



State of Rhode Island and Providence Plantations

State House
Providence, Rhode Island 02903-1196
401-222-2080

Donald L. Carcieri
Governor

19 August 2010

Lincoln Chafee
PO Box 9187
Providence, RI 02940

Dear Mr. Chafee,

Thank you for your letter regarding the recent vote by the Board of Directors of the Rhode Island Economic Development Corporation to extend a \$75 million loan guarantee to 38 Studios to relocate and expand its interactive entertainment business in Rhode Island and your request to appear before the EDC Board regarding this issue.

In addition to the Governor, the RI EDC Board of Directors is comprised of twelve of this state's most successful business leaders, including CEOs; university, hospital and industry executives; heads of small businesses; and labor. As chairman of the Board, I can assure you that the decision to extend the loan guarantee was carefully considered over several months with extensive due diligence by the Board. The RI EDC consulted with independent industry and financial experts to perform a comprehensive analysis of the interactive entertainment sector and 38 Studios.

After several months of asking questions, completing the necessary due diligence, and thoughtful consideration, the Board crafted an agreement that includes strict performance milestones 38 Studios must meet and that goes to great lengths to safeguard taxpayers and ensure economic performance.

The vote to move forward with the loan guarantee was virtually unanimous, with only one board member not in support of the proposal. I firmly believe the Board made the right decision.

Lincoln Chafee
Page Two
19 August 2010

38 Studios presents Rhode Island with a tremendous economic development opportunity. This transaction creates 450 high-paying jobs, provides job opportunities for our college graduates in a fast growing industry, allowing them to stay in the state, and will attract other interactive and entertainment companies to Rhode Island. In fact, the EDC has already received interest from several other companies in the industry to move to Rhode Island.

As Governor, I have worked tirelessly to make Rhode Island more business friendly. This year, in partnership with the General Assembly, we made great strides towards that goal. With a reinvigorated EDC, tax reform, regulatory reform and access to capital programs, like the Jobs Guaranty Act, we have set the foundation for Rhode Island to attract and retain growth industry businesses, such as 38 Studios.

Keith Stokes and members of the EDC staff have met with you on two occasions to listen to your concerns and answer your questions regarding the 38 Studios deal. In addition, the EDC has provided you with the research and analysis on 38 Studios and the interactive gaming industry. The Board has received your letters outlining your concerns.

In response to your request to meet with the Board, I must respectfully decline. It is inappropriate for EDC to become engaged in this political campaign. Your concerns have been fully communicated.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald L. Carcieri", written over a horizontal line.

Donald L. Carcieri
Governor

CC: Rhode Island Economic Development Corporation Board of Directors
Keith Stokes