

**QUONSET DEVELOPMENT CORPORATION
MEETING OF BOARD OF DIRECTORS**

PUBLIC SESSION MINUTES

June 18, 2007

A meeting of the Board of Directors of the Quonset Development Corporation (the "Corporation") was held at 5:00 p.m. on Monday, June 18, 2007, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Board of Directors and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island law.

The following Directors constituting a quorum were present and participated throughout the meeting as indicated: Steven Campo, David A. Doern, Thomas Hazlehurst, Barbara Jackson, Saul Kaplan, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson. Absent were: Robert Crowley, Kas R. DeCarvalho. Also present were: W. Geoffrey Grout, Managing Director; E. Jerome Batty, Secretary; members of the Corporation's staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:00 p.m. by Chairman Kaplan.

2. APPROVAL OF MINUTES:

Mr. Patterson asked that it be noted that he disagrees with the assumption on page 11, paragraph 3 that the Board has made it clear that leasing is preferred to the sale of property based on past transactions presented to the Board.

Following discussion, upon motion duly made by Mr. Sams and seconded by Mr. Rebecchi, the Board:

VOTED: To approve the minutes of the Public Session meeting of May 14, 2007, as presented.

Voting in favor were: Steven Campo, Thomas Hazlehurst, Barbara Jackson, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting against were: None.

Abstaining: David A. Doern.

Motion approved.

3. MANAGING DIRECTOR'S REPORT:

Mr. Grout reported that the Corporation was notified about 10 days ago that the FY2008 State Budget included almost \$3.5 million dollars labeled Quonset debt service as revenue. Mr. Grout stated that until this time, there had never been any discussion with Quonset staff or consultants regarding debt service and that this provision is taking place in the background of a very difficult state budget. Quonset Staff and consultants have spoken with the House Majority leader, the House Finance Chair, and key staff on several occasions about the problem a \$3.5 million dollar payment would make for an agency with a \$6.5 million dollar annual budget. Mr. Grout continued that Quonset is self-sufficient and requires no funds from the state, although the Corporation does borrow under a general obligation basis because it is more efficient than private/project finance. Mr. Grout noted that the Assembly did acknowledge that the Corporation has shown that the \$3.5 million dollar figure was not realistic, not just from a cash flow perspective but also by just how much debt can actually be attributed to QDC:

- Only 22 million of the 1996 third track bond issue was spent at Quonset
- Only 8+ million of the 2004 Quonset Bonds have been allocated and drawn down

Mr. Grout stated that the Assembly was receptive to the information and acknowledged some of the institutional obstacles to success at Quonset. Mr. Grout pointed out that an unintentional outcome of these negotiations has been the opportunity for QDC to have a meaningful conversation with key figures in the Assembly about Quonset's achievements and goals. Mr. Grout noted that given the tight timeframe and realities of the budget process, it was necessary for the \$3.5 million dollar figure to remain in the budget. However, QDC does have a commitment from the Assembly to arrive at a more practical number for Quonset's debt service.

Mr. Patterson questioned if this action will establish a precedent for a debt service payment every year.

Mr. Kaplan responded that it is not clear in the intent or the language associated with the budget at this point in time. Mr. Kaplan reiterated that as Mr. Grout indicated QDC would have the opportunity to work with the Assembly on how the Park is positioned in subsequent years.

Mr. Grout reported on the changes happening in sections 9 and 10 reflected in the North Davisville map provided to Board members (Exhibit A). Mr. Grout indicated that the areas that are green on the map (Exhibit A) will not be developed for wetlands reasons. The white areas have already been sold. Section 9 will be discussed in respect to Marine Services, LLC which is on the agenda. The remaining available acres are developable.

Mr. Sams asked who designated the area as wetlands.

Mr. King answered that a biologist was hired from Natural Resource Services.

Mr. Sams asked if DEM had any input.

Mr. King answered the DEM does not have any jurisdiction; this is wetlands in the vicinity of the coast so it goes to CRMC.

Mr. Sams questioned if CRMC has deemed this area as wetlands.

Mr. King indicated that CRMC has not verified it yet but QDC feels certain that it will approve.

Mr. Grout stated that this map was put together when QDC started to develop concepts for sections 9 and 10. Mr. Grout added that the previous map had indicated that discussions regarding sections 9 and 10 were scheduled for 2010. Mr. Grout stated that if discussions began in 2010 then development would not start until 2012 so the intent of bringing this information to the Board now, three years sooner, is to move ahead so the Navy can come up with a remediation schedule and plan.

Mr. Sams asked if QDC will have an opportunity of reviewing the situation with CRMC.

Mr. King indicated that the application is still pending; however, QDC will be reviewing the subject with CRMC. Mr. King added that in the base reuse plan, as far back as 1994, half of the area that is being reviewed today was already designated as wetlands.

Mr. Campo asked if there is any other land in danger of being labeled wetlands.

Mr. Grout answered no; at this point it is believed that all the wetlands have been designated as such.

4. APPROVAL REQUESTS:

A. Approval of revised Terminal Tariff No. 017:

Mr. King noted that there are eleven sections of the tariff that have been updated. Some of the tariff changes are just administrative, such as changing the name of the Ports and revising insurance requirements. Mr. King stated that the tariff also includes a new dockage charge for smaller vessels and QDC is changing the time allotted for loading and unloading automobiles from 4 days to 7 days, negotiated as part of the recent NORAD lease.

Upon motion duly made by Mr. Doern and seconded by Ms. Jackson, the Board:

VOTED: The Board hereby approves revisions to Terminal
Tariff No. 017, as submitted.

Voting in favor were: Steven Campo, David A. Doern, Thomas Hazlehurst, Barbara Jackson, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting against were: None.

Unanimously approved.

B. Approval of Memorandum of Understanding, Marine Services, LLC:

Mr. King explained that Marine Services, LLC (“MS LLC”) is looking to lease 10+/- acres in the Allen Harbor area. A small boat rack storage facility and supporting structures are among the plans for the area. Boat service, sales facilities, and a sub-tenancy for the Allen Harbor Yachting Association are also in the plan. Mr. King indicated that base rent will be \$20,000 per acre per year with a \$5,000 deposit to be held by CBRE.

Mr. King stated that it will take MS LLC about 30 months to obtain all the necessary permits and approvals. The Federal Government still owns the property and the property is being re-mediated.

Mr. King commented that this process will take quite some time and it is crucial to get a viable proposal in place now to bring back to the Government.

Mr. Kaplan asked Mr. King to expound on the relationship with the Town of North Kingstown as it relates to the parcel. Mr. King stated that the Town currently has the lease to the property from the EDC who in turn leases the property from the Government. The Town then leased the land to the Quonset Davisville Yacht Club. Mr. King added that about a year and half ago, the Corporation sent a letter to the Town informing them that QDC did not intend to renew the lease when it expires in 2009.

Mr. Patterson stated that it was the position of the prior town solicitor of the Town of North Kingstown, that the property surrounding Allen Harbor would ultimately be conveyed to the Town. Mr. Patterson explained that the Town has asked the present solicitor to also give his position on the matter and to guide the Town’s position on Allen Harbor. Mr. Patterson added that the current solicitor has not finished his research and if this approval goes to vote today, Mr. Patterson feels he will have to abstain.

Mr. Patterson then indicated that he was concerned with the time frame given for the Board to review and vote on Board agenda items. Mr. Patterson stated that the Board packets are received on Friday and the Board is asked to vote on Monday. The transactions involved are typically routine; however, actions like this approval have a history and implications for the future. Mr. Patterson added that he did not want to slow things down but in cases like this it would be better for the Board to get the material the month prior to the vote.

Mr. Grout commented that the eventual disposition of this property has been discussed for the last four years. The Yacht Club has been discussing this for six months and QDC has made every effort to get all the parties together to come up with the best outcome for everyone.

Mr. Patterson stated that the information about the Yacht Club is new to him.

Mr. Kaplan added that he feels it is important that Board members feel that they have adequate information in order to vote on items. The process calls for 48 hours' notice but there are going to be situations when some Board members feel they need more time and information. Mr. Kaplan stated that the process available to the Board is to discuss what information is available and if the Board feels information is lacking then the possibility exists to delay or table the vote. Mr. Kaplan noted, however, that he did not feel that was merited in this case.

Mr. Rebecchi stated that in a case like this, he feels that when there is a possible buyer, it is better to go along with the Staff and deal with any issues as they come up and not create issues that might cause a good buyer to lose interest.

Mr. Kaplan added that what the Board is being asked to consider a Memorandum of Understanding and there will be plenty of time in that process for the Town to assert its position.

Mr. Campo added that he just received this information today and for the record, Mr. Campo will be abstaining from the vote.

Mr. Kaplan stated that what he has seen to support the Town's position has not risen to the level that would suggest that this Board doesn't have the authority to, at least, move into a Memorandum of Understanding. Mr. Kaplan then asked Mr. Batty to expound on the Corporation's legal position regarding Allen's Harbor.

Mr. Batty stated that the current status of the property is that it is owned by the Federal Government and is leased to EDC. The Government's intention is to convey the land once the environmental issues have been resolved. There is a long history starting in about 1996 between the Town and the QDC as to the status of this property relating back to a reference in the Base Reuse Plan and a few other documents. Mr. Batty added, however, that the definitive agreement appears to be the current lease; there is a 10 year lease to the Town that ends on December 31, 2009. QDC advised the Town in a letter over a year ago that it was QDC's intention not to renew the lease upon expiration. There is no option in the lease to purchase or transfer the property to the Town. Mr. Batty added that the Corporation did receive correspondence back from the Town vigorously disagreeing with QDC's position and stating that the Town believes there was an understanding or agreement to convey the property to the Town. No one seems to be able to produce the specifics of the agreement or any documentation to support this position, other than some correspondence that may not have been authorized.

QDC's position is that when the property is conveyed to the EDC, it will be owned by the EDC who has no obligation to convey it to the Town.

Mr. Batty continued that the issue today is to identify a potential developer of this property. The developer is well aware of the Town's position. The Town was notified over a year ago of QDC's intentions and the hope was to bring the issue to a head and have it resolved. QDC feels moving forward is the right thing to do and that the Corporation's position is correct. Mr. Batty also indicated that the lease does have a clause for a 30 day notice but at this time QDC has taken the position now of notifying the Town that it does not intend to renew the lease.

Mr. Grout stated that the Corporation felt it was important to notify the Town as soon as possible of QDC's plans because the Town had this lease with Quonset Davisville Naval Yacht Club three years ago. The Town's response was that Allen Harbor was to be conveyed to the Town. QDC's position has always been that if the Town shows valid claim, the property would be turned over to the Town. The QDC has now been waiting for years for a response to the documentation request. So far, the only documentation provided has been a letter written by former Director George Prete, who had no Board authorization. The interested parties - the Corporation, the Davisville Naval Yacht Club and MS LLC - understand that now is the time to move forward and to notify the Navy of the plans for Allen Harbor.

Upon motion duly made by Mr. Doern and seconded by Ms Jackson, the Board:

VOTED: That the Quonset Development Corporation (the "Corporation"), acting by and through its Chairman, Vice-Chairperson, Managing Director, or Finance Director, each of them acting singularly and alone (the "Authorized Officers") is hereby authorized to enter into, execute, deliver a Memorandum of Understanding with Marine Services, LLC ("MOU") regarding approximately 10 acres at Allen Harbor, substantially on the terms and conditions set forth in the Request for Board Authorization presented to the Board which MOU shall be non-biding and serve as a basis for the negotiation of a Development Agreement between the parties.

VOTED: That any and all actions taken by any of the Authorized Officers in furtherance of the foregoing vote at any time prior to the effective date hereof, be, and they hereby are, authorized ratified, confirmed and approved.

VOTED: That each of the Authorized Officers, acting singularly and alone, be and each of them hereby is authorized, empowered and directed to effectuate the intent of the foregoing resolutions by executing and delivering the MOU, and on behalf of the Corporation, such Authorized Officers are hereby authorized, empowered and directed to prepare or cause to be prepared and to execute, perform and deliver in the name and on behalf of the Corporation the MOU and/or all related and ancillary agreements and documents, upon such terms and conditions and with such changes, additions, deletions, supplements and amendments thereto as the Authorized Officer executing or authorizing the same

shall determine to be necessary, desirable and appropriate and in the best interest of the Corporation.

VOTED: That in connection with any and/or all of the above resolutions, the taking of any action, the execution and delivery of any instrument, document or agreement by any of the Authorized Officers in connection with the implementation of any or all of the foregoing resolutions shall be conclusive of such Authorized Officer's determination that the same was necessary, desirable and appropriate and in the best interest of the Corporation.

VOTED: That the Secretary of the Corporation be, and hereby is, authorized and empowered to attest to the execution and delivery of any agreement, document or other instrument contemplated by any of the foregoing resolutions or as directed by any Authorized Officer.

Voting in favor were: David A. Doern, Thomas Hazlehurst, Barbara Jackson and Sav Rebecchi, and John G. Simpson.

Voting against were: None.

Abstaining: Steve Campo and John A. Patterson

Recused: M. Paul Sams, Mr. Sams indicated that he leases space at Johnson's Boat Yard and did not participate in the discussion.

C. Approval of Memorandum of Understanding, Island Global Yachting:

Mr. King stated that the next approval was a Memorandum of Understanding ("MOU") with Island Global Yachting ("IGY"), involving 43 acres in the Davisville Waterfront District. Island Global Yachting is looking to construct a state of the art mega-yacht service and construction facility including over 500,000 square feet of building space, a synchro-lift, and a travel lift. Mr. King added that this deal is contingent on Rhode Island Airport Corporation (RIAC) approving of an additional 32 acres contained in Development Initiative 8.

Mr. King noted that the base rent will be \$25,000 per acre plus escalations (tenant to pay pilot). There will be an initial \$500,000 deposit that will be held in an escrow account by CBRE and an additional \$500,000 deposit six months after the execution of the MOU.

Mr. King described the project as a multi-faceted mega-yacht facility to include manufacturing of new commercial yachts, boat sales, boat storage and a refit and repair facility. Mr. King added that this project should generate approximately 390 jobs. These jobs will be skilled trades with a median income averaging \$50,000 per year.

Mr. Doern questioned what the current average number of employees per acre is at Quonset.

Mr. King answered that the average is about 7 jobs per acre depending on the area.

Mr. Doern commented that this project expects an average of 10 employees per acre. Mr. Doern then requested that QDC and IGY get together and run some numbers so there could be some idea of the taxes that would be generated by this facility.

Mr. Doern asked if the IGY deal was conditional on the lease of the 32 acres of RIAC property.

Mr. Grout said this project will only work for IGY if the 32 acres are included.

Mr. Doern asked if QDC has had some dialogue with RIAC regarding this condition.

Mr. King stated that QDC has had several meetings with RIAC and this topic will be introduced to the RIAC Board members at their Board meeting on Wednesday. The sale is not expected to go to vote at that time.

Mr. Grout added that IGY only informed QDC that the RIAC property was necessary, 10 days ago. Mr. Grout added that QDC works with RIAC already as a managing agent on some property on the south part of the Park where there is a lease allocation between EB and Senesco. This property could get rolled into that management contract but it is uncertain as there are a number of issues left to work out. The object of this MOU is to give IGY site control so they will invest in the property and increase the value of the land.

Mr. Kaplan added that it is important to note that the MOU is between QDC and IGY and the Corporation cannot obligate RIAC but every indication is that RIAC is receptive to the conversation.

Mr. Simpson asked if QDC is expecting any resistance from Statewide Planning on this project.

Mr. Kaplan stated that communication and managing stakeholder involvement will be pivotal in this process.

Mr. King added that this proposal will utilize “what is there” which has been a key component of Statewide Planning’s comments on previous proposals.

Mr. Rebecchi added that the rack storage is considered a major plus with Marina owners and much needed in this area. Mr. Rebecchi commented that the training component of the proposal is also a welcome addition for the area yachters as there is a shortage of trained workers in the industry.

Mr. Kaplan agreed that the workforce development piece is a key part of the project.

Mr. Kaplan added that IGY has indicated that there is no other area in New England that even approaches this opportunity by connecting the marine uses with an airport.

Mr. Patterson asked if there will be a place for a ferry terminal in the future.

Mr. Grout said yes, but there does not seem to be a demand for the ferry terminal, although it has always been part of what was envisioned for that area. If IGY takes all of the acreage, then IGY would be the landlord to the ferry terminal and QDC would probably make that a provision in the lease.

Upon motion duly made by Mr. Hazlehurst and seconded by Mr. Sams, the Board:

VOTED: That the Quonset Development Corporation (the "Corporation"), acting by and through its Chairman, Vice-Chairperson, Managing Director, or Finance Director, each of them acting singularly and alone (the "Authorized Officers") is hereby authorized to enter into, execute, deliver a Memorandum of Understanding with Island Global Yachting ("MOU") regarding approximately 43 acres in the Davisville Waterfront District, substantially on the terms and conditions set forth in the Request for Board Authorization presented to the Board which MOU shall be non-biding and serve as a basis for the negotiation of a Development Agreement between the parties.

VOTED: That any and all actions taken by any of the Authorized Officers in furtherance of the foregoing vote at any time prior to the effective date hereof, be, and they hereby are, authorized ratified, confirmed and approved.

VOTED: That each of the Authorized Officers, acting singularly and alone, be and each of them hereby is authorized, empowered and directed to effectuate the intent of the foregoing resolutions by executing and delivering the MOU, and on behalf of the Corporation, such Authorized Officers are hereby authorized, empowered and directed to prepare or cause to be prepared and to execute, perform and deliver in the name and on behalf of the Corporation the MOU and/or all related and ancillary agreements and documents, upon such terms and conditions and with such changes, additions, deletions, supplements and amendments thereto as the Authorized Officer executing or authorizing the same shall determine to be necessary, desirable and appropriate and in the best interest of the Corporation.

VOTED: That in connection with any and/or all of the above resolutions, the taking of any action, the execution and delivery of any instrument, document or agreement by any of the Authorized Officers in connection with the implementation of any or all of the foregoing resolutions shall be conclusive of such Authorized Officer's determination

that the same was necessary, desirable and appropriate and in the best interest of the Corporation.

VOTED: That the Secretary of the Corporation be, and hereby is, authorized and empowered to attest to the execution and delivery of any agreement, document or other instrument contemplated by any of the foregoing resolutions or as directed by any Authorized Officer.

Voting in favor were: Steven Campo, David A. Doern, Thomas Hazlehurst, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting against were: None.

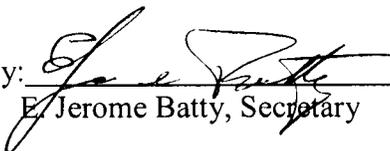
Recused: Barbara Jackson. Ms. Jackson indicated she had a conflict with respect to Parcel B and did not participate in the discussion.

Motion approved.

Mr. Doern asked for a compilation of numbers related to marine industries, marinas, boat builders, retail and agriculture for the Board to review and compare. Mr. Doern also added that this information might prove useful when trying to get legislative approval related to these projects for the Marine Industry.

There being no further business to come before the Board, upon motion duly made by Mr. Doern and seconded by Ms. Jackson, the meeting was adjourned at 6:03 p.m.

Respectfully submitted by:

By: 
E. Jerome Batty, Secretary