and is calculated using the simple-interest method on principal amounts outstanding.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies (continued):

*Notes and loans receivable (continued):*

Accrual of interest income on notes and loans receivable is discontinued when management has determined that the borrower will be unable to meet contractual obligations. When a note or loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current-period income. Interest received on nonaccrual notes and loans is either applied against principal or reported as income according to management judgment as to the collectibility of principal. Nonaccrual notes and loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the note or loan have improved to the extent that there no longer exists a concern as to the collectibility of principal.

The Corporation measures impairment using a discounted cash-flow method, or the loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent. However, impairment is based on the fair value of the collateral if it is determined that foreclosure is probable.

*Allowance for loan losses:*

The allowance for loan losses is established through a provision charged to operations based on management's assessment of many factors, including the risk characteristics of the notes and loans, current economic conditions that may affect the borrowers' ability to pay, and trends in delinquency and charge-offs. Realized losses, net of recoveries, are charged directly to the allowance. While management uses information available in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions or other factors differ substantially from the assumptions used in making the evaluation.

*Capital assets and depreciation:*

Capital assets are stated at cost except for capital assets conveyed to the Corporation by the State or the United States of America, which are stated at fair value as of the date of contribution. Expenditures in excess of \$2,500 which substantially increase the useful lives of existing assets are capitalized; routine maintenance and repairs are expensed as incurred. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of these assets.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Description of business and summary of significant accounting policies (continued):

*Capital assets and depreciation (continued):*

The Corporation evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted cash flows from the use and disposition of the asset is less than the carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Corporation did not record an impairment loss during the year ended June 30, 2013.

*Unearned revenue:*

Unearned revenue pertains principally to payments received by RIEP in advance of revenues earned under terms of applicable energy programs.

*Direct financing leases:*

Land and buildings leased to unrelated parties under capital leases are recorded as net investment in direct financing leases. Interest income under capital leases consists of the excess of lease payments due under the terms of the leases over the cost of land and buildings and is recognized over the lease terms using the level yield method.

*Grants:*

Revenues from grants are recognized as soon as all eligibility requirements imposed by the provider have been met.

*Net position:*

The Corporation's net position has been segregated into the following three components:

Investment in capital assets -- represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to these assets, if any.

Restricted -- those that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted -- a residual category for the balance of net position

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2013

**2. Cash and cash equivalents:**

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2013:

	RIEDC	SBLF
Deposits held in Bank of America	\$ 1,592,133	\$ 4,730,076
Short-term investments, cash equivalents	241,538	
	\$ 20,233,071	\$ 4,730,076

At June 30, 2013, the Corporation had \$23,971,538 (bank balance) on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

The carrying amounts of cash equivalents approximate fair value and consist of the following:

Money market mutual funds, Bank of America	\$ 3,810,798	
Money market mutual funds, US Bank	4,730,740	
	\$ 8,541,538	

The bank balance of the Corporation's cash and cash equivalents, excluding money market accounts, is as follows:

	RIEDC	SBLF
Bank balance	\$ 11,692,625	\$ 4,737,395
Bank balance insured by federal depository insurance	250,000	250,000
	\$ 11,442,625	\$ 4,487,395

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

2. Cash and cash equivalents (continued):

The Corporation's money market mutual funds at Bank of America are invested in Goldman Sachs Financial Square Funds - Government (FGTXX) as of June 30, 2013. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 58 days as of June 30, 2013. At June 30, 2013, the funds were invested as follows: 55% in a government agency repurchase agreement, 43% in government agency debt, and 2% in United States treasury debt. As of June 30, 2013, the funds were rated Aaa3 by Moody's Investors Services (Moody's) and AAAM2 by Standard & Poor's (S&P).

The Corporation's money market mutual fund accounts held at US Bank are invested in Fidelity Institutional Money Market Government Portfolio - Class I (FIGXX) as of June 30, 2013. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 50 days as of June 30, 2013. At June 30, 2013, approximately 80% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2013, the funds were rated A-1A-m by Moody's and AAAM by S&P.

*Interest rate risk:*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Corporation manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

*Credit risk:*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Corporation manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

*Concentration of credit risk:*

Although it has no established policy, the Corporation continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

2. Cash and cash equivalents (continued):

*Custodial credit risk:*

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Corporation's deposits and investments may not be returned. The Corporation does not have a deposit or investment policy for custodial credit risk. The Corporation manages the custody of its cash and cash equivalents through analysis and review of the custodians' or counterparties' credit worthiness.

3. Investments:

At June 30, 2013, the Corporation's investments consist of the following:

	RIEDC	SBLF
United States government obligations	\$ 947,164	
Investment in joint venture		\$ 1,877,576
	\$ 947,164	\$ 1,877,576

As of June 30, 2013, RIEDC funds were invested in United States Government obligations that accrue interest at 1.875% and have a maturity date of April 30, 2014. The obligations were rated Aaa by Moody's and AAA by S&P.

The State Small Business Credit Initiative (SSBCI) received by the State is being monitored through SBLF. During fiscal 2012, SBLF and Betaspring Managers 100, LLC (Betaspring Managers 100) formed Startup Investments, LLC (Startup), a joint venture. Under the terms of the Startup Operating Agreement, SBLF's initial contribution was \$2,000,000. In exchange for the \$2,000,000 investment, SBLF received half of the 100,000 outstanding shares of common stock in Startup.

Also during fiscal 2012, Startup invested in BetaSpring, an entity that helps develop entrepreneurs through a "bootcamp" process to allow their "graduates" to be placed before investors to help bootstrap their idea into a future viable business. BetaSpring acquires a 6% interest in the common stock of the entrepreneurs' companies via Betaspring Managers 100. BetaSpring does not prepare separate financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

[REDACTED]  
[REDACTED]  
[REDACTED]

3. Investments (continued):

SBLF has accounted for its investment in Startup as an investment in a joint venture due to SBLF's ongoing financial interest in BetaSpring. From the date of initial contribution, SBLF's share of net loss generated by the investment in the joint venture was \$12,324. The losses attributable to SBLF's ownership interest in BetaSpring via Startup are classified as other nonoperating expenses on the statement of revenues, expenses, and changes in net position for the year ended June 30, 2013.

4. Loans and notes receivable:

*Provision for loan losses:*

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2013 is as follows:

Balance, beginning of year	\$ 684,174
Provision for loan losses	624,709
Loans charged off	<u>(663,483)</u>
Balance, end of year	<u>\$ 645,400</u>

*Commitments:*

SBLF had the following outstanding loan and grant commitments at June 30, 2013:

Commitments to originate loans	\$ 700,000
Undisbursed portions of commercial loans	97,355

REF had outstanding commitments under loans and grants at June 30, 2013 of \$1,707,723.

*Notes receivable:*

RIEDC issues notes and grants loans to private-sector entities and others located in Rhode Island. The ability of RIEDC's debtors to honor their contracts is primarily dependent upon various factors, including among others, the financial success of the borrower, success of the project financed, and general economic conditions in Rhode Island.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

5. Capital assets

	Depreciable life	Balance, July 2012	Increases	Decreases	Balance, June 30, 2013
Capital assets not being depreciated, land		128,762		\$ -	\$ 128,762
Capital assets being depreciated:					
Equipment	5	74,507	\$ 18,391		92,898
Automobiles	5	22,038			22,038
Total capital assets being depreciated		96,545	18,391		114,936
Accumulated depreciation:					
Equipment		(38,802)	(15,485)		(54,287)
Automobiles		(2,938)	(4,408)		(7,346)
Total accumulated depreciation		(41,740)	(19,893)		(61,633)
Total capital assets being depreciated, net		54,805	(1,502)		53,303
Total capital assets, net		\$ 183,567	\$ (1,502)	\$ -	\$ 182,065

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

6. Long-term debt:

*RIEDC bonds payable and net investment in direct financing leases:*

During 1995, RIEDC issued bonds totaling \$34,070,000 to finance the rehabilitation and other related costs of the Shepard Building. The debt service of the bonds was being funded by the State under a lease agreement between the Corporation and the State. In August 1997, the Corporation transferred the Shepard Building to the State through a Certificate of Participation Plan and the lease receivable with the State and the bonds were removed from the Corporation's financial statements. The outstanding balance of these deceased bonds at June 30, 2013 was approximately \$10,765,000.

During 1996, RIEDC issued \$25,000,000 of 1996 Series bonds to finance the acquisition of land and to make land improvements and construct a building at Island Woods Industrial Park (the FMR Rhode Island, Inc. Project). The 1996 Series bonds bear interest at 8.28%, are payable in semi-annual installments of approximately \$2,244,000 and mature May 1, 2021. During 2002, RIEDC issued \$10,000,000 of 2002 Series bonds to the FMR Rhode Island, Inc. Project. The 2002 Series bonds bear interest at 7.24%, interest only until 2008, and mature in 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

During November 1997, RIEDC issued \$11,000,000 of 1997 Series bonds to finance the acquisition of land and to make improvements and renovations to a building and parking lot (the Fleet National Bank Project). The 1997 Series bonds bear interest at 7.61%, are payable in semi-annual installments of approximately \$43,000, and mature May 1, 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013



6. Long-term debt (continued):

*RIEDC bonds payable and net investment in direct financing leases (continued):*

Aggregate scheduled principal and interest payments due on RIEDC's revenue bonds and total future minimum lease payments receivable at June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest
2014	\$ 2,019,566	\$ 2,363,960
2015	2,188,030	2,199,403
2016	2,365,510	2,023,604
2017	560,035	1,828,449
2018	65,676	1,619,895
2019-2023	12,350,886	4,637,714
2024-2028	6,467,701	1,125,976
	<u>30,717,433</u>	<u>\$ 15,799,001</u>
Less current portion of long-term debt	<u>2,019,566</u>	
Net long-term portion of bonds payable	<u>\$ 28,697,867</u>	

RIEDC has entered into direct financing leases with Bank of America and FMR Rhode Island, Inc. Total minimum lease payments receivable and unearned income under direct financing leases is equivalent to scheduled aggregate principal payments and scheduled aggregate interest payments, respectively, under the bonds payable, net of job rent credits. Job rent credits are payable by RIEDC semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the year ended June 30, 2013, job rent credits issued by RIEDC totaled \$3,080,526.

Cash and investments on hand related to, and collections on, net investment in direct financing leases are restricted to pay the bonds issued to finance such direct financing lease transactions. The current portion of amounts payable from restricted assets of \$5,158,688 includes the \$2,019,566 current portion of long-term debt and \$3,139,122 of other grant-related current liabilities payable from restricted assets.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

6. Long-term debt (continued):

*Notes payable, Masonic Temple tax credit loans:*

In July 2007, the Corporation closed on transactions relative to the State's retirement of approximately \$21,000,000 of unused historic tax credit obligations of the Masonic Temple Hotel (Hotel), resulting in a net benefit to the State of approximately \$7,000,000.

To satisfy payment, the Corporation issued \$14,280,000 of notes payable the proceeds from which were used to loan \$14,000,000 to the owner of the Hotel, MTRI, Inc. (MTRI), in exchange for MTRI's and its affiliate's forbearance on utilizing or selling the eligible tax credits. MTRI was to pay the Corporation annual interest only payments until the loan is due 20 years from the date of closing. In addition, MTRI was required to deposit funds in escrow as security for the loan.

In July 2013, RIEDC was notified by MTRI's legal counsel that MTRI would be defaulting on the loan. As a result, RIEDC pursued and recovered the \$874,040 balance in the pledged escrow account in August 2013. This amount is reported as accounts receivable in the accompanying statement of net position.

Changes in long-term obligations during the year ended June 30, 2013, excluding the net pension obligation and including BLF, were as follows:

	Balance, July 1, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts due within one year
Revenue bonds	\$ 32,589,054	\$ -	\$ (1,871,621)	\$ 30,717,433	\$ 2,019,566
Unearned revenue	15,323,768		(2,779,292)	12,544,476	446,806
Payable from restricted assets	3,095,676		(2,799)	3,092,877	
	<u>\$ 51,008,498</u>	<u>\$ -</u>	<u>\$ (4,653,712)</u>	<u>\$ 46,354,786</u>	<u>\$ 2,466,372</u>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

7. State appropriations:

During the year ended June 30, 2013, RIEDC received the following appropriations from the State:

Budget	\$ 3,972,864
Legislative	633,189
Slater technology fund	1,500,000
Public investment payment (Note 10)	3,560,000
Job rent credits (Note 6)	3,080,526
RI Airport Impact Aid	1,008,086
Science and Technology Advisory Council (STAC)	1,150,000
Leased employee	108,139
America's Cup	567,375
	15,580,179
Less STAC unearned revenue at June 30, 2013	(308,824)
Less due from State at June 30, 2013	(108,139)
Add STAC unearned revenue at June 30, 2012	117,741
Add due from State at June 30, 2012	885,000
	\$ 16,165,957

For the year ended June 30, 2013, appropriations by the General Assembly of the State received by RIEDC to fund its expenses comprised approximately 46% of RIEDC's total operating and nonoperating revenues.

8. Pension plans:

RIEDC pension plan:

Employees of the Corporation hired prior to January 1, 2006 are covered by the Rhode Island Economic Development Corporation Pension Plan and Trust (the Plan), a single-employer defined benefit pension plan administered by RIEDC. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The Plan was amended to eliminate the 3% cost of living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009. The Plan assigns to RIEDC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after five years of service.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013



8. Pension plans (continued):

*Funding policy:*

The contribution requirements are established by RIEDC. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits.

*Annual pension cost and net pension obligation:*

RIEDC's annual pension cost for the year ended June 30, 2013 and net pension obligation were as follows:

Annual required contribution	\$ 241,738
Interest on net pension obligation	107,135
Adjustment to annual required contribution	<u>(255,884)</u>
Annual pension cost	92,989
Contributions made	<u>(260,000)</u>
Decrease in net pension obligation	(167,011)
Net pension obligation, beginning of year	<u>1,648,223</u>
Net pension obligation, end of year	<u>\$ 1,481,222</u>

The net pension obligation and annual pension cost are allocated by the Plan's actuary between RIEDC and the QDC, an entity established for the purpose of developing and managing state lands for commercial purposes. At June 30, 2013, \$624,277 and \$856,945 of the net pension obligation was allocated to RIEDC and QDC, respectively.

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

*Annual pension cost and net pension obligation (continued):*

Fiscal Year Ended June 30,	<u>Three-year trend information</u>			Net Pension Obligation
	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	
2013	\$ 92,989	\$ 260,000	279.0%	\$ 1,481,222
2012	\$ 7,355	\$ 1,000	1700.0%	\$ 1,648,233
2011	\$ 193,850	\$ 300,000	155.0%	\$ 1,765,878

*Funding progress:*

As of July 1, 2013, the most actuarial valuation date, the actuarial value of assets in the RIEDC plan was \$16,002,801 and the actuarial accrued liability was \$15,973,599, for a funding excess of \$29,202. The actuarial value of assets as a percentage of the actuarial accrued liability was 100.2% as of June 30, 2013. Annual covered payroll was \$2,768,284; the funding excess is 1.1% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the RIEDC plan.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Other plans:**

Employees of RIEDC hired on or after January 1, 2006 participate in the RIEDC Section 401a Retirement and Savings Plan (the 401a Plan), a discretionary contribution plan. The 401a Plan provides for RIEDC to make discretionary matching or additional contributions as approved by the Board of Directors. For the fiscal year ended June 30, 2013, RIEDC contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the RIEDC Section 475 Deferred Compensation Plan (the 457 Plan). Contributions for the fiscal year ended June 30, 2013 were \$93,405. All employees are eligible to participate in the 457 Plan. Both the 401a Plan and the 457 Plan are calendar year based.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

9. Postemployment healthcare plan:

For certain employees, the RIEDC contributes to the State Employees' defined benefit post-employment health care plan, a cost-sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created, and established under Chapter 36-12.1 of the Rhode Island General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB System. The plan provides medical benefits to certain retired employees of participating employers, including the RIEDC.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB System issues a stand-alone publically available financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

*Funding policies*

Rhode Island General Law (RIGL) Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2013 was 6.86% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. RIEDC's contribution to the plan for the years ended June 30, 2013, 2012 and 2011 was approximately \$6,000, \$6,400 and \$88,800, respectively, representing 100% of the ARC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

10. Commitments and contingencies:

*Grants:*

Under the terms of federal and other grants, periodic expenditures financed by grants are subject to audits by the grantors or their representatives and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Corporation officials believe that such disallowances, if any, would not be material.

*Public investment payments:*

RIEDC has entered into a Public Investment and PIV Agreement dated September 9, 1996 (the PIP Agreement) with Providence Place Group Limited Partnership (PPG). The PIP Agreement requires RIEDC to make annual public investment payments to PPG equal to the lesser of \$3,680,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within Providence Place Mall (the Mall) for the first five years, and annual public investment payments to PPG equal to the lesser of \$3,560,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within the Mall for the next 15 years. RIEDC's requirement to make public investment payments to PPG is subject to the State's annual appropriations to RIEDC of related sales tax. During the year ended June 30, 2013, RIEDC made public investment payments to PPG totaling \$3,560,000.

*Litigation:*

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against RIEDC have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by RIEDC for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between RIEDC and FMR (see Note 6), FMR is obligated to pay the Corporation's costs resulting from such condemnation. The likelihood of an unfavorable outcome and the amount or range of potential loss to RIEDC, if any, is unknown.

RIEDC is the defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of RIEDC's management, the resolution of these matters will not have a material adverse effect on the financial position of RIEDC.

As of June 30, 2013, the Corporation has been named, along with other parties, in a pending lawsuit for negligence. The Corporation is unable to determine the likely outcome and potential liability due as a result of the lawsuit; therefore, no liability has been recorded in the accompanying financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

10. Commitments and contingencies (continued):

*Risk management:*

RIEDC is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2013 because RIEDC officials are of the opinion that, based upon prior years' experience, any claims will not be material.

RIEDC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which RIEDC carries commercial insurance. Neither RIEDC nor its insurers have settled any claims which exceeded RIEDC's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

*Private-sector entity insured commitment:*

Under a Settlement Agreement, dated March 3, 2001, by and between Cyto Therapeutics, Inc. (CTI), RIEDC, Rhode Island Industrial-Recreational Building Authority (RIIRBA), and Rhode Island Industrial Facilities Corporation (RIIFC) (both component units of the State), RIEDC advanced to RIIRBA an amount equal to that previously funded by CTI and held in reserve by RIIRBA. The reserve is to be used by RIIRBA to fund shortfalls, if any, resulting from the difference between the amounts required to repay the outstanding bonds on the related building formerly occupied by CTI and insured by RIIRBA and the lease payments received or proceeds from the sale of the building. Upon repayment of all outstanding bonds relating to the building, RIIRBA will return to RIEDC any unused funds. At June 30, 2013, \$696,557 is due from RIIRBA.

11. Conduit debt obligations:

From time to time, RIEDC issues revenue bonds and notes to provide financial assistance to private-sector and public-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector or public-sector entity serviced by the bond or note issuance. RIEDC is not obligated in any manner for repayment of the bonds and notes, except for the loan provided to 38 Studios LLC, as described below. The bonds and notes are not reported as liabilities in the accompanying financial statements.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

11. Conduit debt obligations (continued):

Under the terms of the various indentures and related loan and lease agreements, the private-sector and public-sector entities make loan and lease payments directly to the trustees of the related bond and note issues in the amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of RIEDC. The aggregate principal amount outstanding under such conduit debt obligations at June 30, 2013 was approximately \$903,539,000.

During the fiscal 2010 legislative session, the General Assembly approved the Job Creation Guaranty Program (JCGP), which authorizes RIEDC to provide credit enhancements of up to \$125,000,000 on bonds or loans privately placed with capital providers and banks. The State will use its "moral obligation" authority to guarantee debt service payments to the bondholders and lenders.

In 2013, the General Assembly eliminated the JCGP; however, existing guarantees or bond obligations under the JCGP will remain in force and effect until retired pursuant to the terms of each transaction.

On November 2, 2010, a loan in the amount of \$75,000,000 was provided to 38 Studios LLC (38 Studios) under the JCGP as follows:

Capital Reserve Account, held by trustee	\$ 12,750,000
Capitalized Interest Account, held by trustee	10,600,000
Amount available for the 38 Studios Project and bond issuance costs	<u>51,650,000</u>
	<u>\$ 75,000,000</u>

Under this program, the State used its "moral obligation" authority to guarantee debt service payments to the bondholders.

This is a conduit debt transaction and, accordingly, this loan is not reported as a liability in the accompanying financial statements. RIEDC is obligated to the bondholders under the loan and trust agreement for all sums borrowed and not repaid, provided, however, that the bondholders may only satisfy such obligation by executing upon the collateral pledged pursuant to the terms of the loan and trust agreement. Pursuant to RIGL Section 42-64-18(5), all amounts paid to RIEDC by the State pursuant to the provisions of this section shall constitute and be accounted for as advances by the State to RIEDC.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

11. Conduit debt obligations (continued):

On June 7, 2012, 38 Studios filed for bankruptcy under Chapter 7 in Delaware listing \$151,000,000 in liabilities and \$21,700,000 in assets. On August 8, 2012, a federal judge allowed the assets to be liquidated through the state court in Rhode Island. As of June 30, 2013, the Capitalized Interest Account had been fully expended (\$0), the Capital Reserve Account (Principal and Interest Fund) was estimated to be \$10,063,948, and all project funds have been completely expended. Remaining funds from the Capital Reserve Account are available to pay the debt service due to the bondholders in November 2013. The amount, if any, that may be realized from the liquidation of assets to be used to pay debt service is not presently determinable.

In accordance with the enabling legislation and an agreement between RIEDC, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, RIEDC has agreed to present the Governor of Rhode Island with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in a budget request for appropriation to the General Assembly. The General Assembly may, but is not required to appropriate such amounts. The General Assembly approved approximately \$2,500,000 in its budget for the fiscal year ended June 30, 2014 to cover the scheduled bond payment in May 2014. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2013 is approximately \$99,330,000, with reserves of approximately \$10,063,948. The maximum annual debt service is \$12,749,913.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2013 was approximately \$978,539,000.

12. ProvPort crane and barge project:

During the year ended June 30, 2013, the United States Department of Transportation, Maritime Administration (MARAD), and RIEDC executed a Grant Agreement, and RIEDC and ProvPort, Inc. (the Organization) executed a Sub-grant Agreement, regarding a Transportation Investments Generating Economic Recovery Grant II (TIGER II Grant). Under the terms of the Grant Agreement, RIEDC and the Organization were designated as grant recipient and sub-recipient, respectively, of TIGER II Grant funds of up to \$10,500,000 for the purchase of two mobile harbor cranes, two barges, and related equipment (collectively, the Project).

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013



12. ProvPort crane and barge project (continued):

Title to the cranes, barges, and other equipment (the Project Equipment) is held solely by RIEDC. The Project Equipment, which is located at the Port of Providence, has been leased by RIEDC to the Organization. Upon final payment of the lease obligations or after a minimum of three years and repayment of the Organization's Bank of America loan, title to the Project Equipment will vest in the Organization. RIEDC and the Organization have entered into separate lease agreements for the cranes and barges. Each lease features a term of twelve years and annual payments of \$1. At the end of each lease term, the Organization has the option to purchase the cranes and barges for \$1. RIEDC has provided a first priority security interest in the barges to Bank of America. RIEDC and the Organization have granted a collateral assignment of their respective interests in the leases to Bank of America. Based on the terms of this agreement, RIEDC has accounted for this lease as a direct financing capital lease.

Through June 30, 2013, amounts owed for work completed by the crane vendor totaled \$9,739,230. RIEDC owes the Organization \$139,123 of this amount, which is to be paid from TIGER II Grant funds and is classified as a current payable from restricted assets in the accompanying statement of net position. At June 30, 2013, RIEDC has restricted cash on hand of \$2,027,860 and has recorded \$1,111,263 in restricted grant receivables to satisfy the payable owed to the Organization.

The RIEDC earned an annual administrative fee from the Organization in the amount of one-eighth of one percent of the Project cost, which amounted to \$26,572 for the year ended June 30, 2013.

13. Contractual services.

Contractual services by service category for RIEDC and SBLF for the year ended June 30, 2013 are as follows:

	RIEDC	SBLF
Information technology	\$ 136,983	
Legal services	835,614	\$ 19,376
Consulting	523,379	16,473
Other	305,605	6,019
	<u>\$ 1,801,581</u>	<u>\$ 41,868</u>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

[REDACTED]  
[REDACTED]  
[REDACTED]

RIEDC's schedule of funding progress for the Pension Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((b-a)/c)
7/1/2011	\$15,385,170	\$13,619,019	\$(1,766,151)	3.0%	\$3,316,037	-53.3%
7/1/2012	\$14,895,987	\$14,943,184	\$ 47,197	99.7%	\$3,026,453	1.6%
7/1/2013	\$16,002,801	\$15,973,599	\$ (29,202)	100.2%	\$2,768,284	-1.1%

Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the Plan.

Draft



**Independent Auditors' Report on Accompanying Information**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

Our audit was performed for the purpose of forming an opinion on the 2013 basic financial statements of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, taken as a whole. The accompanying supplemental information on pages 39 through 49 is presented for purposes of additional analysis and is not a required part of the 2013 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Providence, Rhode Island  
\_\_\_\_\_, 2013

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title/ Pass-through grantor	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF DEFENSE</b>		
Procurement Technical Assistance for Business Firms	12.002	\$ 352,601
<b>DEPARTMENT OF LABOR</b>		
WIA Pilots, Demonstrations, and Research Projects	7.261	97,879
<b>DEPARTMENT OF COMMERCE</b>		
State Broadband Data and Development Grant Program - ARRA	11.558	578,875
Economic Adjustment Assistance	11.307	10,421,245
<b>Total Department of Commerce</b>		<b>11,000,120</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
Port Security Grant Program	97.056	1,269,506
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	13,538
<b>DEPARTMENT OF ENERGY</b>		
Pass-through programs from the State of Rhode Island; State Energy Program	81.041	294,232
<b>DEPARTMENT OF TRANSPORTATION, <i>Maritime Administration</i></b>		
Surface Transportation - Discretionary Grants for Capital Investment	20.932	9,739,230
<b>Total expenditures of federal awards</b>		<b>\$ 22,767,106</b>

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

Combined Statement of Net Position

Attachment B

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 5,568,733
Investments	
Receivables (net)	2,747,656
<b>Restricted assets:</b>	
Cash and cash equivalents	12,893,936
Investments	2,966,730
Receivables (net)	1,675,765
Other assets	
Due from primary government	108,139
Due from other State component units	95,362
Due from other governments	
Inventories	
Other assets	77,318
	26,133,639

**Noncurrent assets:**

Investments	1,877,576
Receivables (net)	4,551,482
<b>Restricted assets:</b>	
Cash and cash equivalents	6,401,078
Investments	26,112,895
Receivables (net)	
Other assets	1,135,417
Due from other State component units	696,557
Capital assets - nondepreciable	128,762
Capital assets - depreciable (net)	53,303
Other assets, net of amortization	
	40,957,070
	67,090,709

**Deferred outflows of resources, accumulated decrease in fair value of hedging derivatives**

(continued)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013



**Combined Statement of Net Position (Continued)**

**Attachment B**

**Liabilities**

**Current liabilities:**

Cash overdraft	
Accounts payable	\$ 589,016
Due to primary government	
Due to other State component units	
Due to other governments	
Unearned revenue	446,806
Other liabilities	3,945,730
Current portion of long-term debt	<u>2,019,566</u>
<b>Total current liabilities</b>	<u><b>7,001,118</b></u>

**Noncurrent liabilities:**

Due to primary government	
Due to other governments	
Due to other State component units	
Unearned revenue	12,097,670
Notes payable	
Loans payable	
Obligations under capital leases	
Net pension obligation	624,277
Other liabilities	3,092,877
Compensated absences	
Bonds payable	<u>28,697,867</u>
<b>Total noncurrent liabilities</b>	<u><b>44,512,691</b></u>

<b>Total liabilities</b>	<u><b>51,513,809</b></u>
--------------------------	--------------------------

**Deferred inflows of resources:**

Accumulated increase in fair value of hedging derivatives	
Deferred service concession agreement receipts	<u>                    </u>
<b>Total deferred inflows of resources</b>	<u>                    </u>

(continued)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

[REDACTED]  
[REDACTED]  
[REDACTED]

Combined Statement of Net Position (Continued)

Attachment B

<b>Net position</b>	
Investment in capital assets	182,065
Restricted for:	
Debt	
Other (deficit)	(11,431,107)
Other nonexpendable	14,236,389
Unrestricted	12,589,553
<b>Total net position</b>	<b>15,576,900</b>

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013



**Combined Statement of Activities**

**Attachment C**

<b>Expenses</b>		<b><u>\$ 34,690,085</u></b>
<b>Program revenues:</b>		
Charges for services		2,518,311
Operating grants and contributions		13,084,224
Capital grants and contributions		<u>-</u>
<b>Total program revenues</b>		<b><u>15,602,535</u></b>
<b>Net (expenses) revenues</b>		<b><u>(19,087,550)</u></b>
<b>General revenues:</b>		
Interest and investment earnings		4,130,385
Miscellaneous revenue		<u>15,389,096</u>
<b>Total general revenues</b>		<b><u>19,519,481</u></b>
<b>Income before transfers and special and extraordinary items</b>		<b>431,931</b>
Transfer from other State component unit		
Special items		
Extraordinary items		<u>-</u>
<b>Change in net assets</b>		<b>431,931</b>
<b>Total net position - beginning</b>		<b><u>15,144,969</u></b>
<b>Total net position - ending</b>		<b><u>\$ 15,576,900</u></b>

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED **FORWARD**

JUNE 30, 2013

**FORWARD**  
The attached financial statements of the Corporation are subject to audit review.

Combined Schedule of Long-Term Debt

Attachment D

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,019,566	2,363,960
2015	2,188,059	2,199,403
2016	2,365,510	2,023,604
2017	2,560,035	1,828,449
2018	2,765,676	1,619,895
2019 - 2023	12,788,886	4,637,714
2024 - 2027	6,467,701	1,125,976
	<u>\$ 39,717,233</u>	<u>\$ 15,799,001</u>

Draft

  
  
**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT**

YEAR ENDED JUNE 30, 2013

Attachment E

**Combined Schedule of Changes in Long-Term Debt**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	3,054			\$ 30,717,432	\$ 2,019,565	\$ 28,697,867
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable	32,588,654	-	1,871,622	30,717,432	2,019,565	28,697,867
Notes payable						
Loans payable						
Obligations under capital leases						
Net OPEB obligation	688,430		64,153	624,277		624,277
Compensated absences	157,504		57,756	99,748	99,748	
Due to primary government and agencies						
Due to other governments						
Unearned revenue	15,323,768		2,779,292	12,544,476	446,806	12,097,670
Due to other State component units						
Other liabilities, payable from restricted assets	3,095,676		2,799	3,092,877		3,092,877
	\$ 51,854,432	\$ 0	\$ 4,775,622	\$ 47,078,810	\$ 2,566,119	\$ 44,512,691

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2013

Date	Payee	Amount	Purpose
7/12/2012	RI Food Dealers Assoc.	\$ 265	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC for D. Reynolds
8/2/2012	Dorothy Reynolds	951	APTAC Summer 2012 in Knoxville, TN
8/9/2012	Dorothy Reynolds	470	AMEXP Open Conf. in Merrimack, CA
8/23/2012	Katrina White	1,714	National Tour Association in Sep, CA
8/23/2012	Stuart Freiman	228	NGA Forum in Leesburg, VA
8/23/2012	Mark Brodeur	465	Mommy Bloggers Meeting in New York, NY
8/30/2012	Dorothy Reynolds	517	SBIR Conference in Hagerstown, MD
9/13/2012	APTAC	545	Dorothy Reynolds Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/13/2012	APTAC	695	Louis Francis Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/20/2012	APTAC	695	Richard Ferro Registration Fee for Fall 2012 APTAC Conference in Washington, DC
9/20/2012	Dorothy Reynolds	326	Registration for Reed Day in Washington, DC
10/5/2012	Shane White	540	BIC Conference in Las Vegas, NV
10/11/2012	Paul Harden	35	SIAC Conference in Louisville, KY
10/11/2012	Sean Esten	18	SSBCI Conference in Chicago, IL
10/11/2012	Mark Brodeur	16	ESD Conference in Boston, MA
10/18/2012	Louis Francis	16	Matchmaker Conference in Rochester, NY
10/18/2012	APTAC	95	Stephen Katz Registration Fee for Fall 2012 APTAC Conference in Washington, DC
10/25/2012	Sean Esten	91	NADO Conference in Las Vegas, NV
10/31/2012	BetaSpring LLC	277	SSBCI Conference Chicago, IL for Owen Johnson
11/1/2012	RI General Treasurer	1,179	SSBCI Conference Chicago, IL for Bernard Lane
11/2/2012	Christine Smith	1,669	SSTI 2012 Conference in Atlanta, GA
11/2/2012	Paul Harden	336	NEDA Conference in Hartford, CT
11/8/2012	Dorothy Reynolds	1,277	APTAC Fall 2012 in Washington, DC
11/15/2012	Hannah D. Morini	207	Clean Energy State Alliance Conference in Albany, NY
11/15/2012	Stephen P. Katz	756	APTAC Fall 2012 in Washington, DC
12/3/2012	Louis Francis	1,002	APTAC Fall 2012 in Washington, DC
12/6/2012	Richard Ferro	1,370	APTAC Fall 2012 in Washington, DC
1/10/2013	APTAC	125	Dorothy Reynolds Registration Fee for Winter APTAC Board Meeting Washington, DC
1/17/2013	Governor Lincoln Chafee	2,440	Meeting with Dassault Systems in Paris, France
1/17/2013	RI Convention Center	468	Chaufeur Service for Gov. Chafee during meeting with Dassault Systems in Paris, France
1/17/2013	Katrina White	1,586	American Bus Association Conference in Charlotte, NC
1/25/2013	Star Destinations	895	Katrina White registration fee for 2013 Bank Travel Conference in Virginia Beach, VA
1/25/2013	Jayne Panarello	804	Japanese Seminar and Workshop for Tour & Receptive Operators in Los Angeles, CA
2/7/2013	APTAC	2,705	Registration Fee for Spring 2013 APTAC Conference in Atlanta, GA for PTAC Employees

(continued)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2013

Date	Payee	Amount	Purpose
2/7/2013	Mark Brodeur	\$ 292	Media Trip in Nashua, NH
2/7/2013	Katrina White	301	Educational Travel Conference in Orlando, FL (Flight covered by NTA expenses)
2/7/2013	Katrina White	1,366	National Tour Association Conference in Orlando, FL
2/14/2013	Katrina White	764	Bank Travel Conference in Virginia Beach, VA
2/14/2013	Stuart Freiman	442	FCC Broadband Meeting in Washington, DC
3/7/2013	Katrina White	256	ALHFAM Conference in Sturbridge, MA
3/7/2013	Dorothy Reynolds	314	APTAC Winter 2013 Meeting in Washington, DC
3/25/2013	Paul Harden	1,173	NAWB Conference in Washington, DC
4/5/2013	Mark Brodeur	467	Discover New England Conference in Cambridge, MA
4/5/2013	Mark Brodeur	379	New York Media Trip in New York City, NY
4/5/2013	APTAC	645	Victor Howard Registration Fee for Spring 2013 APTAC Conference in Atlanta, GA
4/17/2013	Katrina White	748	Registration Fee for Mark Brodeur in Washington, DC
4/19/2013	RI Export Assistance Center	400	Participation Fee for Mark Brodeur for the China Trade Mission
4/25/2013	Christine Smith	16	2013 Conference in Chicago, IL
5/2/2013	Sean Esten	70	NAO Conference in Greenville, SC
5/2/2013	Louis Francis	5	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Victor Howard	40	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Stephen P. Katz	62	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	Dorothy Reynolds	2043	APTAC Spring 2013 Conference in Atlanta, GA
5/2/2013	RFL-Richard Ferro	1,485	APTAC Spring 2013 Conference in Atlanta, GA
5/16/2013	Alisson Walsh	1,735	SHLB Conference in Washington, DC
5/16/2013	Stuart Freiman	1,725	SHLB Conference in Washington, DC
5/16/2013	Jayne Panarello	780	Discover New England Conference in Stowe, VT
5/30/2013	SSTI	550	Christine Smith Registration Fee for SSSI Conference in Portland, OR
6/13/2013	Sean Esten	1,301	SSBCI Conference in Dallas, TX
6/19/2013	Jayne Panarello	1,592	PowWow 2013 in Las Vegas, NV
6/24/2013	Richard G. Horan	1,035	SSBCI Conference in Dallas, TX
6/30/2013	RI General Treasurer	1,303	SSBCI Conference Chicago, IL for Bernard Lane
6/30/2013	Mark Brodeur	390	Trade Mission to China
	<b>Total</b>	<b>\$ 65,607</b>	



RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

	Rhode Island Economic Development Corporation	Renewable Energy Fund	[REDACTED]		
Operating revenues:					
Charges for services:					
Rentals and fees	\$ 17,500				\$ 17,500
Interest on loans	-	\$ 11,526			11,526
Other income	26,572	1,755,507	\$ 424,421	\$ 294,311	2,500,811
<b>Total operating revenues</b>	<b>44,072</b>	<b>1,767,033</b>	<b>424,421</b>	<b>294,311</b>	<b>2,529,837</b>
Operating expenses:					
Personnel services	2,908,970	97,830	51,005		3,067,805
Contractual services	1,358,711	176,165	66,705		1,801,581
Grants	-	1,454,816			1,454,816
Other expenses	855,057	17,095		294,232	1,166,406
Depreciation and amortization	19,893				19,893
<b>Total operating expenses</b>	<b>5,142,631</b>	<b>1,745,906</b>	<b>117,732</b>	<b>294,232</b>	<b>7,510,501</b>
<b>Operating income (loss)</b>	<b>(5,098,559)</b>		<b>306,689</b>	<b>79</b>	<b>(4,980,664)</b>
Nonoperating revenues (expenses):					
Appropriations from State	15,389,096				15,389,096
Investment and other revenue	3,537,898	1,137			3,538,898
Interest expense	(2,516,259)				(2,516,259)
Grant income	12,099,972				12,099,972
Grant expenses	(12,138,717)				(12,138,717)
Public investment payments and job credits	(6,640,526)				(6,640,526)
Other	(4,783,401)				(4,783,401)
<b>Total nonoperating revenues, net</b>	<b>4,949,026</b>	<b>1,137</b>		<b>-</b>	<b>4,949,063</b>
<b>Income (loss) before transfers</b>	<b>(100,633)</b>	<b>22,264</b>	<b>96,689</b>	<b>79</b>	<b>(31,601)</b>
Transfer from other State component unit	234,531				234,531
<b>Change in net position</b>	<b>83,898</b>	<b>22,264</b>	<b>96,689</b>	<b>79</b>	<b>202,930</b>
<b>Total net position, beginning of year</b>	<b>1,949,171</b>	<b>36,577</b>	<b>657,293</b>	<b>(79)</b>	<b>2,642,962</b>
<b>Total net position, end of year</b>	<b>\$ 2,033,069</b>	<b>\$ 58,841</b>	<b>\$ 753,982</b>	<b>\$ -</b>	<b>\$ 2,845,892</b>



June 30, 2013

For Management: Rhode Island Economic Development Corporation  
Subject: Internal Control

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Rhode Island Economic Development Corporation (the Corporation), a component unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2013, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated \_\_\_\_\_, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**Independent Auditors' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards (Continued)**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island



**Internal Control Over Financial Reporting (Continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 2013-1 and 2013-2 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**The Corporation's Responses to Findings**

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Providence, Rhode Island  
\_\_\_\_\_, 2013

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

We consider the following deficiencies in the Corporation's internal control to be material weaknesses:

**2013-1 Recording of Financial Transactions**

*Observations:*

Certain transactions were not recorded in the Corporation's books and records in the period in which the underlying transaction occurred or consistent with the financial elements of the underlying transactions. As a result, significant audit adjustments were required to record such transactions, adjust previously recorded amounts, or reclassify the manner in which previously recorded amounts were presented.

*Recommendations:*

We recommend that management design and implement a process which (i) incorporates the review of the various existing contracts, grants and agreements, including amendments thereto, for which the Corporation currently is a party, and that incorporates the timely review of such agreements entered into in the future in order to identify and record transactions in the period during which they occurred based on the economic substance of the transaction; (ii) includes a review of transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period and to adjust previously recorded transactions based on the most recent information available; and (iii) if information required to record certain transactions is required from the State Controller's office, to initiate communication with the State Controller's office when known transactions are expected to occur to obtain information required to record such transactions in the period during which they occur.

We also recommend that a person independent of the person responsible for identifying and recording such transactions review available financial information and approve recorded transactions to determine whether all transactions were properly recorded during the period to which they relate based on the substance of the underlying transaction.

*Management's Response:*

During the audit period of July 1, 2012 through June 30, 2013, the Economic Development Corporation experienced changes in personnel, including organizational restructuring and changes in management, contributing toward the audit adjustments noted in the audit's schedule of findings.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2013

**2013-1 Recording of Financial Transactions (Continued)**

*Management's Response (Continued):*

Referenced findings generally included non-recurring transactions. As recommended, management has already begun implementing procedures to (1) incorporate the timely review of existing and future contracts, grants and agreements to ensure that transactions are identified and recorded accurately and within the proper reporting period; (2) review transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period and make the necessary adjustments to previously recorded transactions shortly after each reporting period based on the most recent information available; and (3) initiate communication with the State Controller's office when known transactions are expected to occur to obtain information required to record such transactions in the period during which they occur. In addition, management has designated an independent individual to review available financial information and approve recorded transactions to ensure that all transactions are properly recorded during the appropriate period based on the substance of the underlying transaction.

**2013-2 Renewable Energy Fund - Loan Files and Compliance**

*Observations:*

Certain Renewable Energy Fund (REF) loans require borrowers to comply with certain terms and provisions, including, among others, financial reporting requirements and the requirement to commence loan repayment upon the achievement of certain financial targets. During our audit, we noted that the Corporation had not fully implemented periodic loan monitoring processes as of year-end to monitor the terms and conditions with which a borrower must comply, including provisions which would require the borrower to make loan repayments upon the achievement of certain financial targets. It is our understanding that the Corporation began implementing loan monitoring processes near year-end in response to a similar finding contained within the Bureau of Audits' final report, dated July 8, 2013, of its audit of the REF (the Bureau's Report).

Also, although no REF loans were originated during the year ended June 30, 2013, we reviewed the loan file for selected loans recorded as loans receivable at year-end. During our review of the selected loan files, consistent with management's prior knowledge based on similar findings contained within the Bureau's Report, we noted that the selected loan files did not contain sufficient supporting documentation evidencing decisions related to loan origination and were not maintained using a consistent file structure.

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2013

**2013-2 Renewable Energy Fund – Loan Files and Compliance (Continued)**

*Recommendations:*

We recommend that management complete the implementation of its monitoring processes which would incorporate the review of all loans to determine the terms and provisions with which each borrower must comply and to monitor the borrowers' compliance with such terms and provisions. Also, we recommend that management implement a formal loan origination and maintenance file structure, similar to that currently used within the Small Business Loan Fund, to facilitate the documentation of all loan decisions.

*Management's Response:*

As recommended, management is completing the implementation of its monitoring processes which will incorporate the review of all loans to determine the terms and provisions with which each borrower must comply and will monitor the borrowers' compliance with such terms and provisions. In addition, management will finish implementing a formal loan origination and maintenance file structure to facilitate the documentation of all loan decisions.

**EXHIBIT E**



**RIEDC**

Rhode Island  
Economic Development Corporation

*Building the 21st Century Innovation Economy*

# **RI Design & Manufacturing Center**

## **US EDA: Investing in Manufacturing Communities Partnership (IMCP)**

John Riendeau

November 12, 2013

# President Barack Obama on US Manufacturing

In his 2013 State of the Union Address, President Obama set forth an ambitious vision for the future of manufacturing in America. Pointing to the potential of new technologies, he said, “A once-shuttered warehouse is now a state-of-the-art lab where new workers are mastering the 3D printing that has the potential to revolutionize the way we make almost everything. There’s no reason this can’t happen in other towns.” Moreover, the President also set forth a vision for a new era in transatlantic trade, stating, “I am announcing that we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union – because trade that is free and fair across the Atlantic supports millions of good-paying American jobs.”

*In keeping with the President’s vision for 21st century manufacturing and trade in America, the RI Design & Manufacturing Center will accelerate the resurgence in manufacturing and trade in Rhode Island.*



**RIEDC**

Rhode Island  
Economic Development Corporation

# Rhode Island Design & Manufacturing Center

## The History behind the Center

During the past year, a team of RI manufacturing support organizations – RIMA, RIMES, RIEDC and the Chafee Center at Bryant University – completed 2 important reports that are driving the creation of the Center and the strategic outcomes it will pursue:

- *Addressing Perceptions and Realities: The Rhode Island Manufacturing Renewal and Growth Program*
- *Rhode Island Manufacturing Renaissance Program: Manufacturing 1000 Survey Results*

These two reports set the rationale to create a Design & Manufacturing Center.



**RIEDC**

Rhode Island  
Economic Development Corporation

# Program and Budget

Consist of Three Primary Components:

- Manufacturing Design & Engineering and Market Analysis
- Technology Development and Application
- Workforce Training

The draft design of the Center is organized around three elements:

- Strategic Outcomes/Deliverables
- Users of the Center and the Uses
- Benefits to Users of the Center

Budget: \$200,000

- US EDA.....\$100,000
- RI EDC.....\$75,000 (\$25K Cash; \$50K In-kind)
- RI Foundation.....\$25,000 (cash)



**RIEDC**

Rhode Island  
Economic Development Corporation

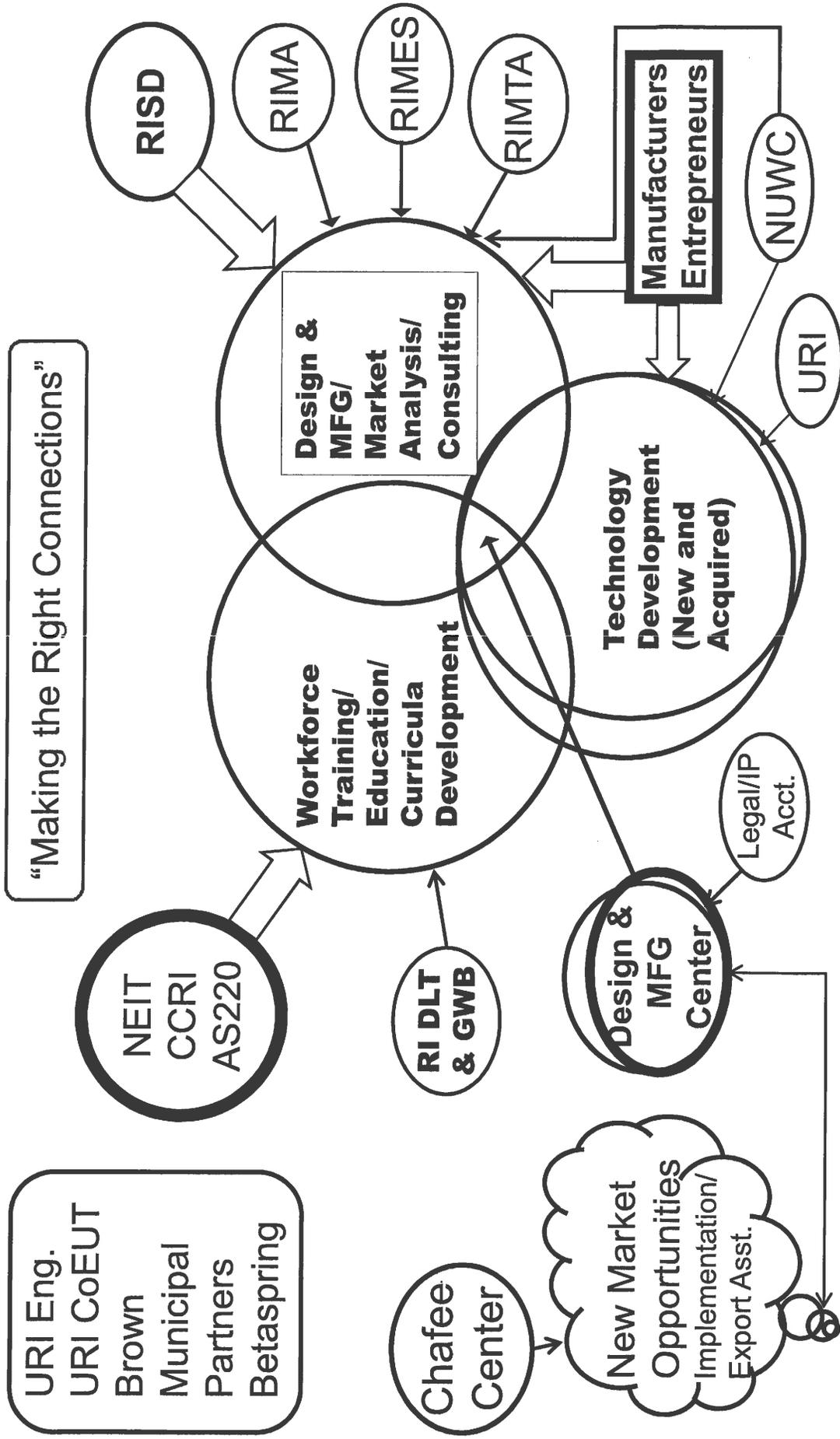
# Partners

- ❑ RI EDC to Facilitate the following Partners and others to come
- ❑ Manufacturing Infrastructure Partners
  - ❑ John H. Chafee Center for International Business, Bryant University
  - ❑ RI Manufacturers Association (RIMA)
  - ❑ RI Manufacturing Extension Service (RIMES)
  - ❑ RI Marine Trades Association (RIMTA)
- ❑ Research Partners
  - ❑ RI School of Design (RISD)
  - ❑ US Naval Undersea Warfare Center (NUWC)
  - ❑ University of Rhode Island (URI) – Engineering & Business
  - ❑ URI Center of Excellence in Undersea Technology (CoEUT)
- ❑ Workforce Training Partners
  - ❑ Community College of RI (CCRI)
  - ❑ RI Department of Labor & Training (RI DLT) & (GWB)
  - ❑ New England Institute of Technology (NEIT)
  - ❑ AS220

**RIEDC**

Rhode Island  
Economic Development Corporation

# RI Design & Manufacturing Center



*Economic Prosperity through company growth and job creation*

Public and Private Sectors Closely Aligned – a SINGLE voice to Expand Manufacturing

# Users of the Center and User Benefits

- Primary Users of the Center
  - Existing manufacturers
  - New start-up manufacturers and entrepreneurs
  - Designers at all levels (i.e.; RISD faculty and students)
  - Resource providers of professional services
  - Learners – high school to adults
  - Future manufacturing workers
- Benefits to Users of the Center
  - Professional services/resources
  - Regional buying and selling in an online marketplace of products, components and raw materials
  - Training and job opportunities for all ages
  - Industry data and analysis
  - Market intelligence and analysis
  - New market opportunities, (i.e.; exporting)
  - Advanced manufacturing technology resources
  - Collaborative problem solving among manufacturers

**RIEDC**

Rhode Island  
Economic Development Corporation

# IMCP Plan of Work

## **TASKS outlined in the proposal:**

- Secure Consulting Services to Complete the Plan
- Form and Facilitate the Steering Committee
- Identify Specific Users and Uses and Engage
- Finalize the Design of the Center
- Establish a Database and Metrics
- Finalize the Business Plan and Strategic Implementation Schedule

**RIEDC**

Rhode Island  
Economic Development Corporation

# RI D&M Center – Proposed Scope of Work

The proposed scope of work for this project includes 2 major work modules aligned with the program identified Tasks:

## **MODULE 1**

- Determine market size and value proposition
  - Define, segment and size relevant sectors
  - Identify key drivers (materials/processes/technologies/product lifecycles)
  - Understand where and how design plays a role in creating competitive advantage
- Create a potential target profile(s)
  - How does product design and development work in these companies?
  - Service mix requirements (necessary and nice-to-have)
  - Fees
  - Utilization levels
- Determine positioning and role of the Center

**RIEDC**

Rhode Island  
Economic Development Corporation

# **RI D&M Center - Scope of Work Cont'd**

## **MODULE 2**

### **The Business Plan**

- Create a business plan that will determine:
  - Market demand
  - Governance
- Business model
  - Virtual network and/or physical center(s)
  - Programming and price points
- Address future federal funding opportunities
- Capitalization & sustainability

**RIEDC**

Rhode Island  
Economic Development Corporation

# RI D&M Center – Scope of Work Cont'd

## **Specific Requirements:** *Project Approach*

The Consultant related to the previously outlined work modules will perform the following:

- Engage stakeholders
- Utilize existing resources and information
- Address uncertainty in the demand and revenue estimates
- Gain actionable insights from potential customers for the purposes of creating the programming and price points
- Timeframe

## *Consultant Capabilities and Experience*

- Demonstrate understanding of product development processes
- Demonstrate understanding of manufacturing and policies related to support manufacturing
- Market sizing and segmentation experience
- Business planning experience

**RIEDC**

Rhode Island  
Economic Development Corporation

# RI D&M Center – Scope of Work Cont'd

## *Critical Element and Goal:*

- The information and analysis created in the business planning phase must be sufficient to support a competitive EDA grant (i.e.; EDA Phase II funding). The consultant will work with the EDA and the RIEDC and its partners to ensure that the appropriate information is provided.

**RIEDC**

Rhode Island  
Economic Development Corporation

# Summary and Actions

- Next Steps:
  - Designate the Steering Committee – volunteers?
  - Secure the consultant (s) from the EDC contractors' already vetted for the project
  - Identify the schedule and timelines for proposed work
  - ID research activity for the AICU and its Fellows working with the Consultant
  - Establish media plan with EDC Communications Department and Steering Committee

**RIEDC**

Rhode Island  
Economic Development Corporation

**EXHIBIT F**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**November 21, 2013**

**(With Respect to a consultant for services related to the U.S. Department of  
Commerce EDA Planning Grant for a Manufacturing and Design Center)**

WHEREAS, the Rhode Island Economic Development Corporation (the "Corporation") wishes to engage a consultant for services related to the U.S. Department of Commerce EDA Planning Grant for a Manufacturing and Design Center, in an amount not to exceed \$150,000.

NOW, THEREFORE, be it resolved by the Corporation as follows:

Section 1: Any two of the Chairman, Vice Chairman, Executive Director and/or Chief of Staff, acting in concert, shall have the authority to negotiate and execute such documents as are necessary to engage a consultant for services related to the U.S. Department of Commerce EDA Planning Grant for a Manufacturing and Design Center, in an amount not to exceed \$150,000.

Section 2: This Resolution shall take effect immediately upon passage by the Corporation's Board of Directors.

**TAB 3**



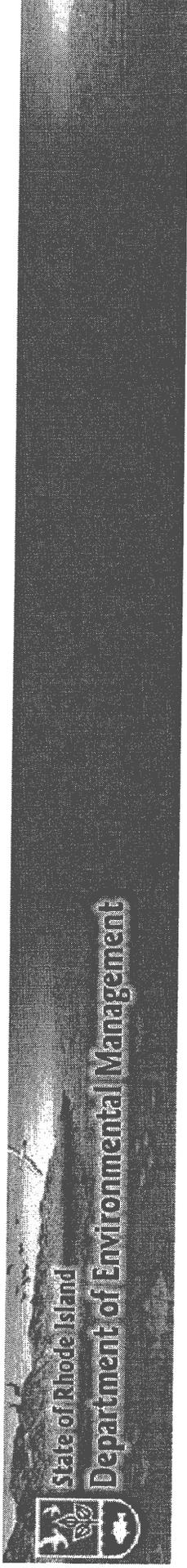
State of Rhode Island

Department of Environmental Management

## DEM Lean Government Initiative

### What is Lean?

- The Lean process improvement approach was developed originally for use in the private sector to target manufacturing processes; there has been steady progress towards adapting these approaches for use in service and administrative processes.
- Lean engages employees in a process that helps identify and eliminate unnecessary and non-value added process steps and activities that have built up over time.
- Public sector agencies have found that Lean methods enable them to understand how their processes are working on-the-ground and to make adjustments that optimize desired outcomes, including improving efficiency.
- By getting routine activities and mechanisms of a process to function smoothly and consistently, staff time can be freed to focus on higher value activities that are more directly linked to environmental protection.
- DEM is among at least 30 state environmental agencies that have conducted Lean events and are achieving impressive results across programs and processes.



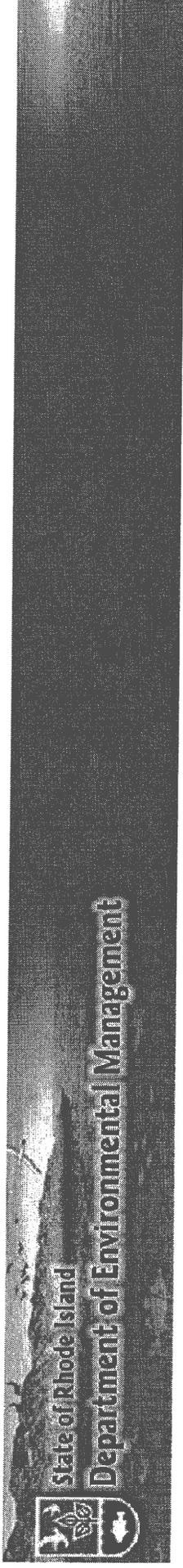
## DEM Lean Government Initiative

### Goals at DEM

- Improve customer service by developing processes which are clear, predictable, and reliable.
- Comprehensively map regulatory processes to define and understand what is really happening now and to identify “waste” in those processes.
- Help programs to formulate and implement plans to eliminate waste, making sure the process results in compliance in a timely, predictable manner.

### The Lean Team

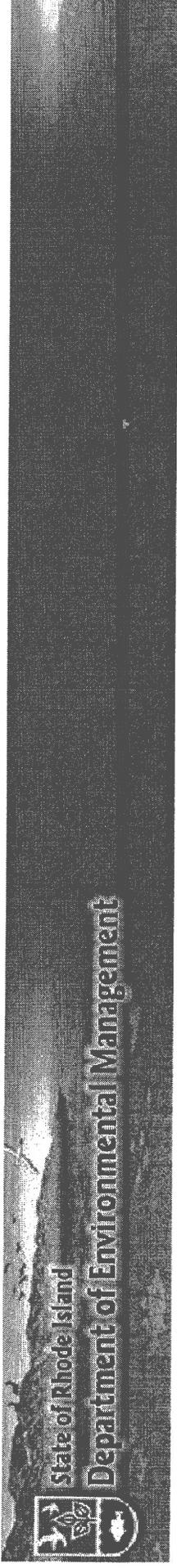
- Consultant trained 13 facilitators from throughout the Department to help lead the effort.
  - Trained on Lean methods such as “Kaizen,” Standard Work, Roles & Responsibilities Charting, Key Performance Indicators, and 6S Workplace Organization.
  - Not only do facilitators and team members use these tools during Lean events, but also take these tools back to their own programs and teach additional staff.



## DEM Lean Government Initiative

### How We Have Implemented Lean

- Senior leadership (Director or Associate Directors) identify program to undergo Lean review.
- Set timeline and schedule with consultant.
- Assign three DEM staff members trained as Lean facilitators to help lead the discussion.
- Facilitators and Department/program leadership build a charter.
  - What's the mission statement for this event?
  - What's the scope of the review?
  - What are the goals of the event?
  - Who will be participating?
- 6 half-day meetings are spread out over 3 weeks.
  - Build a "current state" map which is used to identify waste.
  - Develop a "future state" map.
  - Produce a gap list which will guide the program from the current state to the future state.
- Develop a follow-up plan to implement action items to close gaps.
  - Using a priority matrix, determine what can be done within 30, 60, and 90 day windows and work with staff and leadership to assign responsibility.
  - Identify what Lean tools can be used to help close the gaps. For example, standard work, roles and responsibilities charting, key performance indicators, and workplace organization.
- Conduct a one-hour report out to senior leadership summarizing the results of the event.
- Implement follow-up plan, and reconvene to review progress, chart future course.



### What We've Done So Far

- Mapped 4 major process with high customer interactions:
  - Site Remediation
  - Wetlands Preliminary Determination
  - Air Preconstruction Minor Source
  - Underground Storage Tank Fund
- Implemented process improvements to reduce waste:
  - The new Waste Management "EXPRESS" policy.
  - Increased use of templates and checklists across all reviewed programs.
  - Placement of customer guidelines on the DEM website for the Air program.
  - Increased use of more efficient e-mail communication and elimination of redundant administrative reviews in Wetlands program.

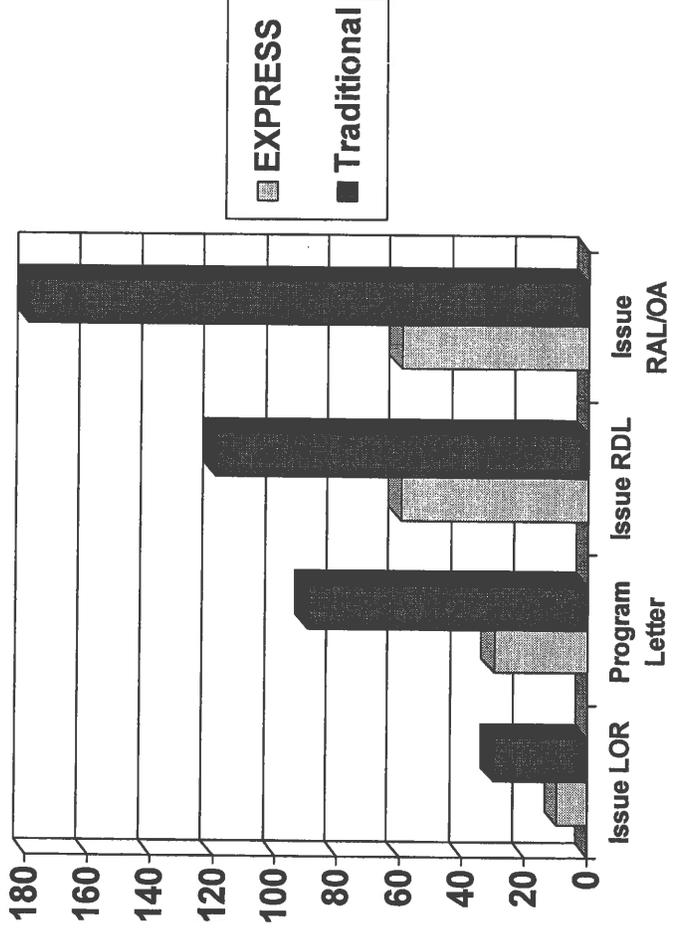
### Upcoming

- Permit Application Center – Developing a single point of entry for all applications.
- Bureau of Natural Resources Warehouse Kaizen Event to standardize work.
- Marine Fisheries Kaizen Event to streamline complicated review process.
- Stakeholder engagement in review of major processes to improve new "current state."

### Benefits to DEM

- Improved customer service, engagement across the organization, empowerment.

# Days to Remedy Implementation using EXPRESS methodology



- 60% reduction in time to issue Letter of Responsibility
- Combination of Remedial Decision Letter and Remedial Action Letter saves 120 days.
- Rather than regulating for the worst case, managing simple sites through EXPRESS provides consistent, transparent and faster (at least 60% quicker overall) outcomes which are just as protective of human health and the environment.

## OWM EXPRESS Policy Initiative

The Office of Waste Management (OWM) staff is proud to announce an initiative to provide a path to separate the less complicated sites in our program and deal with them in an expedited manner. Unfortunately, the current Marginal Risk Policy, which was designed to do just that, proved to be too restrictive and therefore was not being utilized at many sites. As a result, in 2009, the RECLAIME Policy (Rapid Environmental Cleanup Approval and Investigation at Minimal Exposure Sites) was drafted and circulated for review around the Department. Although this Policy ultimately was never finalized, it laid the groundwork and methodology for the current Expedited Policy for Remediation of Environmentally Simple Sites (EXPRESS) Policy. This Policy was developed to provide Performing Parties and consultants with a means to work with us to streamline the approval process at Brownfield Sites through expedited technical reviews, presumptive remedies, and confirmation sampling protocols.

During late 2012, the Site Remediation program participated in a Lean Government review to reduce business process waste and improve efficiency. During this review Site Remediation staff revisited the need to update the Marginal Risk Policy. As one of the follow-up action items from the Lean review the program established the OWM EXPRESS TEAM to conduct further discussion on how to update the policy. After the OWM EXPRESS TEAM (Tim Fleury, Gary Jablonski, Kelly Owens, Matt DeStefano and Leo Hellested) developed the framework for EXPRESS, meetings were set up with RISEP (RI Society of Environmental Professionals) to get feedback from the regulated community. After that input was incorporated we opened a formal comment period for the public from 1 June 2013 to 1 September 2013. We received written comments from many interested parties and subsequently addressed any feedback we received and finalized the Policy. Under this new Policy:

- The Performing Parties are in constant contact with OWM staff beginning with a start up meeting within 7 days after receipt of the EXPRESS Submission Package right through the issuance of a Program Letter. This communication keeps the dialogue open and proactively deals with issues before or as they occur.
- Several new areas of self-certification of information to reduce OWM review times.
- Time saving measures including the combination of the Remedial Decision Letter (RDL) and the Remedial Approval Letter (RAL) into one letter.
- Total time through the process of 60 days. The current OWM process from Letter of Responsibility (LOR) through RAL is about 180 days. **EXPRESS achieves a 60% reduction (see attached bar chart) of this time frame.**

As of October 2013, less than two months after full scale implementation, two sites have been completed with this process. Specifically:

- 153 Hamlet Avenue Realty Trust in Woonsocket was approved for a soil cap and Environmental Land Use Restriction (ELUR) remedy on 22 August 2013. The EXPRESS package was received on 18 June 2013. Despite being the first Site through the new policy and an incomplete public notice submission by the Performing Party (which required re-issuance) this site was done in 65 days.
- The former Caldas Auto Sales in Pawtucket was approved for a soil cap and ELUR remedy on 5 September 2013. The EXPRESS package was received on 12 July 2013 (a total of 55 days).

We have received very positive feedback on this initiative and the results speak for themselves. We have dedicated staff and resources to this program moving forward and have continued to make every effort to “get the word” out about this game changing policy.

**TAB 4**

**VOTE OF THE BOARD OF DIRECTORS OF THE  
RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**DECEMBER 16, 2013**

**(With Respect to the 2014-2016 Rules and Regulations for  
the Renewable Energy Development Fund Programs)**

**APPROVED**

**VOTED:** To approve the 2014-2016 Rules and Regulations for the Renewable Energy Development Fund Programs.

Dated: December 16, 2013

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**2014-2016 RULES AND REGULATIONS FOR THE RENEWABLE ENERGY  
DEVELOPMENT FUND PROGRAMS**

**1.0 Authority**

These Rules and Regulations are promulgated and adopted pursuant to the requirements and provisions of RIGL §42-64-13.2; RIGL §39-2-1.2; and RIGL §39-26.

**2.0 Purpose, Scope and Applicability**

The purpose and scope of the Renewable Energy Development Fund as set forth in RIGL chapter 42-64 are as follows:

- 2.1 To develop an integrated organizational structure to secure for the State of Rhode Island and its people the full benefits of cost-effective renewable energy development from diverse sources.
- 2.2 The [Rhode Island Economic Development] Corporation shall, in the furtherance of its responsibilities to promote and encourage economic development, establish and administer a Renewable Energy Development Fund as provided for in RIGL §39-26-7, may exercise the powers set forth in that chapter, as necessary or convenient to accomplish this purpose, and shall provide such administrative support as may be needed for the coordinated administration of the renewable energy standard as provided for in Chapter 39-26 and the renewable energy program established by RIGL §39-2-1.2.
- 2.3 The Corporation seeks to fulfill its legal obligations by providing and administering programs in 4 areas as part of the Renewable Energy Fund:
  - (a) Small-scale Solar
  - (b) Commercial Development
  - (c) Pre-development Feasibility Studies
  - (d) Early Stage Commercialization

### **3.0 Key Definitions**

For the purposes of these regulations, the following terms shall have the following meanings:

- 3.1 **"Affordable Housing"** means any affordable housing or low and moderate income housing as defined in RIGL Title 42, Chapter 128, or Title 45, Chapter 53, or such other superseding statutes as may be implemented by the State of Rhode Island from time to time.
- 3.2 **"Board of Directors"** means the body as defined in RIGL §42-64-8
- 3.3 **"Corporation"** means the Rhode Island Economic Development Corporation or any successor corporation or new corporation empowered to perform the functions currently served by the Rhode Island Economic Development Corporation.
- 3.4 **"Early Stage Commercialization"** means an innovative renewable energy technology or innovative business model with the ability to transform the renewable energy business sector. Technologies have completed or have nearly completed early research stages.
- 3.5 **"Emerging Technology"** means new technologies in renewable energy that will come to market within the next two (2) – five (5) years which have the ability to transform the renewable energy business sector.
- 3.6 **"Energy Audit"** means an inspection, survey and analysis of energy flows for energy conservation in a building, process or system to reduce the amount of energy input into the system without negatively affecting the output
- 3.7 **"Innovative Business Model"** means a novel business structure with the ability to help commercialize an emerging or existing renewable energy technology.
- 3.8 **"One-line Electrical Drawing"** means a diagram showing the number of photovoltaic panels with voltage and kilowatt output, all disconnects, all combiners, all inverters with input and output ratings, the size of the main electrical panel bussing in

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amperes, the size of the main service disconnect, the size of the PV circuit breaker in amperes, size and type of all raceways and the size and type of all conductors.

3.9 **"Pre-development Feasibility Study"** means the completion of project tasks prior to construction of a renewable energy project. These tasks shall not include initial feasibility assessments. Pre-development activities occur after a project is deemed worthy of development and before construction takes place. Examples of Pre-development Activities include but are not limited to:

- (a) Local and State Permitting.
- (b) Structural and Electrical Engineering.
- (c) National Grid Interconnection Studies.
- (d) National Grid Impact Studies.
- (e) Detailed Financial Analyses.
- (f) RFP Preparations.

3.10 **"Renewable Energy Fund"** and **"REF"** mean the Renewable Energy Development Fund.

3.11 **"Renewable Energy Fund Advisory Committee"** means the body, as appointed by the Program Manager of the REF, that may make recommendations regarding a project to be voted on by the Board of Directors. The Renewable Energy Fund Advisory Committee shall consist of no fewer than:

- (a) Two (2) employees of the RI Office of Energy Resources.
- (b) One (1) EDC Staff person from Financial Services.
- (c) The Director of the Science and Technology Advisory Council (STAC) or her designated appointee.
- (d) One (1) staff person from the REF

3.12 **"RIGL"** means the Rhode Island General Laws.

3.13 **"ROI"** means Return on Investment.

#### **4.0 Funding**

All Funds will be awarded and disbursed through solicitations issued by the Corporation in the Program areas of . Small-scale Solar, Commercial Development, and Pre-development Feasibility Studies. Approximate release dates for each solicitation will be available on the Corporation's website at the start of each calendar year. All dates are subject to change depending on availability of funds and demand for each program. Each solicitation will specify the specific incentive level, detailed instructions on how to apply, program requirements, and the deadlines to apply.

In each calendar year, a minimum percentage of the REF's income will be available to eligible projects in each Program area. The Corporation, at its discretion, may choose to contribute more money to a particular program based on demand for a particular program, available funds, or other factors. The minimum allocated percentages shall be:

Small scale solar: twenty percent (20%)

Commercial Renewable Energy Development: twenty percent (20%)

Early Stage Commercialization: twenty percent (20%)

Predevelopment Feasibility Studies: twenty percent (20%)

If the minimum percentage is not awarded during the calendar year, funds will roll over into the same program for the following calendar year.

#### **5.0 General Requirements**

- 5.1 All requests for use of Renewable Energy Fund programs shall be submitted to the Corporation on Renewable Energy Fund Applications which can be downloaded from the Corporation's website.
- 5.2 The Corporation reserves the right to utilize 3<sup>rd</sup> party entities to carry out its duties as administrator of the REF.
- 5.3 Applications for Small-scale Solar, Commercial Development, and Pre-development Feasibility Studies will only be accepted during open solicitation periods. Solicitations and schedules for future solicitations can be found on the Corporation's website.
- 5.4 Incomplete applications will not be accepted by the Corporation.

- 5.5 All applications must be typed. No handwritten applications will be accepted unless approved in writing by REF Staff in advance.
- 5.6 All applicants seeking funding through the REF for renewable energy projects must be a resident of Rhode Island or an entity located in Rhode Island.
- 5.7 All applications must be for new projects. No projects underway or complete at the time of applying shall be eligible for funding.
- 5.8 All energy audits must be conducted by an independent 3<sup>rd</sup> party entity suitable to the Corporation. Energy audits conducted by the same company performing the renewable energy installation will not be accepted.
- 5.9 REF funding for construction projects may not be combined the Distributed Generation Long Term Contracts Program.
- 5.10 REF funding may be combined with Regional Greenhouse Gas Initiative (RGGI) funding programs and/or renewable energy funding programs administered by the Federal Government.
- 5.11 Application Review Process:
- a. Renewable Energy Fund Staff will review all applications for Completeness and Eligibility.
  - b. All qualified applications may be reviewed by the Renewable Energy Fund Advisory Committee. A consensus will determine whether or not to recommend an application be presented to the Board of Directors.
  - c. Applications will be voted on by the Board of Directors for approval.
- 5.12 Award Process
- a. Award letters shall be sent to applicants after approval by the Board of Directors.
  - b. Contracts in a form acceptable to the Corporation shall be executed between the Corporation and the Applicant
  - c. Work may begin on Projects.
  - d. All grants for construction projects will be paid in full after successful completion and inspection of the Project.
  - e. All loan disbursements will be made in manner that is mutually acceptable to the Corporation and the borrower as agreed to in

the Loan Agreement. The Corporation in its sole discretion may cancel an award if mutually agreeable terms cannot be met.

- 5.13 If an applicant fails to provide and/or complete requested documentation within 60 days of the award letter being issued, the award shall be cancelled.

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## **6.0 Small Scale Solar**

### **6.1 Solicitations for funding:**

- a. A minimum of two (2) solicitations will be released each calendar year.
- b. Solicitations shall include all additional project requirements which are subject to change between funding periods..
- c. Solicitations shall include all deadlines for application submission.
- d. Funding will be issued in the form of grants.

### **6.2 Eligible Sectors:**

- a. Residential.
- b. Businesses.
- c. Affordable Housing.
- d. Non-profits.

### **6.3 Eligible Technologies:**

- a. Solar Photovoltaic (PV).
- b. Solar Domestic Hot Water (SDHW).

### **6.4 Minimum Submission Requirements:**

- a. Proof of Energy Audit,
- b. One-line electrical drawing (for PV only),
- c. Layout drawing including location of all major components.
- d. ROI/simple payback assuming no more than 3% utility inflation rate, and
- e. Signed turnkey contract.

### **6.5 Minimum Evaluation Criteria:**

- a. Technical Feasibility,
- b. Financial Feasibility,
- c. Cost per kWh of energy produced,

- d. Anticipated amount of renewable energy and related benefits expected from the proposed project. Related benefits include but are not limited to job creation, environmental benefits, and community benefits, and
- e. Experience of Project Team.

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## **7.0 Commercial Scale Project Funding**

### **7.1 Solicitations for funding:**

- a. A minimum of two (2) solicitations will be released each calendar year.
- b. Solicitations shall include all additional project requirements which are subject to change between funding periods.
- c. Solicitations shall include all deadlines for application submission.
- d. Funding will be issued in the form of grants.

### **7.2 Eligible Sectors:**

- a. Businesses.
- b. Institutions.
- c. Non-profits.
- d. Municipalities.

### **7.3 Eligible Technologies:**

- a. Those technologies set forth in RIGL § 39-26-5.
- b. All projects must have the ability to generate electricity.

### **7.4 Minimum Submission Requirements:**

- a. Proof of Energy Audit,
- b. One-line electrical drawing.
- c. Layout drawing including location of all major components.
- d. ROI/simple payback assuming no more than 3% utility inflation rate, and
- e. Signed turnkey contract.

### **7.5 Minimum Evaluation Criteria:**

- a. Technical Feasibility,
- b. Financial Feasibility,
- c. Cost per kWh of energy produced,

- d. Anticipated amount of renewable energy and related benefits expected from the proposed project. Related benefits include but are not limited to job creation, environmental benefits, and community benefits, and
- e. Experience of Project Team.

## **8.0 Pre-development Feasibility Study**

### **8.1 Solicitations for Funding:**

- a. A minimum of two (2) solicitations will be released per calendar year.
- b. Solicitations shall include additional project requirements which are subject to change between funding periods.
- c. Solicitations shall include all deadlines for application submission.
- d. All awards will be funded as low-interest loans contingent upon the ability for the project to be successful.

### **8.2 Eligible Sectors:**

- a. Businesses.
- b. Institutions.
- c. Non-profits.
- d. Municipalities.

### **8.3 Eligible Technologies:**

- a. Those technologies set forth in RIGL § 39-26-5.
- b. Technologies being studied must have the ability to generate electricity or provide a direct benefit to the electric grid.

### **8.4 Minimum Submission Requirements:**

- a. For Municipal Projects:
  - i. Any municipality applying for a pre-development feasibility study must include evidence of a Town/City Council vote in favor of the proposed project.
  - ii. The applicant must have evidence of its legal ability to borrow money on behalf of the municipality.
- b. Detailed scope of work,
- c. Detailed project budget,
- d. Contracts with all major subcontractors working on the Study,
- e. Clear evidence of cost-sharing specific to the Study, and
- f. The municipality must have an ordinance in place allowing development of the proposed project.

**8.5 Eligibility Requirements:**

- a. Technical Feasibility,
- b. Financial Feasibility,
- c. Cost per kWh of energy produced,
- d. Anticipated amount of renewable energy and related benefits expected from the proposed project. Related benefits include but are not limited to job creation, environmental benefits, and community benefits.
- e. Experience of Project Team

8.6 The Corporation and the REF Advisory Committee may choose to fund all, part, or none of a Predevelopment Feasibility Study based on the likelihood of development.

8.7 Loans will be repaid upon completion of the project.

8.8 If the project is found to be technically and economically feasible but the project is not commenced or completed the loan must be repaid to the Corporation.

**9.0 Early Stage Commercialization**

**9.1 Funding:**

- a. All program requirements shall be available on the Corporation's website.
- b. All funding will be issued in the form of a low-interest loan.

**9.2 Eligible Sectors**

- a. Businesses
- b. Institutions

**9.3 Eligible Technologies:**

- a. Those technologies set forth in RIGL § 39-26-5.
- b. Projects must have the ability to generate electricity or optimize the integration of renewable energy into the electric grid.
- c. Projects may qualify for funding as an Emerging Technology or an Innovative Business Model.

**9.4 General Requirements**

- a. Applicant must have other investments secured or be actively pursuing other forms of investment.

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- b. Applicant must submit a business plan

9.5 Evaluation Criteria

- a. Other funds leveraged,
- b. Technical Merit / Feasibility,
- c. Market Potential,
- d. Economic Impact for the State of Rhode Island,
- e. Team credentials and experience.
- f. Scope of Work/Project Budget.

DRAFT

**TAB 5**

## Renewable Energy Development Fund Early Stage Commercialization Program

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**APPLICANT:** rTerra PV Solutions  
 28 Jacome way  
 Middletown, RI 02842

**LOAN REQUEST:** \$ 300,000

**PURPOSE:** The deployment, third party validation, testing, and execution of IP filings for rTerra PV Solution's T-Flex technology. Other activities include business development, indentifying and securing funding opportunities, and enhancing rTerra PV Solutions internal resources.

**TERMS:**

- Repayment will trigger when rTerra PV Solutions technology has met a mutually agreeable milestone tied to the success of the product.
- rTerra PV Solutions will maintain a Corporate Headquarters in Rhode Island.

**SOURCES & USES:**

<b>Sources:</b>		
RI Renewable Energy Fund	\$300,000	75%
rTerra PV Solutions	\$100,000	25%
<b>Total:</b>	<b>\$400,000</b>	<b>100%</b>

<b>Uses:</b>		
Deployment of 4 pilot projects	\$100,000	25%
Third Party Validation of T-Flex Technology	\$75,000	18.75%
Testing of pilot systems	\$25,000	6.25%
Business Development	\$100,000	25%
Identifying and securing additional State and Federal Funding opportunities	\$25,000	6.25%
IP activities	\$25,000	6.25%
Organization and management of Early Stage Commercialization Project	\$50,000	12.5%
<b>Total:</b>	<b>\$400,000</b>	<b>100%</b>

**SOURCE OF REPAYMENT:** The source of repayment will come from sales of RTPVS' T-Flex solar panel mounting technology.

**BACKGROUND:**

rTerra PV Solutions (RTPVS) is a Delaware Corporation with corporate headquarters in Middletown, RI. RTPVS was established in March of 2013. The company's primary business is the development and commercialization of innovative, cost saving solutions for small to large scale commercial deployment of Photovoltaic systems in the US and globally.

RTPVS' T-Flex system solution provides a pre-assembled, pre-engineered, proprietary solar installation mounting for rapid deployment on traditionally challenging project sites. The system and equipment designs retain the flexibility to specify a wide variety of PV modules. Value engineering of the overall site installation can provide reductions in the cost for site preparation, remediation, DC wiring systems, and AC interconnection equipment – delivering the best possible price and value. This capability, leveraged with dramatic Balance of System cost savings, will allow RTPVS to continue to sell T-Flex systems at an extremely competitive total installed cost even as PV commodity prices fluctuate up or down.

RTPVS has completed its first pilot project of the T-Flex attachment solution on an Exposed Geo-membrane Cap at Delaware Solid Waste Authority's Southern Landfill Facility in Georgetown, DE. The installation was efficient and rapid with individual panels being installed in well under one minute.

**MANAGEMENT:**

Joe Tomlinson is a Co-Founder and the CEO of rTerra PV Solutions. He is the inventor of the T-Flex technology. Joe graduated from UMass Dartmouth with a degree in business and marketing. Prior to RTPVS, Joe was the founder and CEO of Revel Seven, an organic apparel company. Joe has been a principal on a number of different projects, including the creation of NBC's "Gravity Games, and developing the RE:VOVLE and Revel Seven organic apparel brands. He is also President of the Board of Trustees of the Winter School in Park City, Utah.

Gregory W. Ashley is a Co-Founder of RTPVS. Greg has 30 years of experience in the energy sector. Prior to co-founding RTPVS, Greg was Vice President and CEO of Solar Frontier, President of the U.S. market for Canadian Solar, and a Senior Manager of Strategic Business Development for Sun Edison.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**PUBLIC NOTICE OF MEETING**

A meeting of the Rhode Island Economic Development Corporation Board of Directors will be held at the offices of the **Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island**, on **Monday, December 16, 2013**, beginning at **5:00 p.m.** for the following purposes:

**PUBLIC SESSION**

1. To consider for approval the Executive (Confidential) Session Minutes for the meeting held on October 28, 2013.\*
  2. To consider for approval the Public Session Minutes for the meetings held on November 18, 2013 and November 21, 2013.
  3. To consider, as may be appropriate, matters covered in the Executive Director's Report.
  4. To receive a presentation from the Rhode Island Department of Environmental Management.
  5. To receive a presentation regarding the Rhode Island Commerce Corporation changes effective as of January 1, 2014.
  6. To consider for approval the 2014-2016 Rules and Regulations for the Renewable Energy Development Fund Programs.
  7. To receive a presentation regarding the Renewable Energy Fund Early Stage Commercialization Program application of rTerra PV Solutions, LLC in the amount of \$300,000.00.
- \* Board members may seek to convene in Executive Session to approve minutes previously sealed.

This notice shall be posted no later than 5:00 p.m. on Thursday December 12, 2013, at the Office of the Rhode Island Economic Development Corporation, at the State House, and by electronic filing with the Secretary of State's Office.

Shechtman Halperin Savage, LLP, Counsel to the Corporation

The location is accessible to the handicapped. Those requiring interpreter services for the hearing impaired must notify the Rhode Island Economic Development Corporation at 278-9100 forty-eight (48) hours in advance of the meeting. Also for the hearing impaired, assisted listening devices are available onsite, without notice, at this location.

Dated: December 12, 2013