

**QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE**

AUGUST 21, 2006

PUBLIC SESSION MINUTES

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the "Corporation") was held at 4:00 p.m. on Monday, August 21, 2006, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit Finance Committee 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: Robert Crowley, Barbara Jackson, and John G. Simpson. The following Quonset Development Corporation staff members were also in attendance: W. Geoffrey Grout, CEO, Steven J. King, COO, and Mary C. Lake, CFO. Also present was Rick Reed, Deputy Director, RIEDC.

1. CALL TO ORDER:

The meeting was called to order at 4:05 p.m. by Mr. Crowley.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Simpson and seconded by Ms. Jackson, the Committee:

VOTED: To approve the Public and Executive Session minutes of the July 17, 2006 meeting, as submitted to the Directors.

Voting in favor were: Mr. Crowley, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

3. UPDATE ON FY2006 AUDIT:

Ms. Lake gave the Committee an update on the status of the FY2006 audit to date. Ms. Lake indicated that the auditors had completed their fieldwork and that she expected to receive a draft of the financial statements within the next week. Ms. Lake stated that next month's meeting would be the presentation of the draft financials by the auditors to the Committee.

4. **FY2008 CAPITAL IMPROVEMENT BUDGET:**

Ms. Lake began the presentation by stating that the Capital Improvement Budget package was the same format as prior years' as these are the State forms to use for submission. Ms. Lake indicated that the presentation was the same as that presented to the Committee in August 2006. Mr. Crowley noted that the forms as presented were confusing.

Ms. Lake then turned the presentation over to Mr. King who updated the Committee on the status of the Capital Improvement projects taking place at Quonset. Mr. King indicated that currently, \$7.5M of the \$48M bond issuance was committed to infrastructure projects. Of that \$7.5M, approximately \$3.6M had been actual cash outlays and subsequently drawn down from the bond. Mr. King directed the Committee's attention to the estimated \$20M shortfall in the infrastructure budget and stated that this shortfall was the same as projected in the prior years.

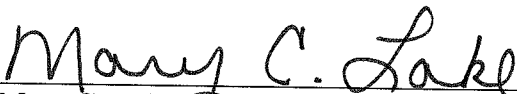
A discussion further ensued regarding the priority of the projects in the Capital Improvement Budget and the identification of the critical projects. Mr. Grout discussed the rail project and the changes in the costs and the reasons for those changes. Mr. Grout also discussed the current review of the Davisville Road relocation and updated the Committee on that project and potential cost savings.

Upon motion duly made by Mr. Simpson and seconded by Ms. Jackson, the Committee:

VOTED: To approve the Fiscal 2008 Capital Budget as presented to the Committee.

There being no further business to come before the Committee, upon motion duly made by Mr. Simpson and seconded by Ms. Jackson, the meeting was adjourned at 4:51 p.m.

Respectfully submitted:



Mary C. Lake, CFO