

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

OCTOBER 15, 2007

PUBLIC SESSION MINUTES

A meeting of the Board of Directors of the Quonset Development Corporation (the "Corporation") was held at 5:00 p.m. on Monday, October 15, 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, Robert Crowley, Kas R. DeCarvalho, David A. Doern, Thomas Hazlehurst, Barbara Jackson, Saul Kaplan, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson. Also present were: Steven J. King, P.E., Chief Operating Officer; E. Jerome Batty, Secretary; Kevin M. Barry, Controller; members of the Corporation's staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:03 p.m. by Chairman Kaplan.

2. APPROVAL OF MINUTES:

Chairman Kaplan noted that there were two sets of minutes for approval. Mr. Kaplan suggested that the first vote be to approve the Executive minutes from the meeting held on August 20, 2007 that were tabled at the last meeting.

Mr. Doern requested that the minutes be tabled again as he had given some comments from the Executive session that he would like included in the minutes.

Mr. Batty confirmed that he had spoken with Mr. Doern regarding the completeness of the minutes. Mr. Doern felt that there needed to be additional reflection of the comments from the Directors in the minutes. Mr. Batty added that he was asked to review his notes and resubmit the minutes, and that he had updated the minutes based on his notes but if the Board has specific items that they want included, he would make those additions pursuant to their request.

Mr. Kaplan suggested that if Mr. Doern had specific language he would like incorporated into the minutes; he should submit the comments to Mr. Batty. Mr. Batty will then circulate the changes to the Board members and upon consensus, the minutes can be approved.

Mr. Rebecchi suggested that the Board discuss the changes to the Executive session minutes in the Executive session.

Upon motion duly made by Mr. Patterson and seconded by Mr. Crowley, the Board:

VOTED: To table the Executive Session minutes of the August 20, 2007 meeting, pending comments from the Board.

VOTED: To approve the Public Session minutes of the September 17, 2007 meeting, as presented.

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

Voting Against were: None

Unanimously Approved.

3. STAFF REPORTS:

Mr. King explained that the picture on the cover of the Board packet represented a milestone at Quonset. Over the last eleven (11) years, the Freight Rail Improvement Project (FRIP) has been underway and this picture was of the first vehicle arriving from Mexico via rail on a triple stack auto rack on October 2, 2007.

A. Development and Planning:

Mr. King drew the Board's attention to the Staff Memo (tab 2). Mr. King mentioned that under the "Development and Planning" section there were two closings, one for Contractors Supply and, one for Riggs and Gallagher. Mr. King noted that with the closing of the sale to Riggs and Gallagher, Keifer Park was completely sold out as of October 11, 2007.

Mr. King noted that the Corporation has prepared materials for IGY as part of the due diligence request.

Mr. King also noted that the Gateway Project was approved by the Statewide Planning Council on September 20, 2007. Mr. Kaplan offered congratulations to Mr. King and the Quonset team for a job well done. Mr. Kaplan added that the project was approved unanimously which was quite a contrast from the first vote.

Mr. King added that the Corporation has started the Design Review of the Gateway Project. Mr. King noted that Jon Reiner, North Kingstown Planning Director; Liz Dolan, a member of the Community Advisory Committee; and Kevin Flynn, Associate Director of the Statewide Planning Program were invited as ad-junct members to the Design Review Committee (“DRC”). Mr. King stated the first meeting was held on October 3rd and over the next eight (8) to ten (10) weeks there will be several meetings to discuss the site plans and building elevations and give feedback to New Boston Development Partners, LLC.

Mr. King indicated that the update to the Master Plan is still ongoing.

B. Construction, Operations, and Finance and Administration:

Mr. King reviewed the current projects listed on the memorandum.

C. Proposed Calendar of 2008 Board of Directors Meeting Dates:

Mr. King asked the Board to review the dates and provide a general consensus on the proposed dates. The Board had no issues with the proposed dates. Mr. Patterson asked when the Board meetings would commence in the new QDC building. Mr. King answered that staff will be using the current QDC building until April so he would not expect to have a meeting at the new building until May 2008.

Chairman Kaplan asked if there were questions for Mr. King based on his report to the Board. Mr. Patterson asked what was involved in the IGY due diligence request. Mr. King stated that IGY requested documents and records related to the title of the property, title insurance policy, environmental reports and other various documents. Mr. King added that the Corporation has asked IGY for a business plan and financial information as well.

Mr. Patterson asked if Statewide Planning (in relation to the Gateway) has asked for things they would like to see in the plan that are not necessarily mandatory, for example, the traffic analysis. Mr. King indicated that he would expect to have that information in the next thirty (30) days to share with the Town. New Boston has made the commitment to have a consultant selected by the Town conduct a peer review of the Gateway traffic analysis.

Mr. Patterson asked about the transportation recommendations contained in Statewide Planning’s report. Mr. King indicated that he thought most of this information had been addressed in the executive summary letter sent by the consulting firm that was forwarded to all the Board members.

Mr. King went over the general provisions:

- Modification of the signal at Gate Road and Post Road,
- Additional signal at the entrance along Gate Road,

- Incorporation of the New Connector Road at Commerce Park,
- Replacement of the intersection at Gate Road and Davisville Road with a roundabout.

Ms. Jackson stated that the staff is to be commended for their work in getting the unanimous approval of the State Planning Council as are the Corporation's partners within the community. Ms. Jackson asked if the Corporation has taken any steps to make a public acknowledgement of their efforts. Ms. Jackson also asked if the Corporation has any public outreach regarding activities and schedules for the Gateway development. Mr. King stated the Corporation will be working with its public relations firm to keep the community apprised of Gateway activities. Mr. King added that the ground breaking for the Gateway is scheduled for October 29 at 4:00 p.m.

4. APPROVAL REQUESTS:

A. Approval of FY2009 Operating Budget

Mr. Crowley, Chairman of the Audit-Finance Committee, began by reminding the Board that last month, the vote on the FY2009 Operating Budget was tabled pending the outcome of the \$3.5 million transfer to the State. Mr. Crowley indicated that the Finance Committee has been informed that since the budget was already passed, it is now State law and the Corporation can not be relieved of this obligation.

Mr. Crowley explained that the funds are considered "unrestricted" and are reflected as available cash on the Corporation's balance sheet. The Committee feels that these funds were seized because of the appearance of available funds. Mr. Crowley suggested that the Corporation use a "pay as you go" policy going forward.

Mr. Crowley added that the Audit-Finance Committee was now recommending approval of the FY2009 Operating Budget based on the current information.

Mr. Doern asked where the "unrestricted funds" were on the Operating Budget. Mr. Barry answered that these funds do not appear on the Operating Budget. The funds are on the year end financials but are not part of the Operating Budget. Mr. Barry clarified that the funds show on the financials but not in the budget because they are a cash flow item. Mr. Doern suggested that the Corporation show a balance sheet with the budget going forward.

Mr. Crowley added that one problem he has with this payment is that that the Corporation is being charged for bond funds that date back to 1996 and the Corporation did not receive all the funds in that Bond.

Mr. Patterson asked what strategy will be used to avoid future payments to the State now that there was a precedent. Mr. Crowley stated that the Corporation will adopt a “pay as you go” policy. Mr. Kaplan added that QDC will have to review the needs and priorities of the Capital Programs and make sure the Corporation is fiscally solid.

Mr. DeCarvalho asked if there was not some way of exercising the Board’s duties as Directors in such a way that was fiscally responsible while protecting the Corporation’s assets. Mr. DeCarvalho suggested investing the funds so they do not show as “unrestricted”. Mr. DeCarvalho added that the change in policy does not make sense for what was trying to be accomplished at Quonset despite the State budget shortfall.

Ms. Jackson acknowledged that since the Capital Budget was not one hundred (100) percent funded and was \$20 million (now \$23 million) deficient, the Corporation was creating flexibility by saving the \$3 million in what was thought to be a restricted account. She stated that the point of having “unrestricted” funds are for uses outside the scope of bond funding. Ms. Jackson explained that the funds, if needed, would have just been part of the \$20 million deficit when Bond funds could not be used. Ms. Jackson concluded that the Corporation would not be irresponsible in spending the cash first but would instead be losing some flexibility.

Mr. Kaplan agreed and added that the Corporation was not in any different situation than any other Corporation with Capital Projects. QDC should continually be reevaluating its funding priorities.

Mr. Rebecchi asked if the FY2009 Operating Budget was a balanced budget. Ms. Jackson affirmed that the Budget was balanced and that the oversight would not happen again.

Mr. Patterson asked if the Governor’s personnel cuts would affect QDC. Mr. Kaplan stated that QDC was not reviewed as part of the State’s Agency Review because the Corporation’s personnel costs are not from an appropriation from the State but from Operating revenues.

Upon motion duly made by Mr. Crowley and seconded by Mr. Patterson, the Board:

VOTED: To approve the Fiscal 2009 Operating Budget as presented to the Board.

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

Voting Against were: None

Unanimously Approved.

B. Development Agreement with Atlantic Ethanol, Inc.

Mr. King explained that staff was seeking authorization from the Board to enter into a Development Agreement with Atlantic Ethanol, Inc. The company is seeking to build an ethanol production plant on about twenty-five (25) acres in the Quonset Industrial District off Roger Williams Way. Mr. King explained that there was also a two and a half (2 ½) acre waterfront area adjacent to the Carrier Pier that was needed for water access. This waterfront property is RIAC owned and under QDC management.

Mr. King stated that the intended use was to construct and operate a 50-60 million gallon ethanol plant using water, rail and road to transport the product. Mr. King acknowledged that the proposed development was a \$135 million dollar project. Although this is an unusual project for the Park, there was a “green” energy benefit that utilizes corn and wastewater from the Wastewater Treatment Facility to make fuel. Mr. King added that utilizing wastewater will allow Atlantic Ethanol, Inc. to meet their daily 250,000 gallon water requirement without diminishing the State’s potable water resource.

Mr. King reviewed the terms of the Agreement with the Board. Mr. King noted that the company will need to raise \$135 million in capital and secure all the necessary permits.

Mr. King informed the Board that he has discussed this project with Kevin Flynn from the Statewide Planning office and there does not appear to be any red flags regarding this project with Statewide Planning.

Mr. King then introduced the project proponents; John D. Hamilton, Sr., President of Atlantic Ethanol, Inc.; Arlene Violet, investor and environmental consultant; and Herb Sirois, Mechanical Engineer. Mr. King added that Atlantic Ethanol, Inc. would be using a world renowned company called Delta-T as their design builders.

Mr. King noted that this project was exciting because it creates a lot of synergy with other companies in the Park. One of the byproducts of ethanol production is CO₂ and Toray Plastics (in the Park) is a major user of CO₂. Mr. King continued that there have also been discussions with Senesco (another Park resident) to transport the fuel after production. There would be an increase in rail use to transport corn stock to Quonset and in port activities to move the fuel.

Mr. Crowley asked what the timetable was for this project based on all the contingencies. Mr. King explained it would be at least twelve (12) months to

obtain the permits and the construction timeline was fourteen (14) to sixteen (16) months.

Mr. Hazelhurst asked if CRMC was involved in the project. Mr. King replied that there would be some involvement in the waterfront piece as a small pier would need to be built.

Mr. Simpson asked Mr. King to explain the use of the waterfront piece. Mr. King explained that there was existing concrete duct work, from the old steam plant, which runs throughout the Park that will be utilized to run a fuel pipeline from the plant down to the waterfront for export. Mr. King added that there was the potential for future use of the waterfront piece for the import of the raw materials but for now, rail would be utilized for importing feed stock.

Mr. Simpson asked if there were any safety issues for the airport since this waterfront property would be near that facility. Mr. King stated there does not appear to be any issues. The Corporation has reviewed Coast Guard regulations and there was only a hundred (100) foot stand off restriction from the loading operation.

Mr. Campo asked what states would be exporting the corn. Mr. Hamilton replied that there are currently no ethanol production plants on the east coast but that it was the hope of the company to use local New England farmers for the feedstock. In addition, some of the feedstock will be coming from the Midwest.

Ms. Jackson asked if this agreement will require RIAC approval. Mr. King stated that QDC has a management agreement with RIAC and that they cosign leases involving their property. Mr. King was in the processes of providing RIAC with all the necessary information.

Mr. Patterson asked if Atlantic Ethanol, Inc. would have exclusive rights to the bulkhead that would impact any current businesses. Mr. King stated that the property was formerly leased to New England Stone and the use of that piece of land would not impact Senesco, the neighboring tenant.

Mr. Doern asked about what appeared to be outdoor pools in the rendering of the plant. Mr. Hamilton clarified that those structures were actually ring dryers. The ring dryers are used at the end of the ethanol process to dry the left over wet corn feedstock so it can be shipped out to nearby farms. Mr. Hamilton noted that the rendering also included a wet accumulation tank which would not be part of this particular project.

Mr. Doern asked what Mr. Hamilton would estimate the square footage to be of the buildings. Mr. Hamilton stated that the largest would be about 200' x 400' and 60' high.

Mr. Doern asked about the height of the silos. Mr. Hamilton answered about 45' to 60' high.

Mr. Sams asked if the Wastewater Treatment Facility would require an upgrade to accommodate the new usage. Mr. King stated no upgrade would be needed.

Mr. DeCarvalho asked whether the jobs that the plant would create could be filled by Rhode Islanders and does the State have potential employees with the level of expertise needed to fill those jobs. Mr. Hamilton stated that besides the need for an experienced Plant Manager, he does not see why the jobs could not be filled by Rhode Islanders.

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

VOTED: That the Corporation acting by and through its Chairman, Vice-Chair, or Chief Operating Officer, each of them acting singularly the "Authorized Officers" is hereby authorized to negotiate, enter into, execute and deliver a Development Agreement and other agreements related thereto with Atlantic Ethanol, Inc., substantially in accordance with the Request for Authorization presented to the Board (the Development Agreement and related documents are referred to herein collectively as the "Agreement").

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, delivering and performing any and all modifications, renewals, confirmations and variations of such Agreement or as any of the Authorized Officers acting singularly or alone shall deem necessary, desirable and without further specific action by this Board, 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 Agreement and/or all related and ancillary agreements and documents in connection with the terms and conditions to be effectuated by the Agreement, including any and all agreements, contracts, certificates, licenses and assignments, 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.

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

Voting Against were: None

Unanimously Approved.

C. Approval of New Boston Development Partners, LLC Ground Lease:

Mr. King reviewed the transaction request with the Board. Mr. King stated that pursuant to the Restated Development Agreement the base rent will be \$27,250 per acre. However, payments on the lease are not expected until one year after the lease is signed or until New Boston has erected a building and is collecting rent from a sub-tenant.

Mr. Crowley asked when the lease will be signed. Mr. King stated that the Corporation hopes to have the lease signed prior to the ground breaking on October 29th. Mr. King reviewed the options to purchase under the Agreement stating that New Boston had options to purchase in years 11, 21 and 31.

Mr. Crowley asked if New Boston had made their first quarterly option payment on the two parcels before the Board for approval. Mr. King stated that the quarterly option payment was made on all of the land but when the next option period comes around, these two parcels (if approved) will not be included in the payment.

Mr. Crowley questioned if these funds were considered rent or are they credited directly to the Corporation. Mr. King confirmed that the option payment was not credited as rent and verified that the first option payment was in the amount of \$48,000 made on September 1, 2007.

Mr. Doern questioned if the option agreements on the undeveloped land continued even after QDC and New Boston entered into a lease for part of the land. Mr. King stated that New Boston will continue to have the options on the undeveloped land.

Mr. Doern asked if there was a timeframe for New Boston to lease the next parcel. Mr. King stated that the only restriction was that the hotel piece (parcel 2) was to be leased by August 31, 2008 or the Corporation has the option to withdraw the parcel.

Mr. Doern asked if parcels 3, 4, and 5a will continue to be under option. Mr. King stated that the Development Agreement gave New Boston five (5) years to lease the parcels.

Mr. Patterson asked if the Board will be given the configurations for the Lowe's loading docks. Mr. King answered that the Design Review Committee was working on the final drawings and they would be submitted for final approval by the Board.

Mr. Patterson questioned how people would access outdoor fields for the RAVV development as the New Connector Road appears to intersect the building and outdoor fields on the Gateway map. Mr. King reminded the Board that the New Connector Road would be an overpass. Pedestrians would be able to walk underneath the overpass.

A discussion ensued regarding the extent of the Board's role in design decisions. The outcome being that it was the Design Review Committee's role to review and recommend to the Board while keeping the Board informed of the general provisions of the project plans.

Mr. King noted that the vote included specific wording to allow New Boston access to the property for the purposes of site preparation, grading, site utility work, and related work in order to keep the project on schedule. Mr. King stated that this wording did not give New Boston permission to start any vertical work or construction.

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

VOTED: That the Corporation acting by and through its Chairman, Vice Chair, or Chief Operating Officer, each of them acting singularly the "Authorized Officers" is hereby authorized to enter into, execute and deliver a Lease and other agreements related thereto with New Boston Development Partners, LLC or an approved assignee ("New Boston") substantially in accordance with the terms of the form Ground Lease negotiated as part of the Development Agreement (the Lease and related documents are referred to herein collectively as the "Agreement") and to provide limited site access to New Boston for purposes of site preparation, grading, site utility work and related work.

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, delivering and performing any and all modifications, renewals, confirmations and variations of such Agreement or as any of the Authorized Officers acting singularly or alone shall

deem necessary, desirable and without further specific action by this Board, 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 Agreement and/or all related and ancillary agreements and documents in connection with the terms and conditions to be effectuated by the Agreement, including any and all leases, agreements, contracts, certificates, licenses and assignments, 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 lease 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.

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

Voting Against were: None

Unanimously Approved.

5. Executive Session:

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

VOTED: To adjourn to Executive Session to consider and take appropriate action on such matters as permitted by subsection (2) (litigation), subsection (5) (acquisition or lease of real estate for public purposes or disposition of publicly held property), subsection (6) (location of prospective businesses in Rhode Island), or subsection (7) (investment of public funds) of Rhode Island General Laws, Section 42-46-5(a), the Open Meeting Law.

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

Voting Against were: None

Unanimously Approved.

6. **VOTE TO MAINTAIN MINUTES OF EXECUTIVE SESSION CLOSED:**

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

VOTED: Pursuant to Section 42-46-4 and 42-46-5 of the General Laws, the minutes of the Executive Session shall not be made available to the public at the next regular scheduled meeting of the Corporation because such disclosure may adversely impact ongoing negotiations.

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

Voting Against were: None

Unanimously Approved.

There being no further business to come before the Board, upon motion duly made by Mr. DeCarvalho and seconded by Mr. Rebecchi, the meeting was adjourned at 6:45 p.m.

Respectfully submitted:

By: 
E. Jerome Batty, Secretary