

**QUONSET DEVELOPMENT CORPORATION  
MEETING OF THE MARKETING & BUSINESS DEVELOPMENT COMMITTEE**

October 5, 2009

**PUBLIC SESSION MINUTES**

A meeting of the Marketing & Business Development Committee (“Marketing Committee”) of the Quonset Development Corporation (the “Corporation” and/or “QDC”) was held at 4:00 p.m. on Monday, October 5, 2009 at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following Committee Members were present and participated throughout the meeting as indicated: James D. Berson and John G. Laramee. The following QDC staff were present: Steven J. King, P.E., Managing Director, Katherine Trapani, Planning Manager; and Jill Sherman, Administrative Assistant. Also in attendance were: Gerald Lavalley, CBRE; David E. Preston, New Harbor Group; Robert H. Breslin, QDC Board of Directors; and Sav Rebecchi, QDC Board of Directors.

**1. CALL TO ORDER:**

The meeting was called to order at 4:10 p.m. by Mr. Berson.

**2. APPROVAL OF MINUTES:**

Upon motion duly made by Mr. Laramee and seconded by Mr. Berson, the Committee:

**VOTED:** To approve the Public Session minutes of the October 23, 2008 meeting, as presented.

Voting in favor were: James D. Berson and John G. Laramee.

Voting Against were: None

Unanimously Approved.

**3. DISCUSSION:**

Mr. Berson began the discussion by noting the two main issues:

1. What is the role of the Marketing & Business Development Committee, and
2. Where does the Committee fit within the Operating Plan (Exhibit A).

Mr. King stated that it was his opinion that the Marketing Committee is a component the Property Management Operating Unit (V., a.) as a subcategory of Planning and

Development (iv.). Mr. Laramee questioned whether the Committee has had an active role in the Corporation's marketing effort in the past. Mr. King confirmed that there was some involvement in the past but the Committee has not been as active as Mr. King would like. Mr. King noted that his hope would be that the Committee would serve as a backstop for future tenant transactions and Board transactions by having a good understanding of the current marketing conditions. However, Mr. Lavallee and Mr. King pointed out that during targeted campaigns in the past such as the Gateway Project or the Mega Yacht Project, the Marketing Committee played a much larger role. Mr. King noted that due to the current market conditions, the Corporation is developing more of a defensive strategy and most of the new deals involve proponents approaching the Corporation and those are being handled as they occur.

Mr. Laramee questioned if the Marketing Committee would be participating in a "Marketing Plan" for the Park or would the Committee's role be to review projects that based on Mr. Lavallee's market expertise would have already been initiated.

Mr. King confirmed that the Committee's role would be to provide support for current projects but as larger initiatives were undertaken, that role would grow. Mr. Lavallee added that there will be a focus on sustainability in the future, both economic and infrastructure sustainability which will involve a broader discussion and campaign involving the Committee.

Mr. Breslin questioned what there was left for the Committee to do since the Park is almost completely built out.

Mr. Rebecchi noted that it is important to continue to market to your existing customers to keep them committed and enthusiastic about the Park. Mr. Rebecchi pointed out that Rhode Island has gotten a lot of bad press related to business so it is important that word of mouth gets out about how Quonset Business Park is different and underscore all that it has to offer.

Mr. Lavallee agreed and noted that, as an example, he and staff have been working with Johnson & Wales collecting data on college seniors and what they are looking for in an employer. Mr. Lavallee suggested that this type of information is important to the companies in the Park so they can fill vacancy slots, create sustainability and enforce the evolutionary process.

Mr. Berson noted that some of the questions that come to mind regarding marketing;

- Should the Corporation market toward a specific sector, such as the "green" sector
- Is the Corporation willing to give up some of its diversity to focus on a specific brand and what happens if that sector of the market tanks
- What are some of the needs of the Park tenants, beyond curb appeal and signage
- How do you get the word out about Quonset to the General Public

Ms. Trapani discussed a recent student survey that went out to the Park Tenants discussing their impression of the Park. Ms. Trapani indicated that there was a wide

range of responses both positive and negative. Mr. Laramee asked if the data was cross referenced by industry. Ms. Trapani noted that the data was not cross referenced but that information would be interesting. Mr. Berson asked if the Committee might get a copy of the results of the survey at the next meeting.

Mr. Lavallee noted that one of the interesting results of the survey was seeing the diversity between industries in the Park. Mr. Lavallee remarked that the real growth potential in the Park involves creating more density by being as diverse as possible while using the existing infrastructure.

Mr. Laramee asked if the Park had any organized tenant association. Mr. King answered that in the past, there was an attempt at such an association but it did not take off. Mr. King noted that internally, there has been some discussion of holding tenant meetings at the Corporation's facilities but that would consist of discussing QDC's role in the Park and would not be the same as an association of Park tenants. Mr. Rebecchi suggested inter company tours might be one way to get the ball rolling.

Mr. Berson asked where marketing fits into the Critical Success Factors Outline (Exhibit B). Mr. King noted that he felt items 5, 6, and 7 of the Critical Success Factors focuses on marketing, leasing, and ensuring Park appeal.

Mr. Rebecchi asked how Mr. Lavallee's role will change as there is less land to sell. Mr. Lavallee responded that his role will conform to the Park's changing needs. Mr. Lavallee noted that there will be density opportunities as more two or three story office buildings are constructed in the Park and new industries move in to the Park.

Mr. Lavallee foresees a focus on the following areas becoming increasingly important for sustainability:

- Infrastructure (example: gas line limitations)
- Transportation
- "Green" Park not just "green" tenants
- Growing port operations
- Technology updates/upgrades (example: wireless access Park-wide / greeting upon entering the Park)

Mr. Lavallee also noted organic growth potential:

- Marketing to existing tenants (expansion opportunities)
- Leveraging existing tenant relationships (example: Deepwater Wind working with Senesco)
- Marketing to new tenants (rail market, clusters, etc.)
- Marketing to potential new employees
- Green Marketing
- Marketing to Investors

Mr. King noted for example, that recently he and Mr. Lavallee had looked into the possibility of taking two outdated QDC warehouses (200,000 square feet each) and

upgrading them and repositioning them to create smaller more marketable units that would appeal to R & D users looking for smaller space (5,000 sq feet). The price tag for such upgrades runs about \$28,000,000. Mr. King was hoping to spend \$5,000,000 on the project so it remains out of reach and given the current market conditions there are no investors out there to help.

Upon questioning, Mr. Preston noted that Marketing is divided up into two categories; Real Estate and Branding and Public Relations. Mr. Preston noted that when his group first started working with the Corporation in 2005, their first duty was to help push Town approval of the Gateway Project over the objection of some of the Park's neighbors. In the past, the objection of a few neighbors was enough to stop a project dead. However, the significance of the Gateway Project needed to be stressed to officials and residents so that the Corporation could overcome these objections. Now, the Park is seen as a real asset by most neighbors and relations have really turned around. Mr. Preston noted that secondly, his role was to respond to media inquiries. Mr. Preston added that fielding questions from a defensive position has now changed to creating content about Quonset to support a more proactive positioning of the Park in a public relations context. Mr. Preston stated that the mailing list for "Quonset Points" (created by New Harbor about Quonset events), is a "who's who" in Rhode Island.

Mr. Lavalley gave a general market overview:

- 1) Office Space Vacancy Rates:
  - (i) Overall RI rate – 20%
  - (ii) Down City – 17.8%
  - (iii) Suburbs – 21%
  - (iv) West Bay -25.6%
- 2) Office space owners are getting aggressive with deals
- 3) Potential tenants are taking longer to make rental decisions
- 4) Industrial Space Vacancy Rate:
  - (i) Overall RI rate – 9.62%
  - (ii) Vacancy – 4.7 million square feet
  - (iii) Available – 5.7 million square feet
- 5) Absorption rate 4%
  - (i) -928,000 square feet
  - (ii) Last year 6% range
  - (iii) QDC raw market 49 million square feet
- 6) Marketplace still weak:
  - (i) 5,000 to 10,000 square feet users
  - (ii) 100,000 square feet users
  - (iii) End user building issues
- 7) Vacancy rate in bordering states is high
  - (i) Less companies coming from MA, CT
  - (ii) RI losing some of its cost advantages
- 8) Rail advantage

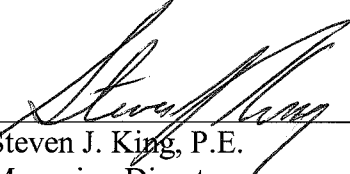
The Committee discussed the possible use of an operating line of credit in the future, tenant improvement allowances in leases, and interacting with tenants prior to lease expirations and enticing them to stay in the Park as possible strategies related to limited resources.

Mr. Berson suggested the Committee meet again in November.

Mr. Lavalley suggested inviting the Governor down in the near future.

There being no further business to come before the Committee, upon motion made duly by Mr. Berson and seconded by Mr. Laramée, the meeting was adjourned at 5:07 p.m.

Respectfully submitted:

By:   
Steven J. King, P.E.  
Managing Director