

INDIANA
STATE ETHICS COMMISSION

JUL 9 2015

FILED



VIA EMAIL

July 6, 2015

Ms. Cynthia Carrasco
State Inspector General
ccarrasco@ig.IN.gov

Re: IEDC Report on Conflict of Interest & Screening Procedures

Inspector General Carrasco,

In its Advisory Opinion No. 13-I-33 ("Advisory Opinion"), the Indiana State Ethics Commission ("Commission") reviewed the Indiana Economic Development Corporation's ("IEDC") Confidentiality and Conflict of Interest Policy ("Policy"). In relevant part, the Policy contains identification protocols and a four-step screening procedure when a member of the IEDC's Board of Directors ("Board") has a direct or indirect financial interest in a company to which the IEDC is considering offering a state incentive. The Commission found it appropriate for the IEDC to implement the Policy without requiring the relevant Board member to request an advisory opinion beforehand and it required the IEDC to report that a potential conflict of interest was identified and that the screening procedures were implemented.

On March 12, 2015, the Board approved an award of state incentives to a development company in which two members of the Board elected to recuse themselves from discussions pertaining to approval of said award. In compliance with the Advisory Opinion, the IEDC submits this report.

Flaherty & Collins Industrial Recovery Tax Credit – Mr. James Schellinger & Mr. John Thompson

James Schellinger is a member of the Board, and also serves on the Board's economic policy committee. On August 18, 2014, Mr. Schellinger submitted his annual Conflicts of Interest Disclosure Statement to the IEDC, which in turn forwarded it to the Commission. Mr. Schellinger reported that he is the CEO of CSO Architects, Inc. ("CSO") and serves as its chairman. Mr. Schellinger disclosed his material ownership in CSO, reporting that he owns 39% of said company.

John Thompson is a member of the Board, and also serves on the Board's entrepreneurship committee. On April 16, 2014, Mr. Thompson submitted his annual Conflicts of Interest Disclosure Statement to the IEDC, which in turn forwarded it to the Commission.

On December 18, 2014, Flaherty & Collins Development, Inc. ("Flaherty & Collins"), by its chief executive officer, David Flaherty, submitted its application for the Industrial Recovery Tax Credit, a state incentive administered by the IEDC, in connection with the rehabilitation of an industrial recovery site in New Albany, Indiana. Flaherty & Collins' application was duly examined and evaluated pursuant to IEDC rules and regulations. CSO performed no work regarding this transaction. Likewise, Mr. Thompson had no connection with this transaction. On January 30, 2015, IEDC issued its preliminary approval of Flaherty & Collins' application, but expressly conditioned its approval upon final review and approval of the Board.

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March 12, 2015 IEDC Economic Policy Committee & Full Board Meeting

On March 12, 2015, the economic policy committee of the Board met at Osborn International in Richmond, Indiana to consider the foregoing incentive application. Mr. Schellinger is a member of said committee and Mr. Thompson joined the committee on that particular day to replace an absent committee member. The economic policy committee meeting was open to the public. Prior to discussions pertaining to the Flaherty & Collins transaction, both Mr. Schellinger and Mr. Thompson announced their intention to recuse themselves from all discussions and voting pertaining to said transaction. While neither Mr. Schellinger nor Mr. Thompson had a conflict of interest regarding this transaction, both explained that they had previously done business with Flaherty & Collins and that they felt it best to refrain from participating in that portion of the committee's discussion, which they did.

Later that same day at the same location, Governor Pence convened a full meeting of the Board. The board meeting was open to the public and parts of the meeting were recorded by local news media. John Mutz, a board member and acting chairman of the Board's economic policy committee, delivered the committee's report for consideration by the full Board. Mr. Thompson and Mr. Schellinger recused themselves while the Board deliberated whether to approve the application of Flaherty & Collins discussed previously. The Board thereafter approved the application, and Mr. Thompson and Mr. Schellinger returned to the Board meeting after said approval.

Should you require any additional information, please do not hesitate to contact me.

Sincerely,

/s/

Chris W. Cotterill
General Counsel