



RIEDC

Rhode Island
Economic Development Corporation

RIEDC Financing Programs

Senate Finance Committee Hearing

April 25, 2013

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Small Business Loan Fund Corporation

Small Business Loan Fund Corporation

Overview

For smaller businesses looking for a direct, fully secured loan, the Small Business Loan Fund Corporation (SBLFC) provides up to \$250,000 for working capital to existing manufacturing, processing and selected services. Additionally, manufacturers seeking financing to be used for the acquisition of land, buildings, and equipment may qualify for loans in excess of \$250,000. Interest rates are fixed. The repayment terms are flexible, with up to 5 years for working capital and up to 10 years for hard asset financing. For each \$50,000 in funds lent, there should be the creation of a minimum of one job.

Restrictions: Requested funds cannot be used to refinance existing debt. Additionally, retail businesses and restaurants are ineligible for financing through the SBLFC.

Background

The SBLFC was established in 1986 and is a subsidiary corporation of the RIEDC. The U.S. Economic Development Administration awarded five federal grants to the RIEDC and its predecessor organizations to establish the SBLFC, the final grant having been received in 1996. The initial grants which created the fund totaled \$12.2 million. The fund has since provided loans to 642 Rhode Island businesses totaling \$58,936,358. Currently the program has 67 active loans with an outstanding principal of \$6,952,914.

Since its inception, the fund has not received, or administered, any State dollars. In the event of a loan default, there is no exposure to the State, nor can SBLFC request an appropriation from the State to cover any losses incurred. The SBLFC has its own Board of Directors tasked with reviewing and approving all SBLFC loans.

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SBLFC

**SMALL BUSINESS LOAN FUND CORPORATION
BOARD OF DIRECTORS
January 2013**

Raymond Fogarty (Chair)
RI Export Assistance Center
Bryant College

Richard DeMerchant

John 'JR' Pagliarini
RI Economic Development Corporation

Yahaira "Jay" Placencia

Jose "Joe" V. Monteiro, Jr.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
SMALL BUSINESS LOAN FUND CORPORATION
ADMINISTRATIVE PLAN**

(EDA PROJECT NOS. 01-19-01349, 01-19-63002, 01-19-03525, 01-49-03343, 01-49-03504)

AMENDED

June, 2010

**Small Business Loan Fund Corporation
Administrative Plan
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Small Business Loan Fund Corporation Administrative Plan

I. INTRODUCTION

The Rhode Island Economic Development Corporation (RIEDC) is combining **five** U.S. Economic Development Administration (EDA) Revolving Loan Grants awarded in 1975, 1994, and 1996 into one Revolving Loan Fund (RLF) to:

1. Better align the RLF with RIEDC's Strategic Plan to expand job and wage growth in the Rhode Island economy.
2. Gain efficiencies in the operation and management of a single fund.
3. More closely align and integrate the RLF with other State of Rhode Island sponsored programs.
4. Increase opportunities to partner with private sector financing sources.
5. Better leverage available capital for the greatest possible economic impact.

II. HISTORICAL OVERVIEW

The EDA awarded four revolving loan grants (01-19-01349, 01-19-03525, 01-19-63002, and 01-49-03343) to the RIEDC and its predecessor organizations. All of the funds are administered by the Small Business Loan Fund Corporation (SBLFC), a subsidiary corporation of the RIEDC.

The First Grant, (01-19-01349), consisting of \$8,250,000 federal funds and \$3,200,000 matching funds, was awarded on June 24, 1975. The original intent of the grant was to construct, acquire, and put in place a dry dock facility, and to make a direct loan to the Derecktor Corporation. The \$8,250,000 EDA Grant was amended in April, 1979, to establish the "Core" RLF. Of the \$8,250,000 EDA Funding, \$1,250,000 was used for infrastructure improvements and \$7,000,000 was used for the initial Derecktor Loan and subsequently fund the RLF.

The Second Grant, (01-49-03343), consisting of \$1,875,000 federal funds and \$625,000 matching funds, was awarded on November 1, 1994 to establish a special RLF to address defense-related economic dislocations.

The Third and Fourth Grants, (01-19-63002 and 01-19-03525), consisting of \$800,000 and \$250,000 federal funds and \$267,000 and \$0 matching funds, were awarded on July 15, 1994 and May 13, 1996 respectively. Both awards were to address fisheries-related economic dislocations.

On October 4, 2001, EDA approved the use of the Second Grant, Third and Fourth Grants, to be utilized to support a change in RIEDC economic strategy and pursue opportunities that enhance the development of high-wage growth industry sectors (e.g. software, communications, innovation services, financial services, electronics and medical technology).

On October 17, 2007, EDA approved the transfer of a fifth grant (01-49-03504) which was originally awarded to the University of Rhode Island in August 1996 for \$1,600,000 to support the Marine Enterprise Development Program to the RIEDC. Under a sub-grant agreement between URI and RIEDC, which was included in the proposal to EDA, the RI Small Business Loan Fund acted as "Bankers" for the RLF. As provided in the agreement, the loan payments have been retained by RIEDC and merged with its composite small business loan capital pool. The RLF portion of this grant includes \$1,066,667 in EDA funds and a \$355,556 local match.

Despite the uniformity of the permitted amendments the five grants are administered as distinct funds (e.g. individual bank accounts, separate compliance reporting to EDA, etc.) which is administratively burdensome and costly.

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III. PROGRAM ELEMENTS OF THE PLAN

A. GOALS AND OBJECTIVES

The primary goal of the SBLFC is to act as a financing source to catalyze additional private sector capital formation and combine with other State financing and economic development programs to expand the high wage and job growth industry sectors of the State's economy (e.g. health & life sciences, defense & national security, marine & environmental technology, information technology and advanced manufacturing). RIEDC's strategy for transforming from an industrial-based to a knowledge-based innovation economy is to focus on companies that use innovation to create products, processes and techniques to deliver better services and products or use existing technologies in new ways.

Specific strategic objectives of the SBLFC's RLF program follow:

1. Leverage private investment and capital formation to facilitate business development activities with new and existing companies that create jobs through innovation.
2. Create or retain private sector jobs, across all wage and salary spectrums, with emphasis on companies with a demonstrated track of or a strong potential for job growth.
3. Assist in diversifying the state's economy by focusing on opportunities with small to medium-sized businesses from emerging, as well as, traditional industries; particularly companies engaged in or adopting new technologies.
4. Collaborate with other capital providers focused on stabilizing and revitalizing business expansion and retention in Rhode Island's disadvantaged communities.
5. Expand efforts directed at businesses owned by women and minorities.

B. IDENTIFICATION OF THE STATE'S FINANCING PROBLEMS

Rhode Island's economy is attempting to transition from an industrial based economy to a knowledge based economy. Innovation is a central part of Rhode Island's economic development strategy. Rhode Island's economic future will be grounded in existing and newly created companies that are innovators in creating new ideas, processes and technologies to deliver better products and services. Job growth within the Rhode Island market will come through innovation.

The economic transition described above is expected to come largely from Rhode Island's small (including start ups) and mid size companies. These companies are likely to continue to experience difficulty assembling all of the capital necessary to finance this growth.

The preponderance of businesses within these sectors are small and mid size businesses. Small and mid size companies when confronted with growth opportunities are often constrained by traditional bank lending parameters given their typically weaker balance sheets. Specifically, companies that are experiencing growth often exceed bank advance rates for loans against accounts receivable and inventory. Similarly, if growth requires expansion of plant, property and equipment companies financing requirements often exceed traditional bank leverage ratios.

Economic viability does not ensure that a business enterprise will receive adequate financing, as private lenders consider collateral risk as well as repayment risk. In some situations, a business may be growing and profitable, but, lacking sufficient equity capital to satisfy bank down payment requirements for an expansion. A key objective of the SBLFC program is to leverage private financing by providing adequate collateral cushion for a participating bank through the use of subordinated debt.

Further complicating small businesses access to bank capital has been banks adoption of more profitable standard underwriting approaches where exceptions are not tolerated leaving many credit requests unmet.

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RIEDC believes that by leveraging the SBLF with other state and federally sponsored programs (e.g. The Slater Fund, etc.), bank and alternative lenders (e.g. Business Development Company of R.I.) financing gaps can be eliminated leading to more funded loan requests and resultant economic and job growth.

C. TARGETING CRITERIA

Combining all **five** EDA grants (01-19-01349; 01-19-03525; 01-19-63002; 01-49-03343, 01-49-03504) into one RLF allows greater flexibility and efficiency in executing SBLFC restated objectives. Loan decisions will be considered utilizing the following Target Criteria:

- Identify opportunities that more closely align with the State's economic strategy to expand high-wage growth clusters by supporting Rhode Island companies that innovate as discussed earlier.
- Continue to support existing companies that demonstrate an ability to shift to newer more productive technologies and/or processes through innovation.
- Facilitate the growth of women and minority owned businesses.
- Support any latent defense adjustment situations.
- Make funds available for businesses affected by natural or man-made economic adjustment situations.

D. STANDARDS FOR SBLFC PORTFOLIO

Individual loans will generally conform to the standards outlined below but may depart from these standards when economic circumstances warrant, however the cumulative impact of the RLF portfolio will be measured against these standards. RIEDC requests the right to revise these standards in the future, subject to satisfying minimum EDA requirements, to allow the SBLFC to remain aligned with the State's economic strategy.

- Job/Cost Ratio: A primary objective will be to create or retain one full-time job for every \$100,000 of SBLFC dollars loaned;
- Types of Jobs to be created: Priority will be given to projects that create jobs that are year-round, full-time, pay wages in excess of 250% of minimum wage and provide market benefits.
- Leverage Ratio: The SBLFC will leverage a minimum of two private dollars to each SBLFC dollar loaned. Private leverage will include private (non-federal) financing, and equity contributions by the business or its principals.
- Criteria for the Type of Activities: In order to be eligible for SBLFC assistance, the applicant must be a U.S. citizen, corporation, or partnership of the United States, or other U.S. legal entity empowered to do business in the State of Rhode Island. In most cases, the borrower will be a for profit business, although under special circumstances, non-profit entities are eligible for assistance if the ultimate beneficiary of the loan is a private-for-profit business, and the project will create or retain sufficient private sector jobs, and otherwise meet EDA RLF guidelines.

E. FINANCING POLICIES

- Loan Amounts: The average loan is projected to be to \$150,000. Maximum loans to a single borrower or borrowers related through common ownership will be \$500,000. In extraordinary

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cases where the need exceeds \$500,000, and the job creation/saved potential warrants such consideration, the SBLFC may request EDA to authorize a waiver;

- Permitted Uses:
 - A. Plant, property & equipment loans: To include acquisition and/or improvement of land, buildings, plant and equipment including new construction and renovation of existing facilities. Loan amounts may not exceed 95% of the lower of cost or market; market values will be supported by an acceptable appraisal.
 - B. Working capital loans: To finance accounts receivable, performance contracts, raw material and finished goods inventory.
- Loan Maturity / Amortization :
 - A. Acquisition and/or improvement of land and buildings; Maturity not to exceed 15 years; Amortization not to exceed 25 years.
 - B. Acquisition of machinery and equipment: Maturity not to exceed 10 years; Amortization not to exceed the useful life of the asset financed.
 - C. Working capital: Not to exceed 5 years.
- Lending Rate: As established by EDA, the SBLF's a) minimum rate shall not be less than four (4) percentage points below the current money center prime lending rate, as quoted in The Wall Street Journal; and
 - A. the maximum rate shall not exceed that allowed under state law; however
 - B. in no case may the rate be less than four (4) percent.
 - C. Rate is approved by the SBLFC Board based upon current market conditions, credit risk undertaken and associated economic development opportunity.
 - Rate exceptions outside the designated minimum and maximum range may be made on a case by case basis at the discretion of the SBLFC Board.
- Special Terms: A moratorium on principal and/or interest payments may be granted at any time during the life of the loan if authorized by SBLFC board or its designee.
- Subordination: Subordination to senior lenders is anticipated given SBLFC funds will be used to leverage private lending that otherwise would not occur.
- Loan Collateral Requirements:

In determining collateral requirements, the SBLFC will consider the merits and potential economic benefits of each request. Typically, SBLF loans will be collateralized by any and all available assets of the borrower and guarantors, where applicable, including subordinate collateral positions, cross collateralization with other lenders and collateralized guaranties where appropriate.

Available security may include assignments of patents and licenses, leases and stock pledges.

Insurances, including hazard and key person life, would be required where appropriate to protect SBLFC's collateral interest.
- Loan Restructuring:

Problem loan management will be the responsibility of the SBLFC board or its designee including the use of specialized bankruptcy or receivership counsel and outside consultants.
- Use of Interest Payments, Fees and Loan Proceeds:

Interest payments, fees collected or proceeds earned from the sale of loans will be used to support the ongoing administration of the RLF including the establishment of an adequate loan loss reserve. Funds not used for these purposes are lendable funds.

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- Other Fees and Charges:
 - Application Fee - An application fee is required when the loan proposal is filed. The current fee is up to \$2,500.
 - Loan Commitment Fee – A fee maybe charged up to 3% of the Loan Amount.
 - Closing Costs and legal fees – Up to the greater of \$3,500 or 3% of the loan amount, if extensive negotiation/documentation is required legal fees may exceed these amounts. Every effort is made to minimize legal costs to the borrower.
 - Legal Fees – The applicant is responsible for all legal expenses associated with the proposal, incurred by the SBLFC, whether or not the loan is made.
 - Applicant's Costs – The SBLFC is not responsible for any expenses incurred by the applicant in preparing and submitting his proposal and request for financial assistance, whether the loan is approved or not.
- Need for SBLFC Assistance:

SBLFC assistance will only be used in situations where private financing alone is not available to finance the entire project, or is not available on terms that will allow the project to go forth. Written documentation from the applicant to justify SBLFC participation will be required. For example, this may consist of a letter from a bank stating why they will not, or cannot, finance the entire project, or that they cannot provide financing on terms that would allow the project to proceed. A cash flow, or return on investment analysis, justifying special credit needs that cannot be met through conventional means may also serve as justification.
- Coordination with Other Financing Programs:

To the extent possible, the SBLF will participate with private, state and federal financing programs and provide the necessary gap financing to make a project feasible.

F. RELATED ACTIVITIES

In addition to making loans, the SBLFC as required by EDA will provide other forms of assistance and services to aid economic development and to benefit unemployed and underemployed workers. (EDA Directive No. 17.07 dated 5/22/85):

- Technical and Management Assistance: Technical and management assistance will be provided to businesses as part of the SBLFC RLF program. SBLFC will seek to engage other more qualified programs (e.g. SBA/Johnson & Wales University Small Business Development Centers; R.I Coalition of Minority Enterprises, RI Manufacturers Extension Services, Urban Ventures, Every Company Counts, RI Center for Innovation & Entrepreneurship, etc.) where applicable.
- Referral Services: A number of firms applying for SBLFC assistance may be ineligible under the SBLFC loan selection criteria. SBLFC will assist in referring these businesses to alternative lenders where necessary.
- Linking Jobs to the Economically Disadvantaged: Wherever possible SBLFC loans should be made to businesses that create jobs for the unemployed, underemployed, and low to moderate income populations. SBLFC loan documentation requires borrowers to certify that they will work with employment and training entities in order to assure job opportunities are available to economically disadvantaged populations.

IV. ADMINISTRATIVE ELEMENTS OF THE PLAN

A. LOAN ADMINSTRATIVE BOARD

- Organizational Structure

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Incorporated on January 21, 1986, SBLFC is a public subsidiary corporation of RIEDC, a public corporation duly authorized, created and established pursuant to the provision of Chapter 42-64 of the General Laws, 1956, as amended.

- Members of the Board of Directors
Appointed by the Board of Directors of RIEDC, currently numbering five, but can vary from time to time by action of the Board of Directors of RIEDC. The SBLFC Board serves at the pleasure of the RIEDC Board for a term of three years. It is the intent of RIEDC consistent with its economic development strategy to build stronger private-public partnerships to expand and/or appoint new members to the SBLFC Board that can assist SBLFC in further leveraging capital formation and economic impact.
- Corporate Powers
All the powers, privileges, rights, immunities, tax exemptions and other exemptions of the RIEDC, except the right of condemnation, are conveyed to the SBLFC.
- Corporate Officers
Officers of the Corporation shall be appointed by, and, shall serve at the pleasure of the Board of Directors and shall include a Chairman, Vice-Chairman, and Secretary. Additional officers may be appointed as deemed appropriate.
 - i. Chairman: Supervises and conducts the business and affairs of the Corporation; presides at Board meetings and exercises the powers and performs the duties as set forth in the By-Laws.
 - ii. Vice-Chairman: In the absence of the Chairman, performs the Chairman's duties and those duties assigned by the Chairman.
 - iii. Secretary: Records all business transacted at each meeting and those duties as assigned by the Chairman.
- Committees:
The Board of Directors may establish committees as it deems necessary. Members of the Committees shall be appointed by the Chairman or Vice-Chairman in the Chairman's absence. The Board shall determine the size and purpose of each committee. Minutes of committee meetings will be prepared promptly and filed with the Secretary and reports will periodically be given to the Board.
- Board Membership
The Board of Directors should include members with significant business and financing experience, public and private sector backgrounds and community/minority representation.

It is required that at least one member with financing experience similar to the types of loans to be made by the SBLFC be present at each meeting.

- CURRENT BOARD MEMBERS:

R. Thomas Stocker Jr.

Mr. Stocker is the managing director of Owner's Edge, LLC, a management consulting firm specializing in the needs of small to mid-sized businesses. Mr. Stocker has extensive experience creating value as a senior operations/finance executive. He has worked with and for companies with revenues from \$3 million to the Fortune 50, including Nortek, Danaher, Kraft Foods and Georgia-Pacific.

Leslie Taito

Leslie Taito is the Chief Executive Officer of the Rhode Island Manufacturing Extension Services (RIMES), a non-profit organization which provides complete manufacturing solutions to Rhode Island's small and medium-size manufacturers. Since 1996, RIMES has worked with over 600 Rhode Island manufacturers. Ms. Taito has over 22 years of experience in the service

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and manufacturing industries. She has served as Director of Operations for the Greater Rhode Island Regional Employment and Training Board (GRIRETB) and Executive Director of the Rhode Island Manufacturers Association. Leslie is a member of the board of directors for the Northern Rhode Island Chamber of Commerce and has served on the North Kingstown Chamber of Commerce.

Richard A. DeMerchant, Esquire, CPA/CVA

Mr. DeMerchant is a Partner in the law firm of Delaney & DeMerchant, LLC. He was formerly a partner with accounting firm DiSanto, Priest & Co. The firm specializes in privately held family owned businesses, financial and tax planning, litigation support and business valuation. He has been an SBLFC Board member since 1995.

Raymond Fogarty

Mr. Fogarty has served as Director of the Rhode Island Export Assistance Center since 1988. Previously, he was Associate Director of the RI Small Business Development Center. Mr. Fogarty has served as a member of the SBLFC Board since its initial creation.

William J. Parsons

Mr. Parsons is the Deputy Director of the RIEDC. He has served in various capacities over twenty years with the RIEDC, and has been instrumental in retaining and attracting businesses to Rhode Island. He has served as a member of the SBLFC Board since its inception.

- **Board of Directors Responsibilities**

The SBLFC Board of Directors is responsible for approving all:

- Loan requests.
- Material loan modifications/amendments.
- Problem loan management strategies, including discounted loan pay-offs, foreclosure actions, etc.
- Loan charge-offs.

In addition, the Board of Directors:

- Ensures that all applicants are within the eligible lending area and meet eligibility requirements;
- Recommends and approves loan policies which are consistent with the State's Economic Strategy;
- Approves all variances from policy;
- Reviews, modifies, evaluates, and approves annually, the SBLFC plan to support the implementation of the State's Economic Strategy for re-submission to EDA, if required;
- Ensures that the SBLFC policies and portfolio standards are consistent with EDA policies and requirements;
- Ensures that SBLFC administrative procedures are consistent with generally accepted accounting principles and employs prudent lending practices for public lending programs of its type;
- Reviews all audit examinations and audit responses.

B. STAFF CAPACITY

- **Staffing Structure/Responsibilities:**

The Board of Directors of the SBLFC appoints the SBLFC Administrator.

The services and responsibilities required by the SBLFC require experienced lending and accounting skills which have been provided by sharing resources within RIEDC's Financial Services Division. The SBLFC reimburses, either partially, or in total, the salaries of the SBLFC Administrator and other support personnel, as well as related expenses.

Marketing of the SBLFC product and other alternative financing programs are accomplished by the SBLFC staff. Included in the marketing effort are joint calling with RIEDC's business

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development team, informational meetings with local bank lenders and other capital providers, members of the State of Rhode Island regional economic development organizations, RI Center for Innovation and Entrepreneurship, J & W University Small Business Development Center, Small Business Association of New England, etc.

- Present Staff Biographies

J. Michael Saul, Deputy Director RIEDC

Mike Saul is a Rhode Island business and banking executive with extensive experience in building organizations, particularly in their critical initial start-up phase or in re-organization. In business, Mr. Saul led successful turnaround and start up efforts with privately held Rhode Island based companies. In banking, Mr. Saul had a distinguished career with Bank of Boston servicing as a senior credit and lending executive. Mr. Saul also has made a career commitment to community service currently serving as Executive Director for The Urban Revitalization Fund of Rhode Island. He served as Chairman and Director of the Rhode Island Urban Project, Trustee and Chair of Development Committee of the Providence Performing Arts Center, Director of the Minority Investment Development Corporation, Junior Achievement and The Fellowship. He is a graduate of Providence College and has participated in executive management programs at the University of Virginia, Darden Business School.

Earl F. Queenan, Jr. – Finance Program Administrator

Mr. Queenan has over 30 years in economic development and is responsible for financing programs at RIEDC. Mr. Queenan has a B.S. in Accounting from Providence College. Mr. Queenan presently serves as the SBLF Co-Administrator.

Sean Esten - Financial Portfolio Manager

Mr. Esten is an experienced lender with over 15 years experience in commercial lending, portfolio management and loan workout. Mr. Esten has experience in almost every type of commercial lending including equipment finance and leasing, asset based lending and more traditional commercial & industrial and commercial real estate lending. Over the past 15 years, Mr. Esten has held positions with Citizens Bank, Wells Fargo Retail Finance, Capital Crossing Bank and Webster Business Credit. Mr. Esten has also worked as a crisis management and financial consultant to small and mid-sized businesses throughout the US. Mr. Esten received a BS in Business Management from Rhode Island College and an MBA from Bryant University. Mr. Esten presently serves as the SBLF Co-Administrator.

Alicia A. Pomfret, Assistant Financial Analyst

Alicia A. Pomfret is an Assistant Financial Analyst within the Financial Division of RIEDC and serves as administrative support for the SBLFC. She has over 20 years experience as the Assistant Manager of the Rhode Island Industrial-Recreational Building Authority's mortgage insurance program. Ms. Pomfret attended the University of Rhode Island.

C. LOAN SELECTION AND APPROVAL PROCESS

- Borrower Eligibility Requirements

- Lending Area:

- The borrower must retain the activity financed within the State of Rhode Island for the term of the loan.

- Relocation:

- SBLFC financing may not be used to relocate jobs from one labor market (commuting) area to another. The loan agreement includes a provision for calling the loan if:
 - The business used the SBLF loan proceeds to relocate jobs from one labor market (commuting) to another; or
 - The activity financed was subsequently moved to a different labor market area to the detriment of local workers.

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- Alternative Funding Sources
A borrower is eligible for SBLFC financing only if financing from other sources is not available on terms and conditions which would permit completion of the requested financing activity. A bank rejection letter, if obtainable, is required.
- Participation Lending:
Frequently, the participation of the SBLFC in a project's financing may be required in order for the borrower to qualify for traditional funding sources. A commitment letter from the primary lender stating the loan terms, the maximum amount to be extended by the lender and the need for the SBLFC's participation is required.
- Exceptions:
SBLFC financing may be used as an incentive by offering more flexible or favorable loans to attract a new business, fund the expansion of an existing business or retain an existing business that would not otherwise locate/remain in Rhode Island. Certification from the company, stating that it would not locate/remain in Rhode Island without SBLFC assistance, is required.
 - Public/Quasi-Public Borrowers:
These types of borrowers are ineligible unless:
 - The activity financed directly benefits, or will directly benefit identifiable business concerns; and
 - There is reasonable assurance that the activity financed will result in increased jobs and business activity in the near term.
 - Private Developers:
All speculative development is ineligible. Non-speculative development, consistent with the State's economic development strategy, where readily identifiable benefits exist are eligible.
 - Other:
The SBLFC may not borrow from itself or lend to a related organization
 - Loan Type Restrictions
 - Investments:
Loans for the purpose of investing in interest bearing accounts, certificates of deposit, equity investments in publicly traded securities, interest bearing securities (taxable and tax-exempt) or other investments not related to the objectives of the SBLFC are prohibited.
 - Other Prohibitions:
Loans to:
 - Acquire an equity position in a business.
 - Subsidize interest payments on existing loans.
 - Provide the equity position under other Federal loan programs; Enable the acquisition of an interest in a business, either through the purchase of stock or the acquisition of assets, unless the economic impact/benefit is justified (e.g. to prevent foreclosure, acquisition results in the expansion/retention of the business, etc.);
 - Refinance existing debt unless a) there is sound economic justification and it is not replacing private capital, reducing the risk of current lenders or lowering the financing cost; and, b) SBLFC income or recycled funds are used to purchase the rights of a prior lien holder during an in-process foreclosure action in order to preclude a significant loss on an SBLFC loan. This action should be predicated on a probability of receiving compensation from the sale of assets within eighteen (18)

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months, sufficient to cover the SBLFC's expenses and a reasonable part of its loan.

In all cases, the resulting economic impact/benefits from an exception should be consistent with the State's economic strategy and should be documented accordingly.

- Loan Guarantees:

Original grant funds will not be used to guarantee loans made by other lenders. Second generation funds may be used to guaranty another lender's loan. An SBLFC Board resolution is required.

- Conflict of Interest:

Loan activities which would create a potential conflict of interest for an SBLFC officer, employee, or Board Member, or which directly benefits individuals, or people related to them by blood, marriage or law, are prohibited.

- Environmental Impact:

A project financed in whole, or in part, by the SBLFC, cannot adversely impact flood plains, wetlands, significant historic or archaeological properties, drinking water resources, or non-renewable natural resources.

- Application Requirements

Each applicant must provide the following information, unless specifically waived by the SBLFC Administrator:

- Business Overview: name, location (Enterprise Zone), principal owners/stockholders, type of business background and history, products, and/or services provided, date established, industry information and competitive environment ;
- Financial Overview: Depending on the size of the company, and the size of the loan, either audited, reviewed, compiled accountant prepared financial statements, or management prepared financial statements will be required for the prior three years and the current period. In each case, the balance sheet, income statement, cash flow analysis and descriptive footnotes must be included.
- Management Overview: Resumes or a description of the experience of the principals must be included.
- Financing Project: A thorough description of the project. If land and/or a building; the acreage; location; current zoning; environmental condition; current owner and selling price. If a building, a general description of the building's condition, layout, and square footage; if machinery and equipment, the type, number, cost, age, and where it is to be located.
- Business Plan: Required if the company is a start-up or is diversifying into a new product or business line. The business plan should contain a description of the current business, justification for strategies and action plans; associated business and financial risks; and any environmental implications.
- Financial Plan: Projections, including a pro-forma balance sheet, income statement, and cash flow for up to two years or more.
- Financing Proposal: Known or other potential sources of funds, including the terms and conditions, including those requested from SBLFC.
- Employment Impact: Number of current employees, jobs retained/ added, wage levels, sources of new employees and job training requirements.
- Environmental: Proximity of water, wetland, and flood hazard plain, potential pollution problems currently, or from intended operations, sewer and water usage, agency permits obtained and/or required, and any current litigation against the company or its principals.

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- Statement of Assurances: Compliance with 1) Title VI of the Civil Rights Act of 1964, as amended; 2) Federal and state air and water pollution regulations and the acquisition of all necessary permits; 3) Handicapped accessibility on construction projects; 4) Davis-Bacon wage rates; and 5) the prohibition of using SBLFC funds for businesses which relocate from one labor market area to another.
- Credit References: From financial institutions and other providers of credit where the company and the principals have borrowed during the last five years and disclosure of any adverse financial events during the same period.

D. LOAN ADMINISTRATION:

Loans are administered using an industry standard loan management system (currently Nortridge Loan Servicing System).

- Loan Payments
 - Loan Payments and Amortization: The payments will be made in accordance with the loan agreement.
 - Interest Only: Payments of interest only may be made for no more than twenty-four months and the loan amortized over the remaining period to maturity.
 - Loan Prepayments: Loans may be prepaid, in whole or in part, without penalty. Partial prepayments will be considered principal payments in the inverse order of maturity.
 - Repayment Modifications: The Board or its designees may approve loan repayment schedules, specifically, but not limited to:
 - Deferrals of interest and/or principal payments;
 - Further subordination of any loan outstanding; and
 - Capitalization of fees and other charges.
- Loan Collections
 - Collection of past due accounts is conducted by staff using their years of experience assisted by the advice of legal counsel and all activity is recorded in the loan management system. The emphasis of loan collection is on the rehabilitation of the loan. Rehabilitation may include:
 - Restructuring of payments
 - Forbearance Agreements
 - Resetting of loan covenants
 - Repayment through Asset Liquidation: If the SBLFC determines that actions are required to minimize its risk of loss, the SBLFC may sell, collect, liquidate or otherwise recover on loans extended in accordance with its legal rights and remedies.
- Accounting: All loan and RLF accounting is conducted to GAAP standards by the RIEDC Accounting and Finance department. RIEDC undergoes a full annual independent audit which extends to all subsidiaries including SBLFC. RIEDC's outside auditors independently examine SBLFC compliance with Grant Agreements and Administrative Plan.

E. LOAN WRITE-UPS

A standard loan write-up, which includes all significant issues identified below that are relevant to the loan request, will be analyzed. SBLFC will accept the credit write ups, in lieu of preparing its own, of lenders and alternative lenders in transactions where SBLFC is participating. In those cases SBLFC will prepare a standard cover memo addressing its loan structure and other aspects of its standard write up not addressed in the participation lender's credit write up.

Loan write ups to be recommended to the Board will be submitted to Board Members at least two days before the meeting, discussed at the Board meeting and a decision to reject, approve,

Small Business Loan Fund Corporation

Administrative Plan

approve with modifications or postpone pending additional information will be documented in the Board minutes

Standard Loan Write-Up

1. PROPOSAL

- Borrower, name, address and business description
- Principals and their qualifications
- Amount requested and recommended
- Proposed terms
- Proposed collateral
- Purpose
- Job impact

2. BACKGROUND

- Borrower's and principals' background
- Last three years' results: financial and cash flow reconciliation.
- Capital adequacy/leverage
- Credit strengths and weaknesses

3. FORECASTS

- Pro-forma forecasts
- Sources of repayment/cash flow projections

4. INDUSTRY RISK FACTORS AND BORROWERS POSITION

- Outlook and peculiarities
- Competition
- Product base, distribution, liability and obsolescence
- Customer/Supplier concentrations
- Labor situation
- Regulatory issues
- Environmental implications

5. COLLATERAL ANALYSIS

- Accounts receivable turnover, concentration, aging
- Inventory: composition, level, obsolescence
- Accounting controls
- Appraisal of fixed assets and machinery & equipment

6. GUARANTORS

- Personal financial statement review and analysis
- Personal tax return
- For corporate guarantors, analysis of financial statements and business tax return.

7. ASSURANCES

- Private lender not being taken out and that the loan meets SBLFC policy guidelines.

8. RECOMMENDATION

F. LOAN CLOSING & DISBURSEMENT

- Loan Documentation: Loan documents are prepared by outside Legal Counsel in accordance with SBLFC board approved loan terms, conditions, amendments and forbearance.

Small Business Loan Fund Corporation Administrative Plan

- Loan Closing: Loan closings are conducted by SBLFC Legal Counsel in conjunction with the SBLFC Administrator. A closing binder is provided by counsel and includes copies of all relevant documents, loan closing binders are distributed to both SBLFC (originals) and the borrower (executed copies).
- Recording of Liens: Conducted by SBLFC Counsel.
- Loan Disbursement: loan funds are disbursed in accordance with the Loan Agreement and Disbursement Authorization. Funds are not released until such time as legal counsel confirms that all liens have been properly filed. All funds are disbursed by check; checks are signed by two signatories in accordance with RIEDC policies.

G. RECAPITALIZATION STRATEGY

The SBLFC will aggressively pursue collection of its loans while also seeking out new sources of capital for its SBLFC fund. Interest and fees collected in excess of administrative costs, as outlined elsewhere in this administrative plan, will be reserved for bad debts and to increase the lending capacity of the fund.

H. OTHER REQUIREMENTS

The SBLFC requires that each borrower sign and agree to the provisions included in its "Certification and Assurances" form. This form address the issues listed below, and is an exhibit to the Loan Documents attached.

- Civil-Rights: SBLFC will make loans available on a non-discriminatory basis. No applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap, or sex.
- Environment: Several sections of the "Certification and Assurances" form deal with environmental issues. SBLFC will require an opinion of attorney, at closing, that the borrower is in compliance at the time of closing with all applicable federal, state, and local laws, ordinances, and regulations pertaining to the environment.
- Relocation: Projects relocating jobs from another labor market area will not be eligible for SBLFC assistance.
- Flood Hazard Insurance: SBLFC will require flood hazard insurance if the project site is identified as a flood hazard area.
- Access for the Handicapped: If the SBLFC finances a construction project, including renovation, to which the public will have access, the borrower will be required to provide access to the handicapped, in accordance with the ADA, as a condition of the loan.
- Davis-Bacon Wages: If the SBLFC finances, in whole or in part, a construction project, the borrower will be required to comply with the Davis-Bacon Act, as amended.

DEPARTMENT OF STATE.
OFFICE OF
SECRETARY OF STATE
PROVIDENCE, R. I.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
 SUBSIDIARY PUBLIC CORPORATION

ORIGINAL ARTICLES OF INCORPORATION Filed JAN 21 1996 *J. B. D.*

The undersigned, acting as incorporator of a subsidiary public corporation pursuant to the provisions of §42-64-7.1 of the General Laws, 1956, as amended, adopts the following Articles of Incorporation for such corporation (hereinafter the "Corporation");

1. The name of the Corporation is "Small Business Loan Fund Corporation."

2. The Corporation is a public corporation of the State of Rhode Island and Providence Plantations (hereinafter the "State") having a distinct legal existence from the State and not constituting a department of state government, which is a governmental agency and public instrumentality of the State.

3. The period of its duration is perpetual.

4. (a) The purpose or purposes for which the Corporation is organized is: to make loans to various individuals, entities or other persons and to take any and all action necessary or desirable incident thereto within and throughout the State of Rhode Island and Providence Plantations for the following: (i) with respect to federal land, or land related thereto, for any port project, and (ii) with respect to real property, other than federal land, for any port project, except a residential facility or a civic facility.

(b) The Corporation shall have all the powers, privileges, rights immunities, tax exemptions, and other exemptions of Rhode Island Port Authority and Economic Development Corporation, a public corporation duly authorized, created, and established pursuant to the provisions of Chapter 42-64 of the General Laws, 1956, as amended (hereinafter the "Port Authority"), except as provided herein. The number of persons constituting the initial Board of Directors (who shall serve at the pleasure of the Board of Directors of the Port Authority) shall be as set forth in these Articles of Incorporation. Thereafter, the number of the Board of Directors may be varied from time to time by the Board of Directors of the Port Authority, and the members thereof shall be appointed by the Board of Directors of the Port Authority to serve at its pleasure. The Corporation shall not have the condemnation power contained in §42-64-9 of the General Laws, 1956, as amended, nor shall it have the powers contained in, or otherwise be subject to the provisions of §42-64-12 and §42-64-13(a) of the General Laws, 1956, as amended.

(c) The Corporation is a subsidiary public corporation of the Port Authority, and any distributions of income or of capital, including distributions made in connection with the liquidation or upon the dissolution of the Corporation, shall be made solely to the Port Authority.

5. The number of directors constituting the initial board of directors of the Corporation is five and their names and business addresses are:

Louis A. Fazzano
Seven Jackson Walkway
Providence, Rhode Island 02903

Kenneth Willette
Seven Jackson Walkway
Providence, Rhode Island 02903

Norman DeLuca
State House
Providence, Rhode Island 02903

Harry A. Schult
Arthur Young & Company
800 Fleet National Bank Building
Providence, Rhode Island 02903

Scott B. Laurans
Roger Williams Foods
One IGA Way
Cumberland, Rhode Island 02864

6. The name and business address of the person preparing these articles of incorporation is:

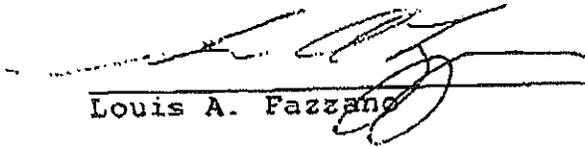
Louis A. Fazzano
Rhode Island Port Authority and
Economic Development Corporation
Seven Jackson Walkway
Providence, Rhode Island 02903

7. The date when corporate existence shall begin is: Upon the issuance of a certificate of incorporation by the Secretary of State as provided by §42-64-7.1(b) of the General Laws, 1956, as amended.

8. The Corporation is created pursuant to a resolution duly adopted by the Board of Directors of the Port Authority on November 5, 1985.

9. All words and phrases which are used in these Articles of Incorporation and which are defined in Chapter 42-64 of the General Laws, 1956, as amended, shall have the meanings set forth herein.

Dated: 19 January, 1986


Louis A. Fazzano

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

At Providence, in said county on this 17th day of January, 1986, personally appeared before me Louis A. Fazzano, who is known to me and known by me to be the party executing the foregoing instrument, and he acknowledged said instrument by him executed to be his free act and deed..


Notary Public
My Commission Expires 06/30/86

Sent by: MOSES AND AFONSO

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Page 5/11

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.> MOSES AND AFONSO; Page 5

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SMALL BUSINESS LOAN FUND CORPORATION

BY-LAWS

Article I

OFFICERS

1. Number. The officers of the Corporation shall be the Chairman, the Vice Chairman and the Secretary. The Board of Directors may from time to time appoint such additional officers as it shall deem appropriate.
2. Appointment and Term. All officers of the Corporation shall be appointed by and shall serve at the pleasure of the Board of Directors.
3. Authority and Duties.
 - (a) Chairman. The Chairman shall supervise and conduct the business and affairs of the Corporation. The Chairman shall preside at meetings of the Board of Directors and shall exercise the powers and perform the duties set forth in these By-Laws and such other duties as usually devolve upon the presiding officer of a deliberative body.
 - (b) Vice-Chairman. In the absence of the Chairman, the Vice-Chairman shall perform the duties of the Chairman. The Vice-Chairman shall perform such further duties as shall be from time to time assigned to him by the Chairman.
 - (c) Secretary. The records of all business transacted at each meeting shall be kept under the direction and supervision of

the Secretary. The Secretary shall have such further powers and shall perform such further duties as shall be assigned to him by either the Chairman or the Board of Directors.

Article II

BOARD OF DIRECTORS

1. Number; Appointment; Term. The number of and the persons constituting the initial Board of Directors shall be as set forth in the Articles of Incorporation. Thereafter, the number of the Board of Directors may be varied from time to time by the Board of Directors of the Rhode Island Port Authority and Economic Development Corporation ("the Port Authority") and the members thereof shall be appointed by the Board of Directors of the Port Authority to serve at its pleasure.

2. Meetings. All meetings of the Board of Directors shall be held at such place within or without the State of Rhode Island and at such time as shall be stated in the notice of such meeting. Meetings for any purpose or purposes may be called by the Chairman or the Vice Chairman.

3. Notice of Meetings. Written notice of each meeting stating the place, day, and hour of the meeting, and a copy of the agenda for such meeting, or in the absence of such agenda a written statement of the purpose or purposes of the meeting, shall be given by or at the direction of the Chairman or Secretary, to each member of the Board of Directors by depositing

the same in the United States mail, postage prepaid, not later than the third day prior to the date of such meeting. If the Chairman shall determine that the holding of a meeting is of an emergency nature, such notice may be given by telegram sent to each member, not less than twenty-four hours prior to such meeting or by actual delivery of such notice to each member not less than twelve hours prior to such meeting.

4. Quorum. Three members of the Board of Directors shall constitute a quorum. If a quorum is not present, the members of the Board of Directors then present shall have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than ten days, a notice of the adjourned meeting shall be given to each member of the Board of Directors. Any action to be taken by the Corporation may be approved by a majority of the members of the Board of Directors present at any meeting at which a quorum is present.

5. Waivers of Notice. Whenever any notice is required to be given to a member of the Board of Directors under the provisions of the laws of Rhode Island or of these By-Laws, a waiver thereof in writing, signed by the member or members entitled to such

notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of a member of the Board of Directors at a meeting shall constitute a waiver of notice of such meeting, except when the member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

6. Public Meetings. All meetings of the Board of Directors and all records thereof shall be subject to the provisions of Rhode Island General Laws Chapter 42-46 (the "Open Meeting Law"), as amended from time to time. The Board of Directors may from time to time promulgate such reasonable rules and regulations as it determines may be desirable respecting the conduct of public meetings and the attendance of the press and the public thereat, any such rules and regulations to be consistent with the Open Meeting Law.

Article III

COMMITTEES

The Board of Directors may establish such committees as it deems necessary for the proper carrying out of its functions. The Board of Directors shall determine the size and purpose of each such committee. Members of each such committee and the chairman thereof shall be appointed by the Chairman or Vice-Chairman to serve until the next succeeding January 31 and

thereafter until their respective successors are appointed. Any vacancy on a committee resulting from death, resignation or otherwise shall be filled by the Chairman or Vice-Chairman for the unexpired portion of the term. Minutes of the meetings of each committee shall be prepared and shall be filed promptly with the Secretary. Each committee shall report from time to time to the Board of Directors with respect to its actions.

Article IV

INDEMNIFICATION

The Corporation shall indemnify any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, in the manner and to the extent provided in §7-1.1-4.1 of the Rhode Island Business Corporation Act.

Article V

CONFLICTS OF INTEREST

It shall not be or constitute a conflict of interest for a director, officer or employee of any financial institution, investment banking firm, brokerage firm, commercial bank or trust company, building-loan association, architecture firm, insurance company or any other firm, person or corporation to serve as a director of the Corporation. If any director, officer or

employee of the Corporation shall be interested either directly or indirectly, or shall be a director, officer or employee of or have an ownership interest (other than as the owner of less than one percent of the shares of a publicly-held corporation) in any firm or corporation interested directly or indirectly in any contract with the Corporation, such interest shall be disclosed to the Corporation and be set forth in the minutes of the Corporation, and the director, officer or employee having such interest therein shall not participate on behalf of the Corporation in the authorization of any such contract.

Article VI

SEAL

The seal of the Corporation shall be in the form of a circle with the words "Small Business Loan Fund Corporation - 1985." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Article VII

AMENDMENT

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted at any regular or special meeting of the Board of Directors by an affirmative vote of the majority of the members of the Board of Directors; provided, however, that notice of any such proposed alteration, amendment, repeal or adoption of new By-Laws and the full text of the same shall accompany the notice of such meeting.

Acct Name	City/Town	Open Date	Current Principal Outstanding
A FAMILY TREE ENTERPRIZE, LLC	Warwick	06/12/2008	15,796.84
ADIRONDAK DEV	East Greenwich	10/19/2011	32,224.34
ATLANTIC FOOTCARE, INC.	Oakland	06/13/2012	119,853.10
AVTECH SOFTWARE, INC.	Warren	12/30/2008	36,066.55
BACCALA CONCRETE CORPORATION INC.	Johnston	08/26/2011	189,340.01
BIOMES MARINE BIOLOGY CENTER, INC.	North Kingstown	09/05/2012	23,971.40
BRANCH GRAPHICS, INC.	Rumford	02/27/2009	28,583.55
BREACHWAY BAIT AND TACKLE	Charlestown	02/25/2013	14,621.28
CDS, INC.	Lincoln	06/09/2010	118,938.82
CLEANBRANDS, LLC	East Providence	06/27/2012	147,013.19
COLONIAL MILLS, INC.	Pawtucket	07/13/2011	329,769.60
COMPUCLAIM INC	Newport	07/25/2012	220,764.22
CONCORDIA MANUFACTURING, LLC	Coventry	08/18/2009	162,600.41
COURT DRIVE LLC	Smithfield	01/17/2008	74,011.98
CREATIVE CIRCLE ADVERTISING SOLUTIONS, INC.	East Providence	10/19/2011	18,465.65
CRWW & ASSOCIATES, LLC	Hope Valley	01/25/2011	60,289.44
D3 LOGIC, INC.	East Providence	01/25/2013	243,815.34
DESIGN FORMATIONS, INC.	Providence	04/06/2010	22,680.83
DESTINATION CHOCOLATE, LLC	Newport	11/10/2011	64,971.55
DIGICATION, INC.	Providence	01/11/2010	9,641.27
EDUCATION IN ACTION, INC.	Providence	07/15/2009	23,158.38
EPOCH SLEEP CENTERS, LLC	Lincoln	08/31/2011	145,089.79
FORGOTTEN JUDAICA LLC	Providence	09/09/2008	2,652.04
HEALING IN HARMONY	East Greenwich	10/17/2011	5,484.07
HEALTHY BABIES, HAPPY MOMS, INC.	East Greenwich	03/15/2013	101,451.82
HENRY WASTE DISPOSAL INC	Cranston	01/05/2006	76,208.26
HUDSON'S DRY CLEANER & LAUNDROMAT, INC	West Warwick	09/26/2012	30,071.01
INFUSION RESOURCES LLC	Riverside	02/17/2012	223,833.56
INQUEST TECHNOLOGIES, INC.	Providence	09/21/2011	339,385.32
IP.21 STUDIO	Providence	11/02/2010	6,860.15

J C IMPORT CO	North Kingstown	01/10/2012	65,817.95
KCP ACQUISITION, LLC	West Kingstown	03/27/2007	28,398.51
KELLEY GEMMA LLC DBA OCEAN STATE PSYCHOTHERAPY	North Kingstown	12/08/2011	40,184.47
KILTCO LLC	Wakefield	02/01/2012	40,096.60
MARCASSIN LLC D/B/A LE CENTRAL	Bristol	10/20/2011	9,364.33
MEDFX CORPORATION	Warwick	06/28/2011	168,303.90
MILL CREEK MARINE INC.	North Kingstown	06/23/2010	193,774.56
NAIAD INFLATABLES OF NEWPORT INC.	Middletown	08/26/2011	186,462.48
NARRAGANSETT BREWING COMPANY	Providence	05/29/2008	2,845.32
NEW ENGLAND SYRUP CO., INC.	North Scituate	08/03/2012	7,616.71
NMC ACQUISITION CORP DBA NATIONAL MARKER COMPANY	North Smithfield	02/14/2012	216,470.48
NORTH STAR MARKETING INC	North Kingstown	09/27/2011	111,039.27
OLD MOUNTAIN LANES INC.	Wakefield	01/29/2013	24,233.84
P2G2 LLC	Rumford	12/21/2011	147,570.12
PILGRIM SCREW CORPORATION	Providence	08/04/2010	138,457.93
POLYWORKS, INC.	North Smithfield	06/02/2009	79,145.25
PROVIDENCE PIKE REALTY, LLC	North Smithfield	11/29/2006	48,565.49
PROVIDENCE SPECIALTY PRODUCTS, INC.	Providence	05/03/2012	249,711.99
QWERTY78, INC. D/B/A VALLEY FUEL	West Warwick	09/21/2012	123,663.78
R I CARBIDE TOOL CO.	Smithfield	08/05/2010	178,796.02
RIBCO MFG., INC.	Cranston	07/20/2006	40,005.40
ROME PACKING CO., INC.	East Providence	09/04/2012	147,943.31
RSM EMPLOYER PARKING, LLC	Providence	02/15/2012	227,903.13
SAFELIGHT SECURITY ADVISORS, INC.	Providence	06/12/2009	41,766.19
SCHROFF TECHNOLOGIES INTERNATIONAL INC.	East Greenwich	11/21/2011	139,368.30
SCHULZ BOAT COMPANY INC.	Bristol	07/25/2011	167,915.64
SD CONCEPT ENGINEERING INC.	West Warwick	03/20/2012	321,271.47
SEA STARR ANIMAL HEALTH, INC.	Wakefield	03/02/2012	10,922.52
SIMMERING SOUP INC.	Cumberland	01/04/2011	182,049.15
SUBSALVE USA, INC.	North Kingstown	06/16/2010	87,575.56
T&C WOODWORKING, INC	Pawtucket	05/02/2012	227,459.89
TARA BOUTIQUE	Wakefield	11/03/2011	5,530.74
THE CORPORATE MARKETPLACE, INC.	North Kingstown	10/09/2009	33,830.99
THE GREEN GROCER, INC. (CALADEN HOLDING COMPANY)	Portsmouth	09/09/2010	10,938.85

TRUCK SOLUTIONS, LLC
VETERANS SUPPORT ORGANIZATION-NSF, LLC
ZOOM LIGHTING, LTD.

Cumberland	08/31/2011	181,408.21
Warwick	08/02/2010	10,188.50
West Warwick	11/08/2011	168,703.75

Rhode Island Industrial Facilities
Corporation

Rhode Island Industrial Facilities Corporation (RIIFC)

Overview

Rhode Island Industrial Facilities Corporation (RIIFC) offers both Tax-Exempt Bonds and Taxable Bonds to businesses.

Tax Exempt Bonds

RIIFC issues tax-exempt revenue bonds for companies exploring various manufacturing projects with a \$20,000,000 maximum limit per project. The bond can cover up to 100% of the cost for a manufacturing project including land, new machinery and equipment, building costs and certain eligible "soft" costs. Interest rates are tax exempt and are determined by the market. Building materials purchased for projects may be eligible for exemption from Rhode Island sales tax.

Taxable Bonds

RIIFC offers taxable bonds for businesses that want to branch out into a commercial enterprise, including building tourist-travel facilities. These bonds are almost identical to the tax-exempt bonds, but they are taxable for financing fixed commercial assets such as land, building, machinery and equipment, and related "soft" costs. The limit per project is usually established by the bond purchaser or credit enhancer

Background

Established in 1967, RIIFC is authorized to issue its revenue bonds and notes for any of its corporate purposes. All bonds and notes issued by RIIFC are payable solely out of the revenues and receipts derived from the leasing or sale by RIIFC of its projects, or from any other financing arrangement which may be designated by RIIFC.

As of June 30, 2012, RIIFC had an outstanding principal balance of conduit debt of \$65,485,403. Except for any obligations secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority (IRBA), the State is not liable for the payment of the principal of or interest on any bonds or notes of RIIFC. Outstanding mortgage obligations of RIIFC which are insured by IRBA totaled \$19,476,587 as of June 30, 2012.

RIIFC

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
BOARD OF DIRECTORS
January 2013**

Joseph (“Kenny”) Alston
Deputy Executive Counsel
Office of the Governor
Term Expires: 6/1/2017

William J. Parsons
RI Economic Development Corporation
Term Expires: 6/1/2016

David Piacitelli (Chairman)
President
Top Line Systems
Term Expires: 6/1/2014

Ronald Renaud
Executive Director
Department of Administration
Term Expired: 6/1/2010 (If reaffirmed, expiration should be 6/1/2015)

John Ward (Vice Chairman)
Director of Finance
Town of Lincoln
Term Expires: 6/1/2013

Terms for Board members are for 5 years. They do not require Senate Advice & Consent

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

BY-LAWS

ARTICLE I

Rhode Island Industrial Facilities Corporation Act

These By-laws, the powers of the corporation and of its directors, and all matters concerning the conduct and regulation of the business of the corporation shall be subject to such provisions in regard thereto as are set forth in the "Rhode Island Industrial Facilities Corporation Act", being Chapter 37.1 of Title 45 of the General Laws of Rhode Island, 1956 (1977 Reenactment) as such Act may be amended from time to time (the "Act").

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ARTICLE II

Officers

1. Number. The officers of Rhode Island Industrial Facilities Corporation shall be the Chairman, the Vice-Chairman, the Executive Director, the Secretary and the Treasurer. The Board of Directors may from time to time appoint such additional officers as it shall deem appropriate.

2. Election of Officers. The officers shall be elected by the Board of Directors at its annual meeting and shall hold their respective offices during the pleasure of the Board of Directors and, unless sooner removed by the

Board of Directors, until the next annual meeting of the Board of Directors and until their successors are chosen and qualified. The Chairman and the Vice Chairman shall be members of the Board of Directors, but other officers need not be members of the Board of Directors. The Board of Directors may, by a vote of three of its members, with or without cause, remove from office any officer and appoint his successor, subject to any provision to the contrary in the Act.

3. Appointment and Term. The Director of the Department of Economic Development shall serve as the Executive Director of the Corporation. All other officers of the Corporation shall be appointed by and shall serve at the pleasure of the Board of Directors.

3. Authority and Duties. (a) Chairman. The Chairman shall supervise and conduct the business and affairs of the Corporation. The Chairman shall preside at meetings of the Board of Directors and shall exercise the powers and perform the duties set forth in these By-Laws and such other duties as usually devolve upon the presiding officer of a deliberative body.

(b) Vice-Chairman. In the absence of the Chairman, the Vice-Chairman shall perform the duties of the Chairman. The Vice-Chairman shall perform such further duties as shall be from time to time assigned to him by the Chairman.

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(c) Executive Director. The Executive Director shall be the principal executive officer of the Corporation and shall, subject to the supervision of the Board of Directors, supervise and conduct the business and affairs of the Corporation.

(d) Secretary. The records of all business transacted at each meeting shall be kept under the direction and supervision of the Secretary. The Secretary shall have such further powers and shall perform such further duties as shall be assigned to him by either the Chairman, the Vice-Chairman or the Board of Directors.

(e) Treasurer. The Treasurer shall be responsible for and shall keep all financial reports and records and other financial documents of the Corporation. The Treasurer shall have such further powers and shall perform such further duties as shall be from time to time assigned to him by the Chairman, the Vice-Chairman or the Board of Directors.

4. Signing of Instruments. All contracts, instruments, and other documents shall be executed by the Chairman, the Vice-Chairman or the Executive Director on behalf of the Corporation and attested where necessary by the Secretary unless other provision shall be made by special vote of the Board of Directors or shall be required by law.

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ARTICLE III

Meetings

1. Annual Meeting. An annual meeting of the Board of Directors shall be held within or without the State of Rhode Island, at 10:00 a.m., on the third Wednesday in October in each year, if it be not a legal holiday, and if it be a legal holiday, then on the next succeeding day not a legal holiday. At such annual meeting the Board of Directors shall elect officers of the corporation, shall receive annual reports, and shall transact such other business as may properly be brought before the meeting. If such annual meeting is omitted by oversight or otherwise on the day herein provided therefor, a special meeting may be held in place thereof, and any business transacted or elections held at such special meeting shall have the same effect as if transacted or held at such annual meeting. Purposes for which such annual meeting is to be held, additional to those prescribed by law and by these By-laws, may be specified by the vote of the Board of Directors or by writing delivered to the Secretary, signed by the Chairman or by two (2) members of the Board of Directors.

2. Regular Meetings. In addition to the annual meeting, regular meetings may be held at such times as the Board of Directors shall from time to time determine.

3. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called by the Chairman, Vice-Chairman or the Executive Director. The Chairman or Vice-Chairman shall be required to call a special meeting upon the written request of two members of the Board of Directors at a time not later than fourteen days after receipt by the Chairman or Vice-Chairman of such request. Any such request shall state the purpose or purposes of the proposed special meeting.

4. Place of Meetings. All regular and special meetings of the Board of Directors shall be held at such place within or without the State of Rhode Island and at such time as shall be stated in the notice of such meeting.

5. Notice of Meetings. Notice of the annual meeting, of any regular meeting other than the annual meeting, and of each special meeting of the Board of Directors stating the date, time, place, and purpose thereof, shall be given by the Secretary to each member in person or by telephone, or sent by mail or by telegram, postage and charges prepaid, addressed to him at his last known residence or place of business. Such notice, if given by mail or telegram, shall be deposited in the mail or dispatched by telegram at least two (2) days prior to the date of the meeting or, if given personally or by telephone, shall be given at least one (1) day prior to such date.

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6. Quorum. Three members of the Board of Directors shall constitute a quorum. If a quorum is not present, the members of the Board of Directors then present shall have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than ten days, a notice of the adjourned meeting shall be given to each member of the Board of Directors. Any action to be taken by the Corporation may be authorized by resolution approved by a majority of the members of the Board of Directors present at any regular or special meeting at which a quorum is present.

7. Waivers of Notice. Whenever any notice is required to be given to a member of the Board of Directors under the provisions of the laws of Rhode Island or of these By-Laws, a waiver thereof in writing, signed by the member or members entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of a member of the Board of Directors at a meeting shall constitute a waiver of notice of such meeting, except when the member attends the meeting for the express purpose of objecting to the trans-

action of any business because the meeting is not lawfully called or convened.

8. Agendas. Except as hereinafter specifically provided, the agenda for each meeting of the Board of Directors shall be prepared by the Executive Director. With the consent of a majority of the members of the Board of Directors, a matter not on the agenda may be considered at any regular or special meeting of the Board of Directors.

9. Public Meetings. All meetings of the Board of Directors shall be open to the public and all records shall be a matter of public record except that if a majority of the Board of Directors decides that it would be in the best interests of the Corporation and the State of Rhode Island to hold an executive session in private, then the Board of Directors is authorized to transact such business as it deems necessary at such executive session in private and the record thereof shall not become a matter of public record until the transaction discussed has in the opinion of the Board of Directors been completed. The Board of Directors may from time to time promulgate such reasonable rules and regulations as it determines may be

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desirable respecting the conduct of public meetings and the attendance of the press and the public thereat.

ARTICLE IV

Committees

The Board of Directors may establish such committees as it deems necessary for the proper carrying out of its functions. The Board of Directors shall determine the size and purpose of each such committee. Members of each such committee and the chairman thereof shall be appointed by the Chairman or Vice-Chairman to serve until their respective successors are appointed. Any vacancy on a committee resulting from death, resignation or otherwise shall be filled by the Chairman or Vice-Chairman for the unexpired portion of the term. Minutes of the meetings of each committee shall be prepared and shall be filed promptly with the Secretary. Each committee shall report from time to time to the Board of Directors with respect to its actions.

ARTICLE V

Indemnification

The Corporation shall indemnify any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation

as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, in the manner and to the extent provided in §7-1.1-4.1 of the Rhode Island Business Corporation Act.

ARTICLE VI

Conflicts of Interest

It shall not be or constitute a conflict of interest for a director, officer or employee of any financial institution, investment banking firm, brokerage firm, commercial bank or trust company, building-loan association, architecture firm, insurance company or any other firm, person or corporation to serve as a director of the Corporation, nor shall it constitute a conflict of interest for any director of the Corporation to participate in the authorization of any financing involving the sale of bonds to a financial institution of which such director is an incorporator or a member of the board of directors. If any director, officer or employee of the Corporation shall be interested either directly or indirectly, or shall be a director, officer or employee of or have an ownership (other than as the owner of less than one percent of the shares of a publicly-held corporation) in any firm or corporation interested directly or indirectly in any contract with the Corporation or which has an application for financing pending before the Corporation, such interest shall be disclosed to the Corporation and set forth in the minutes of the Corporation, and the director, officer or employee having such interest therein shall not participate on behalf of the Corporation in the authorization of any such contract or financing.

ARTICLE VII

Seal

The seal of the Corporation shall be in the form of a circle with the words "Rhode Island Industrial Facilities Corporation - Incorporated 1966, Rhode Island." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

Amendment

1. Amendment by Unanimous Consent. These By-Laws may be amended, suspended or altered at any time, without notice, by unanimous consent of all the members of the Board of Directors.
2. Other Amendment. These By-Laws may be altered, amended or repealed and new By-Laws may be adopted at any regular or special meeting of the Board of Directors by an affirmative vote of the majority of the members of the Board of Directors; provided, however, that notice of any such proposed alteration, amendment, repeal or adoption of new By-Laws and the full text of the same shall accompany the notice of such meeting.

**RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION
RHODE ISLAND INDUSTRIAL FACILITIES
CORPORATION
RHODE ISLAND INDUSTRIAL-RECREATIONAL
BUILDING AUTHORITY**

LISTINGS OF REVENUE BONDS AND NOTES

JUNE 30, 2012

APPENDIX I (CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
 RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
 RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
 LISTING OF REVENUE BONDS AND NOTES
 JUNE 30, 2012

(ALPHABETICAL BY TRUSTEE OR PURCHASER)

Trustee or Purchaser	Obligor	Original Issue Amount	Balance at June 30, 2012	Series Year
<u>Bonds and notes issued by RIIFC but not insured by RIIRBA</u>				
Bank of America	ATW-Parmatech	\$ 5,000,000	\$ 1,377,000	2010
Bank of America	Calise & Sons	10,000,000	8,980,000	2010
Bank of New York	Hall Real Estate LLC Projects	4,270,000	2,380,000	2004
Bank of New York	NFA Corporation	5,000,000	5,000,000	1994
Bank of New York	Waste Management of Rhode Island Inc.	8,000,000	8,000,000	2004
Citizens Bank of Connecticut	CP Associates, LLC	11,700,000	10,212,674	2003
Citizens Bank of Connecticut	CP Associates, LLC (Cranston Police HQ Project)	10,100,000	9,007,264	2006
Danversbank	Bullard Abrasives	3,300,000	3,199,152	2010
Deutsche Bank Trust Company	Exxon Mobil	15,400,000	15,400,000	2001
Webster Bank	CAPCO Steel	1,000,000	912,798	2010 *
Webster Bank	Enertek (Yardney)	1,030,000	1,016,515	2010
		<u>\$ 74,800,000</u>	<u>\$ 65,485,403</u>	

* Represents unconfirmed amounts

Rhode Island Industrial-Recreational Building Authority

Rhode Island Industrial Recreational Building Authority (IRBA)

Overview

Mortgage insurance is offered through the Rhode Island Industrial Recreational Building Authority (IRBA). The maximum amount a business can borrow through this program is \$5,000,000. The loan covers up to 90% on real estate, 80% of machinery and equipment, and 75% of tourist-travel recreation projects. Funds can be used for new building acquisitions, additions and rehabilitation of existing buildings and for new or used machinery and equipment. This program offers borrowers debt insurance on tax-free bonds, taxable bonds and conventional mortgages.

Background

IRBA was created in 1958 and is enabled to pledge the State's full faith and credit up to \$60,000,000. In accordance with State law, all premiums received by IRBA and all amounts realized upon foreclosure or other proceeds of defaulted mortgages are payable into the Industrial Recreational Building Mortgage Insurance Fund. All IRBA expenses and all losses on insured mortgages are chargeable to this Fund. Since its inception, IRBA has had a sufficient reserve to cover any losses and has not required the use of State funds.

As of June 30, 2012, IRBA had outstanding mortgage agreements and other commitments for \$19,476,587, mainly in connection with revenue bonds issued by the Rhode Island Industrial Facilities Corporation.

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IRBA

***INDUSTRIAL RECREATIONAL BUILDING AUTHORITY
BOARD OF DIRECTORS
January 2013***

Frank R. Bennell (Chair)

Term Expires- 2/1/2013. New term would be 2/1/2013 to 2/1/2018.

Frances H. Gammell-Roach (Vice Chair)

Term Expires- 2/1/2014. New term would be 2/1/2014 to 2/1/2019.

Michael S. Imbruglia

Term Expired 2/1/2010 (If new appointment in 2013, term should be 2/1/2013 to 2/1/2015)

VACANCY

Term Expired 2/1/2011. If new appointment in 2013, term should be 2/1/2013 to 2/1/2016

VACANCY

Term Expired 2/1/2012. If new appointment in 2013, term would be 2/1/2013 to 2/1/2017

AMENDED AND RESTATED
BY-LAWS OF THE
RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

ARTICLE I: OFFICE

The principal office of the Rhode Island Industrial-Recreational Building Authority (the "Authority") shall be located at One West Exchange Street, Providence, Rhode Island 02903. The Authority may have such other office or offices as the members of the Authority may designate or as the business of the Authority may require from time to time. The registered office of the Authority shall be One West Exchange Street, Providence, Rhode Island 02903.

ARTICLE II: MEETINGS OF MEMBERS

Section 1. Annual Meeting — The annual meeting of the members of the Authority shall be held at a regular meeting in April of each year for the purpose of electing the officers of the Authority. If the election of officers shall not be held at the time designated herein, or at any adjournment thereof, a special meeting shall be called by the manager as soon thereafter as possible.

Section 2. Regular Meetings — The members of the Authority shall meet at least four times per year in accordance with a predetermined schedule adopted by the Authority prior to December 31st of the preceding year.

Section 3. Emergency Meetings — Emergency meetings of the members of the Authority for any purpose or purposes, may be called by the chairperson, or the manager, and shall be called by the chairperson at the request of three (3) members of the Authority.

Section 4. Open Meetings — Every meeting of the members of the Authority shall be open to the public unless closed pursuant to Section 5.

Section 5. Closed Meetings — The members of the Authority may hold a meeting closed to the public upon an affirmative vote of the majority of the members of the Authority. A meeting closed to the public shall be limited to the following matters:

- a. Any discussions of the job performance, character, physical or mental health of a person or persons, provided that such person or persons affected may require that such discussions be held at an open meeting;
- b. Sessions pertaining to collective bargaining or litigation, or work sessions pertaining to the same;
- c. Discussions regarding the matter of security;

d. Any investigative proceedings regarding allegations of misconduct, either civil or criminal;

e. Any discussion or considerations related to the acquisition or lease of real property for public purposes, or of the disposition of public held property wherein advanced public information would be detrimental to the interest of the public;

f. Any discussions related to or concerning a prospective business or industry locating in the state of Rhode Island when an open meeting would have a detrimental effect on the interest of the public;

g. Any matter related to the question of the investment of public funds where the premature disclosure would adversely affect the public interest. Public funds shall include any investment plan or matter related thereto.

Section 6. Place of Meeting — The chairperson or manager may designate any place within the State of Rhode Island, for any annual, regular or emergency meeting of the members of the Authority.

Section 7. Public Notice — The members of the Authority shall direct the manager to give written notice of the regular scheduled meetings of the members of the Authority at the beginning of each calendar year. The notice shall include the dates, times, and places of such meetings. The manager shall give such supplemental written public notice of any additional regular or rescheduled meeting of the members of the Authority within a minimum of 24 hours before the date. Written public notice shall include the posting of a copy of the notice at the principal office of the Authority and in at least one other prominent place within the governmental unit. Nothing contained herein shall prevent the Authority from holding an emergency meeting of the members of the Authority, upon an affirmative vote of the majority of the members when said meeting is deemed necessary to the public welfare.

Section 8. Notice to Members — Written notice, stating the place, date and hour of each regular meeting of the members of the Authority, shall be mailed by the manager not less than seven (7) days before the date of the meeting to each member of the Authority and to the Authority's legal counsel. A copy of the agenda together with all materials pertinent thereto shall be mailed with said notice.

Section 9. Minutes — The manager (or any officer designated by the manager) shall keep written minutes of all Authority meetings. The minutes shall include: (1) the date, time and place of the meeting; (2) the members of the Authority recorded as either present or absent; (3) a record by individual members of all votes taken; and (4) all other information relevant to the business of the Authority. The minutes shall be public records and shall be available within a reasonable time after the meeting except where such disclosure would be inconsistent with Section 5.

Section 10. Quorum — Three (3) members of the Authority shall constitute a quorum and the affirmative vote of the majority of the members, present and voting, shall be necessary for any action taken by the Authority; except that, in no case shall any action taken by the

Authority be taken by an affirmative vote of less than three (3) members. No vacancy in the membership of the Authority or disqualification of a member under Section 42-34-16 of the Rhode Island General Laws shall impair the rights of the quorum to exercise all rights and perform all duties of the Authority.

Section 11. Interest of Members of the Authority — No member of the Authority shall participate in any decision on any contract of insurance in which he or she has any interest, direct or indirect, in any firm, partnership, corporation or association: (1) which would be the mortgagee, whose loan to a local development corporation is insured by the Authority; (2) in which he or she has any interest, direct or indirect, which would rent, lease or otherwise occupy the premises constructed by the local development corporation where the corporation's mortgage is insured by the Authority; or (3) in which he or she is a director or officer or otherwise associated with the local development corporation whose mortgage is insured by the Authority.

Section 12. Proxies — At all meetings of the Authority, a member may vote by proxy executed in writing by said member. Said proxy shall be filed with the manager before or at the time of the meeting. No proxy shall be valid after the holding of the meeting unless said meeting has been recessed or postponed, in which event, said proxy shall be valid unless withdrawn up to and including the date to which the aforesaid meeting has been recessed or postponed and shall be in full force and effect until said meeting has been finally adjourned.

ARTICLE III: MEMBERS AND MANAGEMENT

Section 1. Management by Members — The Authority shall be managed by the members of the Authority, who may exercise all such powers of the Authority and do all such lawful acts and things as the Authority might do.

Section 2. Number of Members and Term. The Authority shall consist of five (5) members, appointed by the governor of the State of Rhode Island for a period of five (5) years in accordance with the provisions set forth in Section 42-34-4 of the Rhode Island General Laws, as amended. The terms of the members shall be staggered such that one member's term will expire annually during the month of January. The governor of the State of Rhode Island shall thereafter appoint a member to succeed the member whose term will then next expire, to serve for a term of five (5) years commencing on the first day of February then next following and until his or her successor is appointed and qualified. A member shall be eligible to succeed himself or herself.

Section 3. Removal of Members — A member of the Authority may be removed by the governor of the State of Rhode Island for cause.

Section 4. Vacancy — A vacancy in the office of a member, other than by expiration, shall be filled by the governor of the State of Rhode Island in a like manner as the original appointment, but only for the remainder of the term of the retiring member.

ARTICLE IV: OFFICERS

Section 1. Officers — The officers of the Authority shall be a chairperson, vice chairperson, executive director, manager, assistant manager and such other officers as may be

required to conduct the Authority's business. These officers shall hold their respective offices for such terms and shall exercise such powers and perform such duties as shall be determined by the members of the Authority from time to time. An individual need not be a member of the Authority to be an officer of the Authority.

Section 2. Election — At each annual meeting of the members of the Authority, the members of the Authority shall elect the officers (except the executive director of the Authority). The executive director of the Rhode Island Economic Development Corporation shall serve as executive director and chief executive officer, ex officio, of the Authority. The manager shall be appointed by the members of the Authority and his or her tenure shall be at the pleasure of the Authority. The manager shall be in the unclassified service of the State of Rhode Island.

Section 3. Term. The officers of the Authority shall hold office until their successors are chosen and appointed. Any officer elected or appointed by the members of the Authority may be removed at any time by the affirmative vote of a majority of the disinterested members of the Authority. The members of the Authority shall, where required, select another person to fill any vacancy occurring in such offices of the Authority.

Section 4. Duties of Chairperson — The chairperson, subject to the control of the members of the Authority, shall in general supervise all of the business and affairs of the Authority. He or she shall, when present, preside at all meetings of the Authority. He or she may sign, with any other officer or member of the Authority thereunto authorized by the members, any deeds, mortgages, bonds, contracts or other instruments which the members of the Authority have authorized to be executed, except where otherwise required by law to be signed by some other person; and in general shall perform all duties incident to the office of chairperson and such other duties as may be prescribed by the members of the Authority from time to time.

Section 5. Duties of Vice Chairperson — The vice chairperson, in the absence of the chairperson or in the event of his or her inability or refusal to act, shall perform the duties of the chairperson, and when so acting shall have all the powers of and be subject to all the restrictions upon the chairperson. He or she shall perform such other duties as from time to time may be assigned to him or her by the chairperson or by the members of the Authority.

Section 6. Duties of Executive Director — The Executive Director shall be the chief executive officer of the Authority and as such shall supervise the daily activities of the manager. He or she shall perform such other duties as from time to time may be assigned to him or her by the chairperson or by the members of the Authority.

Section 7. Duties of Manager — The manager shall be the chief administrative officer for the Authority and as such shall direct and supervise the administrative affairs and technical activities of the Authority in accordance with rules, regulations, and policies set forth by the Authority. It shall be the duty of the manager among other things:

a. To attend all meetings of the Authority, and to act as its secretary and keep minutes of all its proceedings.

b. To approve all accounts for salaries, per diems, allowable expenses of the Authority or of any employee or consultant thereof, and expenses incidental to the operation of the Authority.

c. To maintain a close liaison with the Rhode Island Economic Development Corporation and provide assistance to the various divisions of that department to facilitate the planning and financing of industrial and/or recreational projects.

d. To make recommendations and reports in cooperation with the Rhode Island Economic Development Corporation to the Authority on the merits of any proposed industrial and/or recreational project, on the status of local industrial and/or recreational development corporations, and on meritorious industrial and/or recreational locations.

e. To perform such other duties as may be directed from time to time by the Authority in carrying out the purposes of Chapter 34 of Title 42 of the General Laws of Rhode Island, as amended.

Section 8. Duties of Assistant Manager — The assistant manager and assistant secretary shall perform such duties and have such powers as the members may from time to time prescribe.

ARTICLE V: CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts — The members may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such authority may be general or confined to specific instances.

Section 2. Loans — No loans shall be contracted on behalf of the Authority, and no evidence of indebtedness shall be issued in its name unless authorized by the Authority.

Section 3. Checks, Drafts, Etc. — All checks, drafts, or other orders for the payment of money, notes or other evidences or indebtedness issued in the name of the Authority, shall be filled by such officer or officers, agent or agents of the Authority, and in such manner as shall from time to time be determined by a resolution or vote of the Authority.

Section 4. Deposits — All funds of the Authority not needed currently to meet the expenses and obligations of the Authority shall be deposited either with the General Treasurer of the State of Rhode Island to the credit of the Authority, or may be invested in such manner provided by statute.

ARTICLE VI: FISCAL YEAR

The fiscal year of the Authority shall begin on the 1st day of July and end on the 30th day of June each year.

ARTICLE VII: INDEMNIFICATION

Section 7.1 Indemnification. The Authority shall, except to the extent prohibited by law, indemnify any member, officer, employee or agent of the Authority who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Authority), where the person is or is threatened to be made a party by reason of the fact that the person is or was a member, officer, employee or agent of the Authority, or is or was serving at the request of the Authority as a member, officer, employee or agent of any other entity, against expenses (including, but not limited to, attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Authority, and, with respect to any criminal action or proceedings, the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any conviction, or the conclusion of a suit upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner in which the person reasonably believed to be in or not opposed to the best interests of the Authority, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

Section 7.2 Actions by or in the Right of the Authority. Whenever the Authority or any other party on behalf of the Authority brought, brings or threatens to bring an action or suit, whether civil, criminal, administrative or investigative, against a person by reason of the fact that the person is or was a member, officer, employee or agent of the Authority, or is or was serving at the Authority's request as a member, officer, employee or agent of any other entity, the Authority shall, to the fullest extent permitted by law, indemnify that person against any and all expense (including, but not limited to, attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit so long as the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the Authority. Notwithstanding the first sentence of this paragraph, the Authority shall not indemnify any claim, issue or matter as to which a person shall have been adjudged to be liable to the Authority unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for those expenses which the court deems proper.

Section 7.3 Expenses. To the extent that a member, officer, employee or agent of the Authority has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 7.1 or 7.2 hereof, or in defense of any claim, issue or matter therein, such member, officer, employee or agent of the Authority shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection therewith.

Section 7.4 Indemnification Automatic. Any indemnification under Section 7.1 and 7.2 of these bylaws shall be made automatically by the Authority except in the specific case upon a determination that indemnification of the member, officer, employee or agent of the Authority is not proper in the circumstances because the person has not met the applicable standard of

conduct as set forth in Section 7.1 or 7.2. Any such determination of revocation of the indemnification shall be made by the unanimous written consent of the disinterested members of the Authority not at the time parties to such underlying action, suit or proceeding.

Section 7.5 Repayment by Indemnified Party. Reasonable expenses incurred by a member, officer, employee or agent of the Authority in defending a civil or criminal action, suit or proceeding shall be paid by the Authority in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such member, officer, employee or agent of the Authority to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Authority as authorized in this Article.

Section 7.6 Definition of Authority. For purposes of this Article, references to the "Authority" shall include, in addition to the Rhode Island Industrial-Recreational Building Authority, any constituent entity (including any constituent of a constituent) absorbed in any consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its members, officers, employees or agents, so that any person who is or was a member, officer, employee or agent or that any person who is or was a member, officer, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a member, officer, employee or agent of another entity, shall stand in the same position under this section with respect to the resulting or surviving entity as the person would have with respect to such constituent entity if its separate existence had continued.

Section 7.7 Indemnification not Exclusive. The indemnification and advancement of expenses provided by, or granted pursuant to the other paragraphs of this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any other bylaw, agreement, vote of members of the Authority or otherwise, both as to action in such person's official capacity, and as to action in another capacity while holding such office.

Section 7.8 Insurance. The Authority shall have power to purchase and maintain insurance on behalf of any person who is or was a member, officer, employee or agent of the Authority, or is or was serving at the request of the Authority as a member, officer, employee or agent of another entity against any liability asserted against the person and incurred by the person in any such capacity or arising out of the person's status as such, whether or not the Authority would have the power to indemnify the person against such liability under the provisions of this Article.

Section 7.9 Continuation. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member, officer, employee or agent of the Authority and shall inure to the benefit of the person's heirs, executors and administrators.

ARTICLE VIII: AMENDMENTS

These By-Laws may be altered, amended or repealed, and new By-Laws may be adopted by the Authority at any regular or emergency meeting.

**RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION
RHODE ISLAND INDUSTRIAL FACILITIES
CORPORATION
RHODE ISLAND INDUSTRIAL-RECREATIONAL
BUILDING AUTHORITY**

LISTINGS OF REVENUE BONDS AND NOTES

JUNE 30, 2012

APPENDIX I (CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
 RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
 RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
 LISTING OF REVENUE BONDS AND NOTES
 JUNE 30, 2012

(ALPHABETICAL BY TRUSTEE OR PURCHASER)

Trustee or Purchaser	Obligor	Original Issue Amount	Balance at June 30, 2012	Series Year
<u>Bonds and notes issued by RIIFC and insured by RIIRBA</u>				
Bank of America	Neurotech Pharmaceuticals, Inc	\$ 4,000,000	\$ 2,701,354	2009
Bank of New York	CytoTherapeutics, Inc.	2,215,000	600,000	1994
Bank of New York	New England Expedition	4,445,000	3,690,000	2003
Bank RI	Rhody Transportation	3,080,000	2,345,049	2000
Sovereign Bank	New England Expedition	675,000	599,702	2008 *
Webster Bank	CAPCO Steel	5,000,000	4,606,432	2010
Webster Bank	Enertek (Yardney)	5,000,000	4,934,050	2010
		<u>\$ 24,415,000</u>	<u>\$ 19,476,587</u>	

* Represents unconfirmed amounts

Bonds and Notes issued by RIEDC

Rhode Island Economic Development Corporation Revenue Bonds

Overview

The Rhode Island Economic Development Corporation (RIEDC) is enabled to issue revenue bonds in the form of conduit financing. With the exception of Job Creation Guaranty Moral Obligation Bonds, RIEDC-issued bonds carry no exposure for Rhode Island taxpayers. These bond issuances are approved by the RIEDC Board and can take the form of taxable or tax-exempt bonds.

As of June 30, 2012, the outstanding balance on bonds issued by RIEDC is \$1,063,289,907.

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**Rhode Island Economic Development Corporation
Board of Directors**

Chairman

The Honorable Lincoln Chafee

Governor
State of Rhode Island

Vice-Chair

Jerauld C. Adams (2/1/15)

President
North American Industries

Treasurer

Karl Wadensten (2/1/14)

President
Vibco

Nancy Carriuolo (2/1/17)

President
Rhode Island College

George Nee (2/1/16)

President
AFL-CIO of Rhode Island

Jason E. Kelly (2/1/16)

Executive Vice President
Moran Shipping Agencies, Inc.

Roland Fiore (2/1/17)

President
South County Sand & Gravel Co.

Shannon E. Brawley (2/1/16)

Executive Director
RI Nursery & Landscape Association

Stanley Weiss (2/1/15)

Partner
Stanley Weiss Associates

**RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION
RHODE ISLAND INDUSTRIAL FACILITIES
CORPORATION
RHODE ISLAND INDUSTRIAL-RECREATIONAL
BUILDING AUTHORITY**

LISTINGS OF REVENUE BONDS AND NOTES

JUNE 30, 2012

APPENDIX I

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
 RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
 RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
 LISTING OF REVENUE BONDS AND NOTES
 JUNE 30, 2012

(ALPHABETICAL BY TRUSTEE OR PURCHASER)

Trustee or Purchaser	Obligor	Original Issue Amount	Balance at June 30, 2012	Series Year
<u>Bonds and notes issued by RIEDC:</u>				
Bank of America	Providence Art Club	\$ 3,000,000	\$ 2,741,448	2008
Bank of America, N.A.	Redwood Library and Atheneum	2,600,000	1,921,028	2007
Bank of New York	38 Studios, Inc.	75,000,000	75,000,000	2010
Bank of New York	East Greenwich Free Library Association	930,000	550,000	2004
Bank of New York	Fleet National Bank Project	11,000,000	8,360,000	1997
Bank of New York	Grant Anticipation Bonds (RIDOT)	216,805,000	60,675,000	2003
Bank of New York	Grant Anticipation Bonds (RIDOT)	184,620,000	121,850,000	2006
Bank of New York	Grant Anticipation Bonds (RIDOT)	169,935,000	160,195,000	2009
Bank of New York	Historic Structures Tax Credit	150,000,000	105,990,000	2009
Bank of New York	Immunex Rhode Island Corporation Sewer Project	3,400,000	2,580,000	2003
Bank of New York	Motor Fuel Tax Revenue Bonds (RIDOT)	53,030,000	24,040,000	2003
Bank of New York	Motor Fuel Tax Revenue Bonds (RIDOT)	42,815,000	34,750,000	2006
Bank of New York	Motor Fuel Tax Revenue Bonds (RIDOT)	12,410,000	11,560,000	2009
Bank of New York	Providence Place Mall (Sr.)	35,175,000	21,180,000	2000
Bank of New York	Providence Place Mall (Sub.)	5,645,000	3,550,000	2000
Bank of New York	Rhode Island Philharmonic Orchestra	7,000,000	5,895,000	2008
Bank of New York	RI Airport Corporation (Intermodal Project)	48,765,000	48,195,000	2006
Bank of New York	URI Steam Facility Project	16,395,000	8,360,000	1999
Bank of New York	YMCA of Pawtucket, Inc.	8,000,000	6,845,000	2004
Gagecon	Toray Plastics (America), Inc.	55,000,000	55,000,000	1992
Gagecon	Toray Plastics (America), Inc.	20,000,000	20,000,000	2006
RBS Citizens	YMCA of Pawtucket, Inc.	5,000,000	3,233,379	2011
US Bank	FMR, Inc.	25,000,000	15,585,985	1996
US Bank	FMR, Inc.	10,000,000	8,643,067	2002
US Bank	RI Airport Corporation	30,000,000	3,345,000	1994
US Bank	RI Airport Corporation	61,175,000	32,060,000	1998
US Bank	RI Airport Corporation	31,725,000	11,570,000	2003
US Bank	RI Airport Corporation	52,665,000	48,900,000	2004
US Bank	RI Airport Corporation	44,465,000	43,205,000	2005
US Bank	RI Airport Corporation	70,790,000	66,685,000	2005
US Bank	RI Airport Corporation	51,165,000	46,825,000	2008
Washington Trust Company	Ocean Community YMCA Issue	4,000,000	4,000,000	2010
		<u>\$ 1,507,510,000</u>	<u>\$1,063,289,907</u>	

Renewable Energy Fund

Renewable Energy Fund

Overview

The Renewable Energy Fund (REF) was created by legislative statute in 1996, and management of the fund transferred to the RIEDC in 2008.

REF is dedicated to increasing the role of renewable energy with business development and energy supply in Rhode Island's electric grid. The REF provides grants, loans and other financing options to renewable energy projects with the potential to make electricity in a cleaner, more sustainable manner, while stimulating job growth in the green technology and energy sectors of Rhode Island's economy. Using funds from the "system benefit charge" on electric bills and Alternative Compliance Payments from large electricity users, RIEDC will fund renewable energy projects in 2013 in small-scale solar, feasibility studies and commercial development. Commercial development consists of direct project installations and early-stage commercialization of new technologies and business models. REF has allocated \$4.25 million in 2013 for these project areas.

Although most REF funding is in the form of grants, any losses on loans would be absorbed by the REF, but would not require any additional public funds in those cases. The REF collects approximately \$2.25 million from electric ratepayer funds annually. This funding source has been extended and will continue until January 1, 2018.

Recent Highlights

The RIEDC Board approved new Rules and Regulations for the REF in December 2012 that provide enhanced structure and transparency to the fund.

In the first deployment of funds under the new Rules and Regulations on April 22, the RIEDC Board approved \$184,334 in grants to seven companies in the first round of 2013 funding. These projects support commercial and small-scale solar energy projects that will produce electricity in a cleaner, more sustainable manner and contribute to greener homes and businesses.

In 2013, the REF also established a Renewable Energy Fund Advisory Board to assist fund staff in recommending projects to the RIEDC Board for approval.

Renewable Energy Fund Advisory Board

RI Office of Energy Resources:

Barbara Cesaro
Chief, Program Development

Chris Kearns
Programming Services Officer

RI Economic Development Corporation:

Sean Esten
Director of Financial Programs

Christine Smith
RI Science & Technology Advisory
Council Executive Director

Hannah Morini
Renewable Energy Program
Manager

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

**2013 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 in accordance with RIGL §42-64-13.2; RIGL §39-2-1.2; and RIGL §39-26-7.

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:

- (a) 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.
- (b) 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 this 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. The Corporation may upon the request of any person undertaking a renewable energy facility project, grant project status to the project, and a renewable energy facility project, which is given project status by the Corporation, shall be deemed an energy project of the Corporation.
- (c) The Corporation seeks to fulfill its legal obligations by implementing programs in 3 areas as part of the Renewable Energy Fund:
 - (1) Small-scale solar
 - (2) Commercial Development
 - (3) Pre-development Feasibility Studies

- (d) The Corporation has the ability to fund projects consistent with its legal authority as defined in Section 1.0 hereof. No award shall be greater than the maximum cap amount stated in these Rules and Regulations.

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 "**Early Stage Commercialization**" means an innovative renewable energy technology or innovative business model with the ability to transform the renewable energy business sector.
- 3.3 "**Emerging Technology**" means new technologies in renewable energy that will develop within the next two (2) – five (5) years which have the ability to transform the renewable energy business sector.
- 3.4 "**Grouped Projects**" shall mean multiple individually sited solar projects submitted in one application to the RIEDC Renewable Energy Fund.
- 3.5 "**Innovative Business Model**" means a business structure with the ability to help commercialize an emerging or existing renewable energy technology.
- 3.6 "**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 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.

3.7 "**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.

3.8 "**Recoverable Grant**" means a grant subject to repayment with no interest.

3.9 "**Renewable Energy Fund**" and "**REF**" means the Renewable Energy Development Fund.

3.10 "**RIEDC**" and "**Corporation**" means the Rhode Island Economic Development Corporation.

3.11 "**RIEDC Board of Directors**" means the body in which RIEDC's power to make decisions is vested.

3.12 "**RIEDC Renewable Energy Fund Advisory Board**" means the body, as appointed by the Director or "Acting Director" of the Renewable Energy Fund, that may make recommendations regarding a project to be voted on by the RIEDC Board of Directors. The RIEDC Renewable Energy Fund Advisory Board shall consist of no fewer than:

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

3.13 "RIGL" means State of Rhode Island General Laws.

3.14 "ROI" means Return on Investment.

3.15 "**Shade-analysis**" means a table showing monthly obstruction data, and four (4) photos from a Solar Pathfinder or Solmetric Suneye, taken from all four (4) corners of the array. Printouts from the Pathfinder Assistant or Solmetric SunEye are also acceptable provided that all four (4) corners of the array are accounted for. For discontinuous or multiple arrays, please include the required four (4) readings for each location. For safety reasons, if there is no shading on the two lower corners and the north facing photo clearly shows no shading, the need to take photos from the two top corners is not required.

4.0 Funding

In accordance with Rhode Island General Laws, the Renewable Energy Development Fund receives money from National Grid and Pascoag Utility from the "system benefit charge" on customers' electric bills. Additionally, the REF can receive Alternative Compliance Payments (ACP(s)) when large energy consumers and/or utilities fail to purchase Renewable Energy Credits to meet their obligations under the RI Renewable Energy Portfolio Standard.

In June of 2012 the REF received an ACP which will help to fund the "Programs" outlined in these Rules and Regulations. The objective when administering ACPs is to invest in renewable energy projects that encourage market growth in a cost-effective manner, consistent with the relevant sections of RIGL.

Using funds from the "system benefit charge" and ACP payments, the Corporation seeks to fund renewable energy projects in three (3) areas:

- (a) Small-scale solar (\$1,500,000.00).
- (b) Commercial Development (\$2,000,000.00).
 - (1) Innovation and Market Development (\$1,000,000.00).
 - (2) Project Installation (\$1,000,000.00).
- (c) Pre-development Feasibility Studies (\$750,000.00).

5.0 General Requirements

(a) Application Submission

- (1) All requests for utilization of Renewable Energy Funds shall be submitted to the Corporation on RIEDC Renewable Energy Fund Applications which can be obtained by emailing REF@riedc.com
- (2) The deadlines to submit complete applications shall be as follows:
 - a. Small-scale solar
 - (i) February 15, 2013
 - (ii) April 30, 2013
 - (iii) July 26, 2013
 - b. Commercial Development
 - (i) March 15, 2013
 - (ii) May 31, 2013
 - (iii) August 30, 2013
 - c. Pre-development Feasibility Studies:
 - (i) April 12, 2013
 - (ii) June 28, 2013
 - (iii) October 31, 2013
- (3) All applications and required materials must be submitted electronically by emailing REF@riedc.com

(b) Application Review Process

- (1) All applications will be reviewed by RIEDC Renewable Energy Fund Staff for completeness and eligibility.
- (2) All qualified applications may be evaluated by the RIEDC Renewable Energy Fund Advisory Board. A majority vote will determine whether or not to recommend an application to be voted on by the RIEDC Board of Directors.
- (3) Applications will be voted on by RIEDC's Board of Directors for approval.
- (4) Contracts are executed between the Corporation and an award recipient. The Corporation may in its sole and absolute discretion

condition an award on any and all things it deems necessary and proper to carry out the intent of the Renewable Energy Fund.

6.0 Program Areas

6.1 Small-Scale Solar

- (a) Eligible Technologies:
 - (1) Solar Photovoltaic
 - (2) Solar Domestic Hot Water
- (b) Eligible Sectors:
 - (1) Residential
 - (2) Businesses
 - (3) Affordable Housing
- (c) Project Funding:
 - (1) 25% cash grant OR 50% low-interest loan
 - (2) Maximum grant amount is capped at \$10,000.00 per individual project for grants and \$20,000.00 per individual project for loans.
- (d) Project Size:
 - (1) Solar Photovoltaic: 10kW or smaller
 - (2) Solar Domestic Hot Water: Maximum of 160 sq ft of collectors
- (e) General Requirements:
 - (1) All projects shall be Grouped Projects.
 - (2) Grouped Projects must be grouped together by the applicant who shall be either a solar contractor, neighborhood association, or other grouping mechanism approved by the Corporation.
 - (3) Grouped Projects must consist of no fewer than three (3) and no more than twenty (20) individual solar projects.
 - (4) Grouped Projects must be all Solar Photovoltaic or all Solar Domestic Hot Water.
 - (5) Each individual project owner must have an energy audit conducted as a condition of final funding. Audits must be scheduled or completed by time of application submittal. Proof is required.
 - (6) A signed turnkey contract between the individual project owner and a solar contractor must be included with application. The contract should be contingent upon funding from the RIEDC Renewable

Energy Fund.

(7) Along with a completed application, all applicants applying to install a Photovoltaic System must include the following for each individual project:

- a. Shade-analysis demonstrating no more than 20% predicted shading during the hours of one (1) hour after sunrise and one (1) hour before sunset.
- b. Layout drawing of project.
- c. One-line electrical drawing.
- d. ROI/simple payback using the following assumptions:
 - (i) No more than a 3% utility inflation rate.
 - (ii) No less than a 0.5% panel degradation rate.
- e. Manufacturer's specifications for panels to be installed.
- f. Manufacturer's specifications for inverter to be installed.
- g. One (1) photo of the project location taken from the south looking northward toward the building or site.
- h. One (1) aerial image of the site from Microsoft Virtual Earth, Google Earth, or similar source with the building or site clearly identified.

(8) Along with a completed application, all applicants applying to install a Solar Domestic Hot Water must include the following for each individual project:

- a. Shade-analysis demonstrating no more than 20% shading during the hours of one (1) hour after sunrise and one (1) hour before sunset.
- b. Layout drawing of the project which illustrates at a minimum the placement of collectors and a plumbing schematic.
- c. Cross-section drawing of roof showing the size, spacing, and rafter run.
- d. ROI/simple payback using the following assumptions:
 - (i) No more than a 3% utility inflation rate.
 - (ii) No less than a 0.25% panel degradation rate.
- e. Manufacturer's specifications for collectors to be installed.
- f. Manufacturer's specifications for tank to be installed.

- g. One (1) photo of the project location taken from the south looking northward toward the building or site.
- h. One (1) aerial image of the site from Microsoft Virtual Earth, Google Earth, or similar source with the building or site clearly identified.

(f) Evaluation Criteria

Applications shall be evaluated as follows:

- (1) Technical feasibility (30%). Applications must include documented evidence of technical feasibility for the proposed project.
- (2) Financial Viability (30%). Proposals must include evidence and sources of other funds leveraged to complete the proposed project.
- (3) Estimated cost of energy produced (20%).
- (4) 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. (10%).
- (5) Experience of project team (10%).

(g) Final Inspection: RIEDC reserves the right to inspect all projects before final funding is released.

(h) Projects must be completed within twelve (12) months of RIEDC contract signing.

6.2 Commercial Scale Direct Project Funding – Over 10 kW

(a) Eligible Technologies:

- (1) Those technologies consistent with RIGL § 39-2-1.2.
- (2) All projects must have the ability to generate electricity.

(b) Eligible Sectors:

- (1) Businesses
- (2) Institutions
- (3) Non-profit organizations
- (4) Municipalities
- (5) Affordable Housing

(c) Project Funding:

- (1) Up to 20% cash grant for 10-50 kW projects.

(2) Maximum grant amount is capped at \$75,000.00.

(d) General Requirements:

(1) Project owners must have conducted an energy audit prior to application submittal. Proof must be included with application. Preference will be given to project owners who have implemented energy efficiency measures.

(2) A signed turnkey contract between the project owner and a solar contractor must be included with the application. Contract should be contingent upon receiving funding from the RIEDC Renewable Energy Fund.

(3) Eligibility requirements for solar projects:

i. Shade-analysis demonstrating no more than 10% predicted shading during the hours of one (1) hour after sunrise and one (1) hour before sunset.

a. Layout drawing of the project.

b. One-line electrical drawing.

c. ROI/simple payback using the following assumptions:

(i) No more than a 3% utility inflation rate.

(ii) No less than a 0.5% panel degradation rate.

d. Interconnection Application submitted to National Grid.

e. Manufacturer's specifications for panels to be installed.

f. Manufacturer's specifications for inverters to be installed.

g. One (1) photo of the project location taken from the south looking northward toward the building or site.

h. One (1) aerial image of the site from Microsoft Virtual Earth, Google Earth, or similar source with the building or site clearly identified.

(4) Eligibility requirements for wind projects:

a. Copy of FAA approval.

b. Proof that the project is permissible within jurisdictional authority. (Either a letter or copy of city/town ordinance will suffice).

c. One-line electrical drawing.

d. Project location site plan.

- e. Copy of Interconnection Application submitted to National Grid.
- (5) Final Inspection: RIEDC reserves the right to inspect all projects before final funding is released.
- (6) Projects must be completed within eighteen (18) months of contract signing.

(e) Evaluation Criteria:

- (1) Technical feasibility (30%). Applications must include documented evidence of technical feasibility for the proposed project.
- (2) Financial Viability (30%). Proposals must include evidence and sources of other funds leveraged to complete the proposed project.
- (3) Estimated cost per kWh of energy produced (20%).
- (4) 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. (10%).
- (5) Experience of project Team (10%).
- (6) Bonus of (10%) will be given to projects located in "load constrained areas" as defined by the REF Advisory Board in consultation with National Grid.

6.3 Early Stage Commercialization

(a) Eligible Technologies:

- (1) Those technologies consistent with RIGL § 39-2-1.2.
- (1) Projects must have the ability to generate electricity or optimize the integration of renewable energy into the electric grid.
- (2) Projects may qualify for funding as an Emerging Technology or an Innovative Business Model.

(b) Eligible Sectors:

- (1) Businesses
- (2) Institutions

(c) Project Funding:

Applicants may apply for a Recoverable Grant, a low-interest loan, or matching funds.

(1) Recoverable Grant:

- a. Eligible for up to seventy-five (75%) of the cost of an Early Stage

Commercialization Project.

- b. Project owner must contribute a minimum of twenty-five (25%).
- c. Maximum level of support is capped at \$300,000.00.
- d. Repayment in full when the product becomes commercially available.

(2) Low-interest loan

- a. Eligible for up to 100% Initial funding of an Early Stage Commercialization Project.
- b. Maximum level of support is capped at \$300,000.00.
- c. Loan repayment shall begin when product becomes commercially available.

- (3) For projects lacking code compliance (i.e. UL compliance) the Corporation may provide matching funds on a case-by-case basis.

(d) General Requirements:

- (1) All projects must meet all codes and standards before construction begins.

(2) Applicants shall submit a Business Plan which includes:

- a. Detailed description of the proposed project.
- b. Market niche for this technology/business model.
- c. Potential size of market impact.
- d. Risks associated with business plan.
- e. Detailed project budget.
- f. Financial projections.
- g. Economic development impact for the State of Rhode Island.
- h. Estimates of job creation.

(3) Business Experience/ Resumes of Key Management

(e) Evaluation Criteria

- (3) Technical Merit / Feasibility (25%).
- (4) Market Potential (25%).
- (5) Economic Impact for the State of Rhode Island (20%).
- (6) Team credentials and experience (10%).
- (7) Project Budget / Other funds leveraged (10%).
- (8) Scope of Work (10%).

- (f) Projects must be completed within eighteen (18) months of contract signing.

Exceptions to this time frame may be granted on a case-by case basis by RIEDC.

6.4 Pre-development Feasibility Studies

a. Eligible Technologies:

- (1) Those technologies consistent with R.I. Gen. Laws § 39-2-1.2.
- (2) Technologies studied must have the ability to generate electricity or provide a direct benefit to the electric grid.

(3) Eligible Sectors:

- a. Businesses
- b. Institutions
- c. Non-profit organizations
- d. Municipalities

(4) Project Funding:

- a. All Pre-development Feasibility Studies shall be awarded as a Recoverable Grant and shall require repayment when the project is operational.
- b. Maximum level of support will be capped at \$200,000.00.
- c. Applicant may apply for up to seventy-five percent (75%) of pre-development study costs.
- d. Project owner must contribute a minimum of twenty-five percent (25%).

(5) General Requirements

- a. The RIEDC and its Renewable Energy Fund Advisory Board reserve the right to recommend all, part, or none of a proposed feasibility study be funded based on probability of future development.
- b. For Municipal Projects:
 - i. Any municipality applying for a pre-development feasibility study recoverable grant must include evidence of a Town/City Council vote in favor of the proposed project.
 - ii. A municipality will not be required to pay back an award if it determined that the proposed

project is not feasible due to technical reasons only.

(6) Evaluation Criteria

- a. Technical feasibility (30%). Applicants must include preliminary evidence of technical feasibility for the proposed study. This could include:
 - i. Distance to potential grid connection.
 - ii. Current price per kWh.
 - iii. Evidence from www.rienergy.org to support favorable siting of proposed project.
 - b. Financial Viability (30%). Proposals must include evidence and sources of other funds being leveraged to complete the proposed study.
 - c. Estimated cost per kWh of energy produced (20%).
 - d. Anticipated amount of renewable energy and related benefits expected from the proposed project (10%).
 - e. Experience of project team (10%).
- (7) Studies must be completed within eighteen (18) months of contract signing.

Renewable Energy Fund (Loans)

Trial Date 09/01/2012

Short Name	Open Date	Loan Amount	Balance
ARPIN VAN LINES	05/18/2011	\$237,985	\$225,978
MILHAUS, LLC	07/01/2011	\$85,049	\$80,797
SAFEWAY	09/06/2011	\$62,500	\$58,537
TOWN OF PORTSMOUTH	07/15/2009	\$369,333	\$290,979
UTILIDATA	05/02/2012	\$500,000	\$500,000

RENEWABLE ENERGY FUND: Committed Expenses
November 20, 2012

PROJECT	TYPE	REF AWARD	Date
OER Commitments	Grant	\$ 900,000	
Ocean SAMP	Grant	\$ 3,200,000	
REF 1-093: United Natural Foods	Grant	\$ 70,000	2009
REF 1-094: Wolcott	Grant	\$ 7,683	10/14/2009
REF 1-095: The Fogarty Center	Grant	\$ -	10/14/2009
REF 1-096: Cooley Group	Investm ^t	\$ 200,000	10/14/2009
REF 1-098: Tomorrow Biofuels	Grant	\$ 250,000	1/29/2010
REF 1-099: Slatersville Hydro	Grant	\$ 200,000	10/7/2009
REF 1-100: SGE Engineers	Grant	\$ 150,000	10/14/2009
REF 1- 100: Hodges Badge Company	Grant	\$ 225,000	10/6/2009
REF 1-100: DEM	Grant	\$ 32,175	
REF 1-115: GEM Plumbing	Grant	\$ 115,709	12/29/2009
REF 1-129: Environmental Packaging	Loan	\$ 20,350	7/27/2010
REF 1-131: Millhaus	Grant	\$ 75,000	12/21/2010
REF 1-131: Millhaus	Loan	\$ 85,049	12/21/2010
REF 1-121: Toray Solar	Grant	\$ 250,000	12/21/2010
REF 1-121: Toray Solar	Loan	\$ 500,000	12/21/2010
REF 1-135: Arpin Van Lines	Grant	\$ 249,955	1/26/2011
REF 1-135: Arpin Van Lines	Loan	\$ 237,985	1/26/2011
REF 1-137: Safeway Auto	Grant	\$ 62,500	3/11/2011
REF 1-137: Safeway Auto	Loan	\$ 62,500	3/11/2011
REF 1-139: Solar Canopy	Investm ^t	\$ 120,000	5/23/2011
REF 1-141: CBC Wind	Investm ^t	\$ 26,467	4/25/2011
REF 1-145: PCS Utilidata	Investm ^t	\$ 500,000	2/10/2012
REF 2-100: New Shoreham - Town Hall	Grant	\$ 70,065	7/27/2009
REF 2-104: East Greenwich School	Grant	\$ 59,000	5/27/2010
REF 2-117 DEM 100kW	Grant	\$ 137,500	2/28/2009

REF 3-103 DEM	Grant	\$	17,325		7/28/2009
REF 3-105 St. Antoine's	Grant	\$	33,000		7/29/2009
REF 3-106 Trinity Restoration	Grant	\$	23,760		7/15/2009
REF 3-107 Arkwright	Grant	\$	6,250		7/27/2009
REF 3-109 City of Providence	Grant	\$	7,500		7/27/2009
REF 3-110 North Kingstown Public School	Grant	\$	25,000		7/27/2009
REF 3-112 City of Warwick	Grant	\$	20,000		7/15/2009
REF 3-113 Coastal Housing Corporation	Grant	\$	34,500		1/26/2011
REF 3-114 East Bay Energy Consortium	Grant	\$	62,433		6/30/2009
REF 3-122 Town of Burrville	Grant	\$	40,000		6/30/2009
REF 3-123 Town of Narragansett	Grant	\$	20,000		6/30/2009
REF 3-125 Town of North Smithfield	Grant	\$	9,800		6/30/2009
REF 3-126 Valley Affordable Housing	Grant	\$	25,000		7/28/2009
REF 3-141: Essex Partnership	Grant	\$	50,000		4/2/2010
REF 3-143 City of East Providence	Grant	\$	50,000		12/28/2009
REF 3-144: Conservation Law Foundation	Grant	\$	60,000		5/24/2011
REF 3-114-2: East Bay Energy Consortium	Grant	\$	335,000		3/7/2011
REF 3-162: WBNA	Grant	\$	20,000		4/25/2011
REF 3-160: ASA MET Tower	Grant	\$	49,765		2/16/2011
REF 3-165: City of Providence	Grant	\$	259,460		6/25/2012
REF 3-166: RIRRC	Grant	\$	37,500		6/8/2012
REF 3-167: Town of Gloucester	Grant	\$	18,881		6/8/2012
REF 4-101: Church Housing - 2	Grant	\$	100,000		7/27/2009
REF 4-104: West Elmwood Housing	Grant	\$	100,000		7/13/2009
REF 4-106: 176 Willow, LLC	Grant	\$	33,600		4/25/2011
REF 4-108: Church Housing - 4	Grant	\$	50,000		9/29/2011
REF ARRA 5-116: Tiffany & Company	Grant	\$	250,000		11/3/2011
REF ARRA 5-139: Toray Plastics	Grant	\$	250,000		11/3/2011
REF ARRA 5-129: Newport Biodiesel	Grant	\$	365,771		11/3/2011
REF ARRA 5-121: GWH PH II	Grant	\$	130,000		11/3/2011
REF ARRA 5-108: Tyde Farm	Grant	\$	18,311		11/3/2011
REF ARRA 5-137: Waterfalls Quick Lube	Grant	\$	20,003		11/3/2011
REF ARRA 5-125: Solec Energy Development	Grant	\$	325,000		11/3/2011

REF ARRA 5-133: Town of Jamestown	Grant	\$	111,775	11/3/2011
REF ARRA 5-135: WCRPC	Grant	\$	22,000	11/3/2011
REF ARRA 5-106: City of East Providence	Grant	\$	100,000	11/3/2011
REF ARRA 5-107: Business Innovation Factory	Grant	\$	167,500	11/3/2011
REF 5-101: REF - Alteris	Grant	\$	125,750	2/10/2012
REF 5-102: REF-WBNA	Grant	\$	500,000	2/10/2012
TOTAL COMMITTED EXPENSES		\$	11,681,822	



FOR IMMEDIATE RELEASE

Media Contact:

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RIEDC Board Approves More Than \$184,000 in Renewable Energy Grants to Seven Companies

Renewable Energy Fund grants will support the renewable energy industry with the installation of solar energy systems that contribute to greener homes and businesses

April 22, 2013 (Providence, R.I.) — The Rhode Island Economic Development Corporation (RIEDC) Board of Directors today approved \$184,334 to seven companies in the first round of 2013 grant funding through the Renewable Energy Fund (REF). The projects support solar photovoltaic systems that will produce electricity in a cleaner, more sustainable manner and contribute to greener homes and businesses.

"By using our assets wisely, we as a state can work to put Rhode Island at the forefront of energy sustainability and affordability," Governor Lincoln Chafee said. "Through funding from the Renewable Energy Fund, as well as the efforts of the Rhode Island Office of Energy Resources to promote energy efficiency and renewable energy, we are making progress to put Rhode Island on a path to greater energy independence."

"With the first deployment of grants under the new Rules and Regulations for the Renewable Energy Fund approved by the RIEDC Board in December, we are supporting some exciting projects that will strengthen the state's leadership in renewable energy," said Jerauld Adams, Vice-Chair of the RIEDC Board and President of North American Industries.

Funding was awarded to commercial and small-scale solar energy projects to help businesses increase their energy independence and to bolster the renewable energy industry in Rhode Island.

The two grant recipients for commercial projects are National Security Corporation and Clem's Electric, both of which will generate enough energy through the systems to cover 100 percent of their electricity needs. National Security is headquartered in East Providence, R.I., and sells, services, designs, and installs fire, security, CCTV, and access security systems.

Headquartered in Bristol, R.I., Clem's Electric serves both residential and commercial electric customers. They have become experts in energy efficiency for commercial properties and low-income housing. By installing the solar system, Clem's will not only expand their business to provide renewable energy services, but they will be able to use the project installation as hands-on training for their employees.

Four of the small-scale solar energy grant recipients are local residential and commercial solar and construction companies; the fifth is a local developer of moderate- and low-income housing. The solar energy systems being installed by all five recipients will generate enough power to cover 100 percent of the project owners' electricity consumption.

The REF received a total of 10 applications for the 2013 first round of funding.

Summary of REF Grant Awards

Round 1 Commercial Projects

- **National Security Corporation, East Providence, R.I. - \$28,250**
To help design, procure, and construct a 39.76 kW rooftop solar system on a National Security's building in East Providence
- **Clem's Electric, Bristol, R.I. - \$27,390**
To help install a 32.76 kW solar photovoltaic system on Clem's Electric headquarters in Bristol

Round 1 Small-Scale Solar Projects

- **Newport Solar, Newport, R.I. -- \$13,197**
To help design and install a total of 11.7 kW of solar photovoltaic on five residential properties
- **Real Goods Solar, Providence, R.I. -- \$26,388**
To help design and install a total of 19.845 kW of solar photovoltaic on four residential properties
- **US Solar Works, Attleboro, MA -- \$22,644**
To help design and install a total of 18.5 kW of solar photovoltaic on three residential properties in Rhode Island
- **Church Community Housing, Newport, R.I. -- \$34,596**
To help build four net-zero homes in Tiverton, with each containing an 8.95 kW solar photovoltaic array
- **Entech Engineering, Block Island, R.I. -- \$31,869**
To help design and install four solar photovoltaic systems on Block Island. Three systems will be for residences with a battery back-up, and one will be located at a new wool textile mill on the island. This award is pending Block Island's designation from the Public Utilities Commission as an eligible jurisdiction for Rhode Island Renewable Energy funds.

The RIEDC Board approved new Rules and Regulations for the REF in December 2012 that provide enhanced structure and transparency to the fund. The new REF regulations outline the following four program areas for funding:

- (1) Small-scale solar,
- (2) Commercial project funding,
- (3) Early-stage commercialization, and
- (4) Pre-development feasibility studies

For more information on the REF and how to apply for additional rounds of funding, visit <http://www.riedc.com/business-services/renewable-energy>.

About Rhode Island Economic Development Corporation

The Rhode Island Economic Development Corporation is the full service, official economic development organization for the state of Rhode Island. A quasi-public agency, the Corporation serves as a government and community resource to help streamline the business expansion in, and relocation to, Rhode Island. The agency assists companies with commercial real estate, business financing, workforce training and other relevant issues. www.riedc.com

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Job Creation Guaranty Program

Job Creation Guaranty Program

Overview

The Job Creation Guaranty Program provides greater access to capital and credit for growth-oriented businesses looking to expand or relocate in Rhode Island. Under the program, the Rhode Island Economic Development Corporation (RIEDC) is authorized to guarantee loans by private lenders or guarantee certain bond obligations for the benefit of businesses in primarily technology and innovation-driven industries that can create permanent, high-paying, full-time jobs in the state and continue to expand Rhode Island's knowledge economy.

Background

The Job Creation Guaranty Program was approved by the Rhode Island General Assembly in June 2010. Governor Chafee and the RIEDC Board of Directors approved program rules and regulations in December 2012 that cap the amount which can be guaranteed for any single project to \$10 million. The RIEDC's Access to Capital subcommittee now reviews all Job Creation Guaranty Program applications and makes recommendations to the RIEDC Board, using newly developed pre-qualifying criteria. Currently, \$42 million in guarantees is available to qualified Rhode Island businesses.

Upon initial funding of a project, a reserve fund is established to cover one-year of principal and interest payments in the event of a default. If the reserve fund is depleted, a request to the General Assembly would be required for an appropriation to pay the remaining principal and interest owed to bondholders.

###

**Rhode Island Economic Development Corporation
Access to Capital Subcommittee Members**

Chairperson

Jerauld Adams

President
North American Industries

Stanley Weiss

Partner
Stanley Weiss Associates

Cap Willey

Managing Director
CBIZ Tofias

Peter Dorsey

President
The Business Development Company
of Rhode Island

Anthony Rust

Managing Director,
Access Capital Strategies
Global Asset Management (US) Inc.

Mark S. Hayward

District Director
U.S Small Business Administration

Richard J. DeRienzo

Managing Principal
LGC&D

Rhode Island Economic Development Corporation
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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

RULES AND REGULATIONS FOR THE JOB CREATION GUARANTY PROGRAM

Section 1.00. Purpose.

The Rhode Island Economic Development Corporation, in order to develop an efficient procedure (a) to create a loan guaranty and bond program pursuant to which it will be able to issue its bonds, guaranty debt service thereon or on bonds issued by the Rhode Island Industrial Facilities Corporation, or guaranty debt service of another, including without limitation debt service of borrowers on loans by other lenders and capital providers, or guaranty 15% of debt service on any loan made subject to a guaranty issued by the Small Business Administration pursuant to its Section 7(a) Program, and (b) to induce lending to companies growing their employment in the State, hereby adopts these rules and regulations to implement its authority and the policies set forth in Chapters 026/029 of the Rhode Island Public Laws of 2010.

Section 2.00. Legal Authority.

These rules and regulations are promulgated (a) pursuant to the provisions of Chapters 026/029 of the Rhode Island Public Laws of 2010, under which the Corporation is authorized to establish the Job Creation Guaranty Program and may issue bonds or otherwise guaranty indebtedness not to exceed a principal amount of one hundred twenty-five million dollars (\$125,000,000) in the aggregate and (b) pursuant to the provisions of Title 42, Chapter 35.

Section 3.00. Definitions.

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

3.01 "Board of Directors" shall mean the Board of Directors of the Corporation.

3.02 "Corporation" shall mean the Rhode Island Economic Development Corporation as established, administered and governed by R.I.G.L. Title 42, Chapter 64, as amended.

3.03 "Corporation Guaranteed SBA 7(a) Project" shall mean any Project for which the Corporation has made a Fifteen Percent Loan Guaranty.

3.04 "Fifteen Percent Loan Guaranty" shall mean any guaranty made by the Corporation of any loan guaranteed by the Small Business Administration under its Section 7(a) Program, provided that such guaranty by the Corporation shall not exceed fifteen percent (15%) of the principal amount of such loan.

3.05. "Full-time Job" shall mean one in which the employee works a minimum of thirty (30) hours per week within the State with industry comparable benefits.

3.06 "General Assembly" shall mean the General Assembly of the State.

3.07 "Governor" shall mean the Governor of the State.

3.08 "Job Creation Guaranty Program" shall mean the Job Creation Guaranty Program authorized pursuant to Chapters 026/029 of the Rhode Island Public Laws of 2010.

3.09 "Maximum Project Amount" shall mean a principal amount of bonds issued or indebtedness otherwise guaranteed not to exceed ten million dollars (\$10,000,000) per Project (other than a Corporation Guaranteed SBA 7(a) Project).

3.10. "Project" shall mean any project as approved by the Board of Directors, or a committee of the Board of Directors so designated by the Board of Directors, which shall consider and be guided by the following objectives:

(a) Projects that promptly create permanent Full-Time Jobs of a quantity and within a ratio of jobs to the amount of the credit enhancement as deemed appropriate by the Corporation, with annual wages in excess of two hundred fifty percent

(250%) of the then current minimum wage earned annually with industry comparable benefits or, with respect to any Fifteen Percent Loan Guaranty, with annual wages in excess of one hundred seventy-five percent (175%) of the then current minimum wage earned annually with industry comparable benefits.

(b) Any guaranty or bond obligations hereby authorized should leverage capital formation to facilities or business development with new and existing companies that will create or retain jobs in the State.

(c) The documentation reflecting guaranty and bond obligations shall contain adequate legal provisions for assuring performance by the borrower of creating and retaining new jobs within the State.

(d) Priority shall be given to guarantees that align with the State's economic development strategy to expand high-wage jobs in knowledge industry growth clusters or with respect to assets related thereto.

(e) Guarantees or loan obligations from any borrower will be collateralized by any and all available assets of the borrower and guarantors, where applicable, including subordinate collateral positions, cross collateralization with other lenders and collateralized guarantees as appropriate.

(f) Insurances, including hazard and key person life, may be required where appropriate.

(g) The Corporation may utilize such data and retain experts as necessary to assess and validate associated guaranty risk, and the Corporation may charge any borrower reasonable fees for the Corporation's guaranty and reimbursement of expenses.

(h) No Project approved after the effective date of these rules and regulations may exceed the Maximum Project Amount.

3.11 "Reserve Fund" shall have the meaning set forth in Section 5.00.

3.12 "State" shall mean that State of Rhode Island and Providence Plantations.

3.13 Any capitalized terms not otherwise defined herein shall have the meaning ascribed to them in R.I.G.L. Title 42, Chapter 64.

Section 4.00. Requests For Utilization of the Job Creation Guaranty Program; Pre-Conditions for Issuance of Fifteen Percent Loan Guaranty.

4.01 Requests for utilization of guarantees or the utilization of bonds of the Job Creation Guaranty Program shall use the procedure in this Section 4.01.

4.01. (a) Applications for Guarantees or Bonds.

All requests for the utilization of guarantees or the issuance of bonds by the Corporation for the Job Creation Guaranty Program shall be submitted to the Corporation on application forms that may be obtained from the Corporation.

4.01. (b) Approval Criteria.

Criteria for approval of projects utilizing the Job Creation Guaranty Program are as follows:

- (i) creation of Full-Time Jobs as described in Section 3.10.(a);
- (ii) the amount of leverage of private or third-party capital to facilitate business development with new or existing companies that will create or retain Full-Time Jobs in the State;
- (iii) the degree of alignment with the Corporation's and the State's economic development strategies to expand high-wage Full-Time Jobs in industry growth clusters or with companies that utilize such high-wage full-time employees, or with respect to assets related thereto;
- (iv) quality and estimated value of collateral securing the repayment of guaranteed loans or repayment of the bonds;
- (v) quality of insurances as requested or required by the Corporation;

(vi) results of internal or independent analyses of the industry or project being considered for the guaranty or issuance of bonds; and

(vii) additional traditional and sophisticated underwriting criteria including project feasibility, financial viability, projected revenues and expenses, costs, project management capabilities, position in existing market or time to new markets, analysis of market conditions and additional economic development costs and risks.

No project after the effective date of these rules and regulations may be approved by the Board of Directors, or a committee of the Board of Directors so designated by the Board of Directors for more than the Maximum Project Amount.

4.02. Application.

4.02. (a) Application. The Corporation from time-to-time shall create an application(s) for projects requesting the utilization of the Job Creation Guaranty Program, without amending these rules and regulations; provided, however, that such application(s) shall not reduce or diminish the due diligence, scope or analysis or authority of the Board of Directors to approve projects for qualification pursuant to the Job Creation Guaranty Program.

4.02. (b) Public Records and Open Meetings. The Corporation may receive from a project applicant trade, commercial or otherwise confidential information that should be marked as such by the applicant. The Corporation will treat such information as confidential to the extent permitted by applicable public records and open meetings laws and may from time to time consider such information in either open or closed sessions pursuant to applicable open meetings laws.

4.03 Reserve for Fifteen Percent Loan Guarantees. A principal amount not to exceed five million dollars (\$5,000,000) of the one hundred twenty-five million dollars

(\$125,000,000) available under the Job Creation Guaranty Program may be reserved by the Corporation to provide Fifteen Percent Loan Guarantees.

4.04 Pre-Conditions for Fifteen Percent Loan Guaranty. For administrative efficiency, each Fifteen Percent Loan Guaranty shall be made in accordance with the regulations established for the Small Business Administration Section 7(a) Program to the extent reasonably possible. Notwithstanding the foregoing, the Corporation may add any terms, conditions or requirements to any Fifteen Percent Loan Guaranty that it deems necessary and appropriate to protect the interests of the Corporation and to fulfill the purposes of the Job Creation Guaranty Program. No Fifteen Percent Loan Guaranty shall be made by the Corporation unless the Corporation has received written confirmation satisfactory to it that the Small Business Administration has issued its guaranty under the Small Business Administration Section 7(a) Program.

4.05 Carryover of Available Capacity. In the event that the Corporation has outstanding at any time one hundred twenty million dollars (\$120,000,000) of bond obligations or guarantees for Projects (other than Corporation SBA 7(a) Guaranteed Projects), the Board of Directors may allocate any or all of the then remaining capacity for bond indebtedness or guarantees, if any, then reserved for potential Corporation Guaranteed SBA 7(a) Projects, provided, however that the aggregate amount of bonds or guarantees outstanding shall not at any time exceed one hundred twenty-five million dollars (\$125,000,000).

Section 5.00 Reserve Fund.

In order to assure that any payments due on guarantees or bond obligations issued by the Corporation in connection with the Job Creation Guaranty Program are made, and to assure the continued operation and solvency of the Corporation for carrying out its corporate purposes, and accept as otherwise set forth in R.I.G.L. Title 42, Chapter 64, as amended:

(i) the Corporation shall create a reserve fund (the "Reserve Fund") from which shall be charged any and all expenses of the Corporation with respect to guarantees or bond obligations of the Corporation resulting from a borrower's default under the Job Creation Guaranty Program;

(ii) the Corporation shall credit to the Reserve Fund no less than fifty percent (50%) of all receipts of the Corporation including guaranty fees, premiums and any other receipts or recoveries from collections received pursuant to the Corporation's rights to recover payments as a guarantor under the Job Creation Guaranty Program; and

(iii) to the extent the Corporation's obligations as a guarantor or issuer of bond obligations are not satisfied by amounts in the Reserve Fund, the Executive Director of the Corporation shall annually, on or before December 1st, make and deliver to the Governor a certificate stating the minimum amount, if any, required for the Corporation to make payments due on such guarantees or indebtedness. During each January session of the General Assembly, the Governor shall submit to the General Assembly, as part of the Governor's proposed budget, the total of such sums, if any, required to pay any and all obligations of the Corporation under such guarantees or bond obligations. All sums appropriated by the General Assembly for that purpose, and paid to the Corporation, if any, shall be utilized by the Corporation to make payments due on such guarantees or bond obligations. Any recoveries by the Corporation of guaranty or bond payments are to be returned to the Reserve Fund and utilized to reduce any obligation of the State pursuant to any guarantees entered into or bonds issued by the Corporation.

Section 6.00. Reporting.

On or before January 1 of each year, the Corporation shall issue a report to the Board of Directors, the president of the Rhode Island Senate, the speaker of the Rhode Island House of Representatives, the Rhode Island General Treasurer and the Rhode Island Secretary of State on all guarantees and bonds issued by the Corporation

pursuant to the Job Creation Guaranty Program. The report shall include at a minimum: a list of each guaranty and bond issued; a description of the borrower on behalf of which the guaranty or bond was issued; the lender or lenders that made the loan, and the amount of such loan, to such borrower; the amount of principal and interest on each such loan outstanding as of the date of such report; a summary of the collateral securing the repayment of such loan for which the guaranty was issued; and a summary of the economic impacts made by such borrower as a result of the guaranteed loan, including but not limited to the number, type and wages of jobs created by such borrower, any impacts on the industry in which the borrower operates and an estimate of income taxes for the State generated by the employees of such borrower and the borrower itself.

Section 7.00. Finality.

Any request for qualification or for utilization of any guaranty or bond indebtedness under the Job Creation Guaranty Program shall not constitute a "contested case" under the Administrative Procedures Act as set forth in R.I.G.L. Title 42, Chapter 35. No opportunity to object to any request shall be afforded, nor shall judicial review be available from a decision rendered by the Corporation pursuant to applicable law.

Section 8.00 Reconsideration of Corporation Decision.

Any affected person may request in writing reconsideration of a decision of the Corporation. Requests for reconsideration will be granted only where it can be demonstrated that there have been:

- (i) significant changes in the proposed project's ability to meet the applicable criteria as related to it; or
- (ii) significant changes in factors or circumstances relied upon by the Corporation in reaching its decision.

Section 9.00. Rescission of Guaranty or Bonds.

The Corporation may revoke any guaranty or bonds authorized by it prior to any final execution and delivery of them, whether in whole or in part, upon a finding by the Corporation that:

(a) the Project authorized for funding has been significantly altered in scope or impact, or in any other way the criteria utilized by the Corporation in determining the authorization for the funding has been altered, changed or impacted in a material way; or

(b) the Project applicant has not made substantial and significant advancement with respect to the implementation of the Project since the authorization was approved by the Corporation, as determined by the Corporation.

(c) the Project applicant has not satisfied any pre-funding conditions set forth by the Corporation.

Section 10.00. Performance.

Any person or entity for which any bonds have been issued or any guaranty has been made pursuant to these rules and regulations shall report to the Corporation on the progress the applicant has made with respect to the implementation of the Project for which such bonds or any guaranty was authorized. Such reports shall be in form and substance satisfactory to the Corporation and performed with a frequency as determined by the Corporation.

Section 11.00. Authority Regarding Documentation.

Any Projects may be documented by the Corporation with such agreements, promissory notes, memoranda of understanding, security instruments, mortgages, pledges, hypothecations and other documentation as deemed reasonably necessary and prudent by the Corporation upon terms and conditions as deemed necessary,

desirable and in the best interest of the Corporation and the funds under its administrative care, including, without limitation, the right to charge interest, take warrants, options or any form of equity interests, impose penalties and charges, and recover costs reasonably incurred by it as may be deemed appropriate and in the best interest of the Corporation and the funds administered by it.

Section 12.00. Liberal Application.

The terms and provisions of these rules and regulations shall be liberally construed to allow the Corporation to implement the intended public policy of the Job Creation Guaranty Program regulated hereby.

Section 13.00. Severability.

If a court with jurisdiction invalidates any provision of these rules and regulations or their application to any local government unit or circumstance, the remaining rules and regulations will not be affected. The invalidity of any section or sections, or parts of any section or sections, shall not affect the validity of the remainder of these rules and regulations.

The foregoing rules and regulations, after due notice and an opportunity for hearing, are hereby adopted and filed with the Secretary of State of the State of Rhode Island to become effective after filing in accordance with applicable law.

RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION

Keith W. Stokes, Executive Director

Adopted by the Rhode Island Economic Development Corporation Board of Directors on:

Filed with Secretary of State: _____

1330442_7/3735-1

JCGP Pre-Qualifying Criteria

The Rules and Regs currently in place for the program indicate priority will be given to those projects which promptly create permanent, full time jobs with annual wages in excess of 250% of the then current minimum wage earned annually with industry comparable benefits. A full time job shall mean one in which an employee works a minimum of 30 hours per week within the state of RI. It also indicates priority shall be given to those companies looking to expand high wage jobs in knowledge industry growth clusters.

Loans eligible for the guarantee will range from \$250,000 to \$10 million. Only **complete** applications (including all supporting documentation) will be reviewed for consideration.

Start-ups (Pre-Revenue)

- **Restricted Use of Funds:** Funds may not be used for the refinance of principal's debt.
- **Equity:** A minimum co-investment of 30% required (can be equity or other subordinated debt).
- **Job Growth Opportunity:** Job Creation of 8 to 11 jobs per million requested, over the complete term of the financing, with an established measurable bench mark being assessed at the end of year 2 and forward. (Penalties for the inability to create jobs will begin at this time).
- **Cash Flow:** Business must demonstrate positive cash flow within 24 months of final funding (does not necessarily need to be sufficient to support debt). Minimum 1 to 1 cash flow to support debt must be demonstrated by the end of the interest only period (the 'debt' shall include any fees associated with the guarantee).
- **Regulatory Approvals:** Any approvals required by regulatory bodies for licensing, permitting, etc. must be in place prior to submitting an application for the guarantee.
- **Personal Guarantee:** Any 20% or more owner/operator of the business must provide a personal guarantee. In the case where there is no 20% or greater ownership, management with a controlling interest may be required to guarantee.
- **Consultant:** An independent report to validate intellectual properties such as patents, copyrights, etc., may be required at the expense of the borrower.

Established Businesses:

- **Restricted Use of Funds:** Funds may not be used for the refinance of principal's debt.
- **Equity:** A minimum co-investment of 20% required (can be equity or other subordinated debt). A waiver of this requirement may be considered on a case by case basis for those companies that demonstrate significant retained earnings, profitability, etc.
- **Job Growth Opportunity:** Job Creation of 8 to 11 jobs per million requested, over the complete term of the financing, with an established measurable bench mark being assessed at the end of year 2 and forward. (Penalties for the inability to create jobs will begin at this time). Job **retention** will not count toward these figures.
- ****Cash Flow:** Business must demonstrate positive cash flow at the time of the request. Minimum 1 to 1 cash flow to support debt must be maintained and demonstrated by the end of the interest only period (the 'debt' shall include any fees associated with the guarantee)

- **Regulatory Approvals** (*if applicable for a new business model*): Any approvals required by regulatory bodies for licensing, permitting, etc. must be in place prior to submitting an application for the guarantee.
- **Personal Guarantee**: Any 20% or more owner/operator of the business must provide a personal guarantee. In the case where there is no 20% or greater ownership, management with a controlling interest may be required to guarantee.
- **Consultant**: An independent report to validate intellectual properties such as patents, copyrights, etc., may be required at the expense of the borrower.

**** Those applicants which do not meet the criteria for established business in regards to cash flow will be evaluated using the criteria for Start-ups (Pre-Revenue).**

Chapter 026
2010 -- H 8158 AS AMENDED
Enacted 06/11/10

A N A C T
RELATING TO ECONOMIC DEVELOPMENT

Introduced By: Representatives Costantino, Melo, and Brien

Date Introduced: May 19, 2010

It is enacted by the General Assembly as follows:

SECTION 1. WHEREAS, The Rhode Island Economic Development Corporation was created by the general assembly pursuant to chapter 64 of title 42 of the general laws in order to, among other things, promote the retention and expansion of businesses and the creation of jobs in Rhode Island; and

WHEREAS, One of the methods utilized by the Rhode Island Economic Development Corporation to help promote and expand businesses in Rhode Island is the use of its quasi-public corporation powers to issue bonds and debt and guarantees of debt; and

WHEREAS, Rhode Island continues to suffer from continuing high unemployment and other ill effects from the most recent national recession; and

WHEREAS, One of Rhode Island's economic development's strategies of continuing to optimize its knowledge economy assets such, as the sciences, technology, digital media, innovative manufacturing and other technologies, requires adequate access to capital; and

WHEREAS, Rhode Island companies in growth phases are limited in their ability to obtain reasonable credit without access to credit enhancement; and

WHEREAS, The Rhode Island Economic Development Corporation desires to create a loan guarantee and bond program pursuant to which it will be able to guarantee loan repayments either directly or through the issuance of its bonds in order to induce lending to companies growing their employment in Rhode Island;

WHEREAS, The Rhode Island Economic Development Corporation seeks to have authority pursuant to chapter 18 of title 35 of the general laws to guarantee debts or otherwise issue its bonds for this purpose not to exceed one hundred twenty five million dollars (\$125,000,000) in the aggregate of unpaid principal, thereby limiting the contingent long-term cost of such program to the state; and

WHEREAS, The Rhode Island Economic Development Corporation requests the approval of the general assembly prior to undertaking such program; now, therefore be it

RESOLVED, That the Rhode Island Economic Development Corporation (the "corporation") is hereby empowered and authorized pursuant to chapter 18, title 35 of the general laws, and notwithstanding any provisions of chapter 64, title 42 of the general laws to the contrary, to create the corporation's Job Creation Guaranty Program (the "program"). Under the program, the corporation may from time to time issue its bonds, guaranty debt service thereon or on bonds issued by the Rhode Island industrial facilities corporation, or guaranty the debt service of another provided that the principal amount of bonds or other obligations guaranteed pursuant to the program shall not at any time exceed one hundred twenty-five million dollars (\$125,000,000). The guaranty of any bond or other obligation may extend to repayment of the principal thereof, sinking payments therefore, interest thereon, and payment of any redemption price or premium in connection with the redemption thereof prior to maturity;

RESOLVED, That guaranties or bonds issued by the corporation shall be approved by its board of directors, or a committee of the board as so designated by the board, and shall be executed by its executive director or any authorized officer of the corporation as authorized in a resolution approved by the board of directors of the corporation from time to time in a form the corporation may prescribe. The board of directors of the corporation in authorizing any such guaranty or bond obligations shall consider and be guided by the following objectives:

(a) Priority will be given to projects that promptly create permanent, full-time jobs with annual wages in excess of two hundred fifty percent (250%) of the then current minimum wage earned annually with industry comparable benefits. A full-time job shall mean one in which the employee works a minimum of thirty (30) hours per week within this state.

(b) Any guaranty or bond obligations hereby authorized should leverage capital formation to facilitate business development with new and existing companies that will create or retain jobs in this state. The documentation reflecting guaranty and bond obligations authorized hereby shall contain adequate legal provisions for assuring performance by the borrower of creating and retaining new jobs within this state.

(c) Priority shall be given to guarantees that align with the State's economic development strategy to expand high-wage jobs in knowledge industry growth clusters or with respect to assets related thereto.

(d) Guarantees or loan obligations from the program's borrower will be collateralized by any and all available assets of the borrower and guarantors, where applicable, including subordinate collateral positions, cross collateralization with other lenders and collateralized guarantees as appropriate.

(e) Insurances, including hazard and key person life, may be required where appropriate.

(f) The corporation may utilize such data and retain experts as necessary to assess and validate associated guaranty risk, and the corporation may charge borrower reasonable fees for the corporation's guaranty and reimbursement of expenses;

RESOLVED, that in order assure any payments due on guarantees or bond obligations issued by the corporation in connection with the program pursuant to this authorization are made, to assure the continued operation and solvency of the corporation for the carrying out of its corporate purposes, and except as otherwise set forth in these authorizing resolutions in accordance with the provisions of chapter 64, title 42 of the general laws: (i) The corporation shall create a reserve fund from which shall be charged any and all expenses of the corporation with respect to guaranty or bond obligations of the corporation pursuant to these resolutions resulting from a program borrower's default; and (ii) The corporation shall credit to the reserve fund no less than fifty percent (50%) of all program receipts of the corporation including guaranty fees, premiums and any other receipts or recoveries from collections received pursuant to the corporation's rights to recover payments as a guarantor; and (iii) To the extent the corporation's obligations as a guarantor or pursuant to its program bond obligations are not satisfied by amounts in its guaranty reserve fund, the executive director of the corporation shall annually, on or before December 1st, make and deliver to the governor a certificate stating the minimum amount, if any, required for the corporation to make payments due on such guarantees. During each January session of the general assembly, the governor shall submit to the general assembly, as part of the governor's budget, the total of such sums, if any, required to pay any and all obligations of the corporation under such guarantees or bond obligations pursuant to the terms of this authorization. All sums appropriated by the general assembly for that purpose, and paid to the corporation, if any, shall be utilized by the corporation to make payments due on such guarantees or bond obligations. Any recoveries by the corporation of guaranty payments are to be returned to the guaranty reserve fund and utilized to reduce any obligation of the state pursuant to any guarantees entered into by the corporation;

RESOLVED, on or before January 1 of each year, the corporation shall issue a report on all guarantees issued by the corporation pursuant to this authorization. The report shall include at a minimum: a list of each guaranty issued; a description of the borrower on behalf of which the guaranty was issued; the lender or lenders that made the loan, and the amount of such loan, to such borrower; the amount of principal and interest on each such loan outstanding as of the date of such report; a summary of the collateral securing the repayment of such loan for which the guaranty was issued; and a summary of the economic impacts made by such borrower as a result of the guaranteed loan, including but not limited to the number, type and wages of jobs created by such borrower, any impacts on the industry in which the borrower operates and an estimate of income taxes for the state of Rhode Island generated by the employees of such borrower and the borrower itself.

SECTION 2. Chapter 42-64 of the General Laws entitled "Rhode Island Economic

Development Corporation" is hereby amended by adding thereto the following section:

42-64-35. Government contract procurement assistance. -- (a) The general assembly recognizes that:

(1) Many Rhode Island companies provide products and services which are routinely procured by a myriad of governmental entities. However, attempting to understand and comply with the numerous certification, registration, opportunity identification, proposal, and contract requirements associated with government procurement often raises significant barriers for those companies with no government contracting experience;

(2) The costs associated with obtaining a government contract for products or services often prevents most small businesses from working in the governmental procurement market;

(3) Currently many of the federal procurement opportunities are contracted to businesses located outside of the state;

(4) The economic development corporation currently administers programs and initiatives that help create and grow companies in Rhode Island and recruit companies to Rhode Island through the use of state employees, public-private partnerships, and contractual services; and

(5) There exists a significant opportunity for Rhode Island companies to secure new business with federal, state, and local governments.

(b) The corporation through its director:

(1) Shall manage and direct the administration of state programs and initiatives whose purpose is to procure federal, state, and local governmental contracts;

(2) May require program accountability measures; and

(3) May receive and distribute legislative appropriations and public and private grants for projects and programs that:

(i) Are focused on growing Rhode Island companies and positively impacting statewide revenues by expanding current services to help these companies secure new business with federal, state, and local governments;

(ii) Provide guidance to Rhode Island companies interested in obtaining new business with federal, state, and local governmental entities;

(iii) Would facilitate marketing, business development, and expansion opportunities for Rhode Island companies in cooperation with other state and local agencies and departments and with public, non-profit, or private sector partners such as local chambers of commerce, trade associations, or private contractors as determined by the corporation's director to successfully match Rhode Island businesses with government procurement opportunities.

Any supplemental appropriation to the corporation is to be utilized on specialized consulting service providers qualified and experienced in helping businesses increase their win rate of federal contracts. These services may include, but are not limited to:

(A) Assistance for the EDC in screening companies ("qualified businesses") who have the products, services, basic skills, and resources to effectively compete for and win federal business;

(B) Training and support for the qualified businesses in sales strategies prior to answering formal federal solicitations ("RFPs") and/or winning subcontracting business from major prime contractors;

(C) Proposal development support and training to improve the written responses to federal RFPs, and the oral presentations which follow;

(D) Training and support for negotiation and;

(E) Support services and subject matter experts to ensure contract performance and compliance.

(c) A recipient of monies distributed under this section shall provide the office with a set of standard monthly reports, the content of which shall be determined by the office to include at least the following information:

(1) Consultative meetings with Rhode Island companies;

(2) Seminars or training meetings held;

(3) Government contracts awarded to Rhode Island companies;

(4) Jobs created/retained; and

(5) Salary ranges of jobs created/retained.

SECTION 3. This act shall take effect upon passage.

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Rhode Island Economic Development Corporation

Job Creation Guarantee Program

Transaction Listing as of 4/15/13

Acct Name	Closing Date	Approved Guaranty Amount	Current Guaranteed Balance	RIEDC Paying (Y/N)
38 Studios, Inc.	11/2/2010	75,000,000.00	75,000,000.00	Y
NuLabel, LLC	12/21/2011	1,500,000.00	0.00	N
The Corporate Marketplace, Inc.	1/4/2012	4,000,000.00	3,250,000.00	N
eNow, LLC	4/15/2013	1,000,000.00	419,674.05	N

Findings from DBR Examination of RIEDC

Findings From an Examination of the Rhode Island Economic Development Corporation

I. Introduction. The following report focused on the lending practices at the Rhode Island Economic Development Corporation (“RIEDC”). The RIEDC includes multiple arms for funding sources such as:

1. Small Business Loan Fund Corporation (“SBLFC”)
2. Rhode Island Industrial-Recreation Building Authority (“RIIRBA”)
3. Job Creation Guaranty Program (“JCGP”)
4. State Small Business Credit Initiative (“SSBCI”)

This examination focused on a review of the SBLFC portfolio and was performed to assess the lending practices and administration of the portfolio. The following practices and recommendations would apply to the different funding arms of the RIEDC. The ultimate goal of the lending arms is to grant loans in accordance with the entities mission while mitigating the risk. Using best lending practices will assist in the mitigation of risk.

II. Background. The primary goal of the SBLFC is to act as a financing source to spur additional private sector capital formation and combine with other State financing and economic development programs to expand the high wage and job growth industry sectors of the State’s economy.

Specific goals include:

1. Leverage private investment and capital formation to facilitate business development activities with new and existing companies through innovation.
2. Create or retain private sector jobs.
3. Assist in diversification of the state’s economy through small and medium-sized businesses from emerging and traditional industries; particularly companies engaged in or adopting new technologies.
4. Collaborate with other capital providers focused on stabilizing and revitalizing business expansion and retention in Rhode Island’s disadvantaged communities.
5. Expand efforts directed at businesses owned by women and minorities.

In order to meet the goals stated above, the SBLFC grants loans that typically would not qualify for traditional sources of funding (i.e. banks, credit unions etc.). As part of the application process, a bank rejection letter or a request or commitment letter from the other source of funding is required. This results in higher risk credit quality due to the failure to secure financing by the applicant in the traditional arena without assistance from the SBLFC. The reasons for the request from SBLFC includes, cash flow (or debt service coverage) below bank standards, unproven new business enterprises, insufficient collateral protection, weak balance sheets, working capital requirements that fall below bank ratios due to asset values and other traditional lending standards. The SBLFC has granted loans in conjunction with traditional lending sources as well as entities such as the Providence Economic Development Partnership ("PEDP") and the Providence Revolving Loan Fund ("PRLF"). The SBLFC also provides for stand-alone funding. The key for the SBLFC is to mitigate the risks to protect the fund while not being too restrictive as to veer off their mission.

III. Procedural Findings. As part of the review of the SBLFC, our review included the underwriting, pre-closing, post-closing, follow up (monitoring), reporting and discussions with employees involved in the underwriting and monitoring function. Specific findings follow.

Underwriting

As part of my review, I sampled older credits and new credits for consistency of the underwriting staff and general underwriting standards. The credits originated in 2012 were fairly well underwritten with some exceptions noted. The more common exceptions noted included lack of debt service coverage and Loan to Value ratios. Financial calculations such as debt service coverage ratios and loan to value ratios were checked for accuracy. The sample included loans underwritten by four current Financial Portfolio Managers ("FPM") and one former FPM. The sample also included various loan types such as real estate secured, equipment purchase and working capital loans.

In many loans, the SBLFC is usually in a junior lien position regardless if the SBLFC transacted a stand-alone credit or in conjunction with a partner. Some credits involving entities like the PRLF or the PEDP, the SBLFC shared equal position (pari passu). The collateral is often times a junior lien on all business assets, which can be difficult at best to place a value on when determining a loan to value ratio. The condition of the assets pledged was not addressed in the loan analysis. Some credit memos contained a fair market value and a liquidation value as well, others did not report contain a liquidation value.

In order to assure consistency in the underwriting process, several areas need improvement or enhancement. Areas needing enhancements include:

1. Develop and implement a standard definition of "cash flow";

2. Develop and implement a standard “debt service coverage ratio”;
3. Minimum debt service coverage requirements;
4. Incorporate a “Global Cash Flow” analysis where the guarantor is solely dependent on the company for their personal expenses;
5. Incorporate more industry comparison versus your borrower (it is known that your borrowers are stressed financially but this would give you a better understanding on how stressed the borrower is);
6. Requiring personal guarantees on all loans (if the applicant won’t stand behind the project, then why should taxpayers or the fund stand behind the project);
7. Obtaining the settlement statement on purchase transactions when the SBLFC is not the primary lender;
8. More internal collateral valuation (not just accepting the borrowers valuation even if provided by a licensed appraiser) or having the appraisal recertified to the SBLFC; and
9. Consideration to be 1st lienholder on purchased equipment/machinery.

It is recommended that the above items be part of written policies/procedures developed by the SBLFC Board of Directors (BOD). The BOD should adopt written procedures addressing the process leading up to the closing of the loan. In addition to the above, refer to the Action Items Section 1 of this report for underwriting process recommendations.

Pre-Closing

Several loans reviewed contained certain conditions to be met prior to the closing of the loan that were not provided. The main deficiency noted was for the Assignment of Life Insurance policies. Several did not have the policy information such as the amount, the policy number and/or the assignment form. Good Standing Letters from the Rhode Island Secretary of State or the Rhode Island Division of Taxation were not in file nor were provided after closing. Any required items not provided should be tracked and the borrower given a date to provide the missing documents. Items of significance not provided should be reason for delay of funding. Compare the pre-closing conditions to the conditions outlined in the Commitment Letter.

Refer to the Action Items Section 2 for recommendations.

Post-Closing

It appears that once the loan is closed, follow up on missing documents are not being monitored. An Open Items and Compliance Letter is produced and signed by the borrower acknowledging the deficiency and agreeing to provide the required document(s) but there

appears to be no documented follow up to obtain the document(s). The post-closing reviewer should initial each item in the Index of Documents to ensure all required items are received. Missing items should be tracked and followed up on.

Refer to the Action Items Section 3 for recommendations.

Risk Ratings

Prudent business lending does not end once the loan has closed. Monitoring of the portfolio is crucial in mitigating risk and potential losses. The monitoring also provides for identifying and correcting problems before they become a serious problem. An annual review in conjunction with a realistic rating system is required for understanding the health of the portfolio. The risk ratings also provide management with a tool to determine the migration of the portfolio. Is the portfolio showing signs of improvement, maintaining a steady trend or is it deteriorating? The rating system can help management identify the health of the different industry type loans and allow management to make an informed decision whether to pursue additional business in that industry or to pull back. The rating system can be an in-depth analysis or quick credit check, past performance and a site visit depending on the amount of the loan and the complexity of the credit. The rating analyst should separate from the underwriting function in order to maintain a level of independence. The most important component of a successful business loan is the ability to repay. Loans can only be repaid by generating cash flow, unless liquidating the collateral. As part of the annual review, an analysis of the balance sheet can be a helpful tool in understanding the source or use of cash. Six "Cash determinants" affect cash on the balance sheet. Increases or decreases in inventory, accounts receivable, capital expenditures on the asset side and accounts payable turnover, debt structure and capital injection on the liability side.

The undersigned was provided a copy of a July 17, 2011 memo from Sean Esten to the BOD of the SBLFC (see Appendix 1). The memo addressed a credit rating system, loan loss and charge offs. The section for the credit rating system is adequate with some recommended changes from the undersigned. The BOD should adopt a Risk Rating Policy; the policy should be revisited annually. The initial Risk Rating Report should be provided to the BOD. In some instances, a rating may warrant a change as circumstances' dictate. Such circumstances may include poor payment performance, request for a modification, covenant violations and other issues not detected in the most recent financial statements reviewed. The annual ratings should be completed by June 30th of each year in order to give the analyst time to rate the credits as well as the submission of the required financials by the borrower, which is usually April 30th. Going forward the Report should include the prior year's rating with a brief comment section for downgrades or upgrades on each credit. The July 17, 2011 memo correctly incorporates the loan loss and charge off provisions with a rating system.

Refer to the Action Items Section 4 for recommendations.

Modifications

As part of the loan review, it was noted that 35% of the loan portfolio balance has been modified. In some cases multiple modifications for the same borrower. The modifications include forbearance of principal payments, extension of the maturity date and other term changes. Credits that have been modified twice or had their modification extended may need to have a complete restructure of the credit facility. Multiple modifications usually indicate the original modification did not accomplish the intended goal. Is the reason for the modification temporary (i.e. seasonal, reduction in cash flow, temporary work shortage etc.) or is the business unable to meet the cash flow requirements permanently? Did the borrower request the modification? Did the SBLFC initiate modification proposal? A determination of the reason is the first step for a successful modification. A written request by the borrower should be required for all modifications. Along with the request, the borrower should provide current financial information and a documented reason for the request to change terms. The new terms should strive to reset the credits for success not to just delay the problem temporarily. The modified loan should be reported to the BOD in a separate report. Update the report monthly and report to the BOD monthly. They should be segregated from the performing portfolio and identified as a modified credit for the duration of the loan (meaning identified with a specific code). If the loan was past due at the time of modification, report it as past due until there have been six consecutive on time payments under the modified terms, then be report it as current but retain the identifier. A determination should be made when a credit is being modified whether it meets the definition of a Troubled Debt Restructure ("TDR"). There are certain criteria when met require the credit to be classified as a TDR, along with the TDR classification is the requirement to account for the impairment appropriately. The TDR classification results in a Net Present Value calculation of the new cash flows (payments received by the SBLFC) versus the original cash flows. Some modifications appear to qualify as troubled debt restructured loans per GAAP but are not evaluated for reserve impairment or incorporated in appropriate reporting. The following are some guidelines in determining whether a modification is a TDR:

Definition of a modification

- A change in an existing loan contract which has been agreed to by the borrower and lender
 - Not all loan modifications constitute a TDR
 - Not all TDRs involve a modification of terms
- For modifications which are not TDRs:

- Refinancing/major modification
 - Market terms
 - Accounted for as a new loan
- Minor modifications
 - Accounted for as the continuation of the existing loan

A troubled debt restructuring may include, but is not limited to:

- Modification of debt terms, for example
- Reduction in the contractual interest rate
- Forgiveness of accrued interest
- Forgiveness of a portion of the principal
- Extended repayment period
- Assets received in satisfaction of some or all of the debt
- Includes foreclosure or deed in lieu of foreclosure

Apply Generally Accepted Accounting Principles (ASC-310) to the business loan reserves if qualifies as a TDR. Include this in the calculation of the Loan Loss Reserve.

The examiner acknowledges that based upon the mission of the SBLFC, most loans would likely qualify as a TDR when closed; however, by modifying the original loans the result would increase the likelihood that it should be reserved for on a specific loan by loan basis. In lieu of the Net Present Value calculation, the SBLFC should individually reserve for all modified loans going forward.

All modified loans whether current or past due at the time of modification are to be reported separately in conjunction with the Delinquency Report. The BOD should develop, implement and adopt a formal Modification Policy and written procedures. The BOD should consider allowing FPMs to authorize modifications with some level of constraints as to the type of modification in question. Revisit the Policy at least annually.

Refer to the Action Items Section 5 for recommendations.

Loan Loss Reserve

The Loan Loss Reserve for the Fiscal Year 2013 is 8% of the portfolio. The 8% is a combination of the historical losses combined with a review of the delinquency portfolio. The current methodology does not include an assessment of the modified loans that are not on the delinquency report (unless modified and delinquent). If on an individual basis the reserve for the individual modified loan is less than the general 8%, then the 8% figure should be used. As

mentioned earlier in the report, approximately 35% of the dollar portfolio has been modified at least once.

It is recommended that the Loan Loss Reserve calculation for the historical loss ratio be based on a rolling three to five year period. As the economy improves and losses decrease then the rolling period will capture the improvements in the portfolio and vice versa if the economic conditions worsen. In addition, modified loans should be segregated out of the general loan loss calculation and reserved for on an individual basis. The BOD should develop, implement and adopt a Loan Loss Policy and written procedures. Revisit the Policy at least annually. Consider incorporating qualitative factors such as unemployment, real estate values and economic conditions to refine the general reserve percentages.

Refer to the Action Items Section 6 for recommendations.

Problem Loan Reports

Currently, a delinquency report for past due, non-accrual loans and loan settlements is prepared monthly and submitted to a Delinquency Subcommittee. The report consists of two parts, a trial of the past due, non-accrual and loan settlements and a written summary of each loan. The trial identifies past due modified credits as well as past due credits. The written summary updates the collection effort and a brief description on the credit. The monthly reports are updated and prior reports are maintained to provide an audit trail. The information contained in the two-part report is sufficient for delinquency tracking; however, the reports as submitted are in actuality a delinquency report not a Problem Loan Report.

Appendix 1 contains recommendations for generating a Problem Loan Report. This appendix contains reporting requirements for past due loans and the existing delinquency reporting covers most of the recommendations. There are certain parameters in Appendix 1 that should be amended.

In addition to the delinquency report, a Problem Loan Report should be prepared monthly that includes all modified loans (and TDRs), regardless of the payment status or the outstanding balance. Similar to the delinquency report, the Problem Loan Report should consist of a trial balance and a written description of the status. If there are no updates or changes in the performance of the credit no written update is needed. As mentioned in the Modifications Section of this report, modified loans should be reported as such for the duration of the credit.

Refer to the Action Items Section 7 for recommendations.

IV. Other Findings. As part of the review, I discussed current and previous issues with the underwriting staff to understand the processes and procedures. One of the recurring themes

centered on a lack of written policies and procedures, which can permit political influence to sway lending decisions. Is it possible to eliminate political influence in the area? Are there phone calls made by political figures on behalf of an applicant? If so, instruct the caller to submit a letter of recommendation. Clearly defined written policies/procedures can help mitigate outside influence in the lending decision. If the loan does not fit into the formal policy or the mission of the SBLFC then it can only be approved on an exception basis. If the loan is approved on an exception basis, then the BOD is on record as knowing of the exception.

Another issue is the lack of defined duties for the staff. A clearly defined hierarchy permits for an efficient operation. Currently, there is one Managing Director Finance Programs, four Financial Portfolio Managers and one Operations manager. There should be a Senior Finance Portfolio Manager to handle the complex transactions and to oversee the other Financial Portfolio Managers. The Operations Manager should be charged with the tracking, monitoring, risk rating the portfolio and reporting to the BOD. An Administrative person should be used (either "borrowed" from other sections of the RIEDC or an intern from a local college or university on a part time basis) to perform duties such as; copying, scanning, file set up etc.

Due to the adverse publicity of the RIEDC, there appears to be a reluctance of new applicants for funding. The active pipeline as of September 26, 2012 is two loans. With such a small pipeline and without an increase there is no need for four Financial Portfolio Managers. Consideration should be given to becoming more proactive in driving more loan prospects. An outreach to local banks and credit unions should be considered. Areas that could be reached would be denied applicants that may merit SBLFC funding. During my review, there were no credit unions involved in the SBLFC program. I am familiar with the credit union industry in Rhode Island and know there are tens of millions of dollars in business lending activity in just three or four credit unions. Not all deals are consummated due to the higher risk associated with the transaction: which fits into the SBLFC mission. Smaller local banks fall into the same category as the credit unions. The common theme at these institutions is that they are all looking for loan demand with an acceptable risk tolerance. There are local trade associations for both banks and credit unions the SBLFC could contact to begin to explore these potential relationships. The SBLFC could consider a loan guaranty program similar to the SBA, but unlike the SBA, the underwriting can be done in-house in conjunction with the lending entity. Consideration of providing a line of credit for working capital or seasonal needs for your borrowers.

The SBLFC has purchased new servicing software; the new software will be able to perform functions such as;

1. Tracking loan covenants;

2. Consistency in financial analysis;
3. Document noncompliance with covenants;
4. Transparency for staff members to respond to applicant inquiries;
5. Financial analysis for underwriting; and,
6. Risk rating capabilities.

V. Conclusion. The recommendations and findings noted in this Report would also apply to Bonds and notes issued by RIIFC and insured by RIIRBA or the JCGP. Due the agreements with the bond purchaser, reporting of outstanding balances are on an annual basis. FPM Sean Esten has reached out to some of the servicers to provide information on a quarterly basis. It was represented that the new software program will accommodate these transactions for the analysis, monitoring and risk rating these credits.

The loan programs administered by the RIEDC can be successfully accomplished with the proper policies and procedures in place. Time and effort must be given by all involved in the programs to accomplish the goals. The adherence to the policies and procedures is important. Exceptions should be just that, an exception, not a commonplace occurrence. The staff appears to be qualified to complete their duties.

I would like to thank the staff for their cooperation and professionalism during the review.

Summary of Recommendations and Action Items

Below is a list of recommendations to improve/enhance the complete lending function, from submission of the loan request to the monitoring of the existing portfolio. Periods for implementing the recommendations are reasonable and attainable. A new software program has been purchased and will be implemented in the near future. Some of the items below are either in process or soon to be in process. Some items are performed but all items should be in the written policies and/or procedures. The policies and procedures should apply to the SBLFC, JCGF, and IRBA transactions. Each section should have written procedures to ensure consistency among the staff and the BOD.

1. Process

- a. Financial Portfolio Manager ("FPM") should initial Credit Offering Memo ("COM").
- b. Attach amendments to the original COM.
- c. The COM and the attachments should be initialed or signed by FPM and have signature lines for BOD members approving, recusing or denying credit.
- d. Document all conditions prior to closing.
- e. Compare Commitment Letter to final COM to ensure all terms approved are the terms offered, initialed by reviewer.
- f. Affirmation by BOD that the credit offered complies with the mission and purpose of the entity offering credit (i.e. IRBA/RIIFC/SBLFC etc.).

RECOMMENDED TIME FRAME FOR COMPLETION: 12/31/12

2. Pre-closing

- a. Compare closing agenda to the approved COM and Commitment Letter to ensure all conditions are met prior to closing, initialed by reviewer.
- b. Any subsequent changes should go back to the BOD for approval or designate a responsible individual to waive minor changes, initialed and detailed as to why the changes were acceptable and do not affect the underlying terms of the credit.

RECOMMENDED TIME FRAME FOR COMPLETION: Immediately and on-going

3. Post-closing

- a. Compare all post-closing documents to Commitment Letter to ensure all required documents are obtained, initialed by reviewer.
- b. Any required documents not obtained, contact in-house closing attorney to obtain documents in cases that the in-house attorney was responsible to produce.
- c. If document required is from borrowers attorney, failure of closing attorney to provide document after the 30 days per the Open Items and Compliance Letter should be grounds for declaring the loan in default and exercise your remedies.

RECOMMENDED TIME FRAME FOR COMPLETION: Immediately and on-going

4. Follow-up/Risk Ratings

- a. Set up separate file for risk ratings; include all financial, insurance and any other future events in file. Retain prior write-ups and rating document(s).
- b. Assign risk rating at inception of loan.
- c. Develop tracking sheet for each credit.
- d. Develop tickler file for future reporting events such financial statements submission and current insurance coverage.
- e. Document violation(s) of loan covenants at SBLFC.
- f. When available, document violation(s) of lending institution.
- g. Ensure all required information is obtained as per Commitment Letter. Company and guarantor financial requirements/insurance requirements.
- h. Track risk rating for each credit. Initial risk rating and subsequent ratings.
- i. Although ratings are done annually, circumstances could warrant a change.
- j. Incorporate modified credits (restructures) to be a "D" classification, with a special designation as a modified credit or set up a special classification for modified credits. Once a credit is modified, it should remain with the special identifier until paid off. If credit was past due as of modification, the credit should remain as past due for the terms of the modification. If borrower has made six consecutive payments under the modified terms, then credit can migrate back to current portfolio, but reported in a special report in conjunction with the Problem Loan Report.

- k. Depending upon the modified terms, does it qualify as a Trouble Debt Restructure? If so then a net present value calculation should be performed with an appropriate reserve set up, this reserve would be reduced monthly or quarterly depending on the Loan Loss Reserve review frequency. As the loan is paid down, the NPV is lessening. There are programs available for less than \$500. Your CPA should be able to initiate the calculation as well as the determination whether it is a TDR or not.
- l. If it is a TDR then it should remain classified as such for the term of the credit.
- m. Report all modified loans and TDRs in conjunction with the Problem Loan Report.
- n. Credit ratings should be done on \$100,000+ credits. \$150,000 appears a high cutoff given the composition of the portfolio.
- o. A less in-depth review should be performed on credit balances between \$0 - \$100,000 category. This could be an updated credit report on borrower(s)/guarantor(s), along with a payment history and a cursory review of the collateral (site visit to see collateral etc.). Perform a cursory review of financials to determine trends.
- p. The quality or type of financials (management prepared/CPA compilation/CPA Audited) should be part of the rating elements.

RECOMMENDED TIME FRAME FOR COMPLETION: 12/31/12

5. Modifications

- a. Develop policy/procedures for modifications/restructures.
- b. Policy to include but not limited to:
 - 1. Written request by borrower for modification.
 - 2. Determination of type of modification (i.e. does it meet the definition of a modification or a Trouble Debt Restructure ("TDR")); your CPA should be able to give guidance for definition and accounting for TDRs using a NPV calculation where applicable).
 - 3. Authority to approve modification/restructure (i.e. forbearance of payments, interest only payments, rate reductions etc.).

4. Type of modifications/restructures permitted.
5. Number of times a credit can be modified.
6. Delegation of modification/restructure to FPM based on permitted types of modification.
7. Ratification by BOD for modifications/restructures approved by FPMs.
8. Reporting of modifications on past due reports until 6 consecutive on time modified payments are made.
9. Reporting of modified credits separately and tracked monthly.
10. Reporting of TDRs on past due reports until loan is paid off or charged off.
11. Removal of modified credits and TDRs from General Loan Loss calculation and reserve for individually.

RECOMMENDED TIME FRAME FOR COMPLETION:

Items (a) and (b) 1 through 8 12/31/12

Items (b) 9 through 11 11/2012 for November BOD Meeting

Then ongoing reporting to BOD.

6. Loan Loss Reserve

Include individual modifications separately for specific loan loss reserve, record higher of the 8% general reserve or individual reserve calculation.

RECOMMENDED TIME FRAME FOR COMPLETION: 12/31/12

7. Problem Loan Reports

1. Problem Loan Reports should include all credits regardless of the outstanding balance.
2. Generate a special report for modifications and TDRs.
3. Provide monthly to the BOD reflecting the prior reporting balance to the current reporting balance.
4. If applicable a brief update on any changes to the credit.

RECOMMENDED TIME FRAME FOR COMPLETION: 12/31/12