

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

JUNE 14, 2010

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, June 14, 2010, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Donald L. Carcieri, Mr. Alfred Verrecchia, Mr. Karl Wadensten, Mr. Shivan Subramaniam, Ms. Cheryl Snead, Mr. Dan Sullivan, Dr. Timothy Babineau, Ms. Donna Cupelo and Mr. Stephen Lane.

Directors absent: Mr. Lynn Singleton, Mr. Paul Choquette, Dr. David Dooley and Mr. George Nee.

Also present were: Executive Director Keith Stokes and Attorney Robert I. Stolzman.

Governor Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Governor Carcieri called the meeting to order at 4:00 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON MAY 24, 2010

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

VOTED: To approve the public session minutes of the meeting held on May 24, 2010.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Subramaniam, Ms. Snead, Mr. Sullivan, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

3. EXECUTIVE DIRECTOR'S REPORT

In his report, Executive Director Stokes referred to the EDC's Immediate Priorities Implementation Plan that was approved at the April 25, 2010 Board meeting (See **Exhibit A**). He noted the very specific Policy and Vision statement and the Action Plan.

Mr. Stokes reported that the EDC has been very active and has already greatly enhanced access to credit, a capital guaranty program and created a soft asset guaranty program of up to \$125 million. The programs are now in place to be put into use.

Mr. Stokes stated that work continues on a Regulatory Reform package and development of a 21st Century Workforce Program. With respect to renewable energy, Mr. Stokes noted that the EDC has an opportunity to build a green economy, reclaim the manufacturing industry and focus on growth oriented renewable energy, specifically, wind. He noted that nearly every piece that the EDC asked for in the recently ended legislative session has been received, which is a compliment to the Board's vision.

Governor Carcieri concurred that this last legislative session was one of the most productive session in his 8 year tenure. He commended the restructure of the EDC and noted that the House leadership has been very supportive of economic development matters. Governor Carcieri also highlighted the tax reform that has just taken place, including a significant tax cut which will primarily help those earning \$75,000 to \$175,000.

Mr. Stokes agreed that the reform of personal income tax structure is a plus for the State.

4. CONSIDERATION OF NEW BUSINESS OR INDUSTRY TO BE LOCATED IN RHODE ISLAND

Mr. Stokes announced that a new economic development opportunity has presented itself to Rhode Island, and introduced Mr. J. Michael Saul, who would act as moderator of three presentations at the meeting.

Mr. Saul introduced Mr. Harvey Cohen and Mr. Barry Gilbert, President and Vice President, respectively, of Strategy Analytics (SA). Mr. Gilbert explained that SA, together with Perimeter Partners, performed an evaluation of the development of a video game cluster in Rhode Island, particularly featuring 38 Studios, LLC, and put together a report for the Board's review (See **Exhibit B**). Using a power point presentation (See **Exhibit C**), Mr. Cohen described a video game cluster and pointed out where current video game clusters presently exist in North America. He noted that video-game development jobs pay higher than average salaries and that Rhode Island is well suited to support a video game cluster. Academically, Rhode Island's secondary education institutions, primarily RISD, Brown and URI, have excellent programs to educate future video game developers and designers. Presently, 80% of RISD graduates leave Rhode Island and over 50% of Brown graduates have a interest in the

video gaming industry. In addition, Rhode Island already has a game industry presence with companies such as Hasbro and Gtech. Mr. Cohen stated that a video game cluster in Rhode Island could help to retain these talented graduates in Rhode Island.

Mr. Cohen also pointed out the risks associated with the game industry in general, as well as those associated with 38 Studios itself. He noted that video gaming is a constantly evolving industry and that gamers are always looking for new genres and new challenges.

Upon inquiry of Ms. Snead, Mr. Cohen described different facets of a cluster as including production (design and development with a strong distribution partner) and distribution.

Mr. Wadensten asked about “freemium” games, which Mr. Cohen described as free play offers which are enhanced by the purchase of digital goods. He identified “Zinger” as a freemium gamer, and noted that freemium games are free to play but the purchase of accessories allow the user to better enjoy game playing.

Upon inquiry of Dr. Babineau, Mr. Cohen explained that individual employees often spin out of larger studios and start their own companies. In addition, if a studio has a blockbuster hit, everyone starts to look at the region where the studio is located.

In response to a question of Mr. Sullivan, Mr. Cohen acknowledged that his research included meeting with local university officials, but that the schools are hesitant to commit to focusing on this area until a video game business comes to Rhode Island and is successful.

Mr. Verrecchia explained that companies like 38 Studios provide the creative content for video games but then rely on a big distribution partner, such as Electronic Arts (EA), to get the game out. The distribution partner generally takes about 2/3 of the profit from the sales of the games. He noted that the focus today is more on digital downloads as opposed to games in the form of DVD’s. Mr. Verrecchia also explained that EA has mass market appeal and provides exposure for the games.

The next presenter was Mr. Mark Lamarre of Wells Fargo. A copy of his presentation can be found at **Exhibit D**. Mr. Lamarre explained that, for over 20 years, Wells Fargo has provided financial assistance to the interactive entertainment market. He also pointed out that the type of video gaming being discussed is not at all related to gambling.

Mr. Lamarre described the market for gaming consoles as being flat, while the gaming software is the growth part of the market. He stated that the U.S. and western Europe are the target markets for a company like 38 Studios, with EA being the top software publisher. Mr. Lamarre explained that the largest part of video gaming revenue is derived from entrepreneurial companies such as 38 Studios. Upon inquiry of Governor Carcieri, Mr. Lamarre stated that individual titles are the biggest source of revenue.

In response to a question of Mr. Subramaniam, Mr. Lamarre explained that EA in the past developed most of its own games, but that it now prefers to outsource its research and development and is always looking for innovative companies.

Mr. Verrecchia asked Mr. Lamarre to speak about franchise building aspects of video gaming. Mr. Lamarre explained that the biggest hits come from having multiple products from the same line, such as added versions, sequels and licensing of characters. He described triple-x games as being complex and hard to play.

Mr. Verrecchia stated that many video games are introduced but not all are successful.

Mr. Lamarre spoke about trends and drivers, as well as inhibitors to the industry, and noted that video game use has grown five-fold since 2003.

Upon inquiry of Ms. Snead, Mr. Lamarre explained that video games are both entertaining and educational, but primarily entertaining. He stated that “edutainment” is a small part of the market.

Mr. Lamarre described online PC gaming, which allows players to play and/or compete with others online, as a growing segment of the market.

Mr. Lamarre described 38 Studios as having a complete and experienced board of directors and management team, with an ability to hire and retain the right people.

Mr. Wadensten noted that EA is a titan in the industry, which is not typical, and asked how many people work for EA. Ms. Jen MacLean, CEO of 38 Studios, responded that about 3,000 people, spread out all over the world, currently work for EA. Mr. Wadensten noted that businesses in this industry do not have a need for a large physical plant.

In response to a question by Governor Carcieri, Mr. Lamarre reported that Montreal has over 6,000 jobs in the video game industry, represented by about 20 companies. He reported that this thriving cluster grew differently than clusters in the United States. The impetus was Ubisoft, a French company which located in Montreal for language reasons. Mr. Verrecchia noted that Montreal also has significant tax incentives for businesses, which is a reason so many people choose to work there.

Mr. Verrecchia commented that MMOG’s (Massively Multiplayer Online Games) have been heavily influenced by Asian companies, and asked if 38 Studios is intended to be a global launch. Ms. McLean responded that the 38 Studios plans to launch its products in the U.S. and western Europe. She noted that it presently is impossible to enter China’s market without a Chinese partner.

Ms. McClean then introduced Curt Schilling, founder and Chairman of 38 Studios, LLC, to provide some background to the Board.

Mr. Schilling expressed his gratitude to the EDC for its interest in this project over the last six months. He stated that he has been into gaming for over 30 years, and used it as a way of keeping in touch with his sons when he was traveling as a major league baseball player. He noted that he found video gaming to be an educational tool with his sons.

Mr. Schilling stated that the most important attributes of 38 Studios are 1) People, 2) Accountability and 3) Philanthropy. He considers his Board of Directors to include people with leadership skills and accountability. 38 Studios is a product of Mr. Schilling's 20 year vision. He stated that he needed people and talent to execute this vision and that he wants to be the best in the business. He noted that most of his board members were present at the meeting, some having flown in from Europe. Mr. Schilling read letters of support from Mr. Todd McFarlane, Executive Art Director of 38 Studios, LLC, who was unable to attend the meeting, and from a representative of EA.

Ms. McLean then introduced Mr. R.A. Salvatore, Executive Creator of Worlds for 38 Studios, and a New York Times bestselling author. Mr. Salvatore explained that he thought he had retired 20 years ago, but he wrote a book, for which his publisher wanted sequels and now has 50 books published. He is also a gamer and was satisfied to be home writing books, when he was approached by Mr. Schilling about creating a storyline for 38 Studios. He noted that he considers this company to be something special.

Ms. McLean then introduced the management team, all of whom have extensive experience in design and development of video games, and the board members who were present at the meeting. She explained that the company's product has its own ecosystem, and that one story is not enough. She stated that there are 10,000 years of backstory to the game.

Ms. McLean used a Power Point presentation (See **Exhibit E**) to provide more information on 38 Studios, LLC to the Board. She explained the first product "Mercury" as a role-playing game that will form the background for "Copernicus". Mercury is a console game with downloadable add-ons, while Copernicus will be a downloadable game available through subscription. The release date has not yet been announced. Ms. McLean reported that 1/3 of the artists involved in 38 Studios are RISD students and/or alumni. Because 38 Studios is an independent closely held company, it can be flexible. The company has a Philanthropy Manager who oversees the company's philanthropic activities.

5. VOTE TO MEET IN EXECUTIVE SESSION

By open call prior to adjournment to Executive Session, upon motion duly made by Mr. Verrechia and seconded by Dr. Babineau, the following vote was adopted:

VOTED: That the Board adjourn to Executive Session to consider and possibly take action on such matters as permitted by subsections (6) (location of prospective business and/or industry in Rhode Island) and (7) (investment of public funds where premature disclosure would be adverse to the public interest), of Rhode Island General Laws, §42-46-5 (a), the Open Meetings Act.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Subramaniam, Ms. Snead, Mr. Sullivan, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

6. RECONVENE OPEN SESSION

The public session was reconvened at 6:20 p.m. Attorney Stolzman reported that the Board discussed matters regarding a new business or industry to be located in Rhode Island, investment of public funds and confidential information regarding 38 Studios, LLC, and that no action was taken by the Board in executive session.

Mr. Stolzman then reviewed the proposed authorizing resolution, including the amendments discussed by the Board in Executive Session. He noted that this resolution is a preliminary approval only, and that the matter will come back before the board for final approval.

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

VOTED: See text of Vote at **Exhibit F.**

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Subramaniam, Ms. Snead, Mr. Sullivan, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 6:25 p.m., upon motion made by Ms. Cupelo and seconded by Dr. Babineau.

538655_1.doc

Robert I. Stolzman, Secretary