

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

August 17, 2009

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, August 17, 2009, at the offices of the Corporation located at 95 Cripe Street, 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: Robert H. Breslin, Barbara Jackson, John G. Laramée, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson, and Keith Stokes. Absent were: James D. Berson, Kas DeCarvalho, and J. Michael Saul. Also present were: Steven J. King, P.E., Managing Director; E. Jerome Batty, Secretary; Kevin M. Barry, Finance Director; 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 Vice Chairman Simpson.

2. **APPROVAL OF MINUTES:**

Mr. Patterson requested that the statement, "because it rests on pilings", be added to bullet number 2, second to last sentence on page 4.

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

VOTED: To approve the Public Session minutes of the June 29, 2009 meeting, as amended.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramée, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Voting Against were: None

Unanimously Approved.

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

VOTED: To approve the Executive Session minutes of the June 29, 2009 meeting, as presented.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramée, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Voting Against were: None

Unanimously Approved.

3. **STAFF REPORTS:**

Mr. King sadly informed the Board of the passing of the QDC Water Superintendent, Joseph Hartman. Mr. Hartman was an employee for 34 years, an active member of the Masons and the Shriners, and he was a Coventry deputy fire chief. Mr. King noted that the Corporation made a gift to the Shriners in Mr. Hartman's memory.

Development and Planning:

- Failure Analysis and Prevention received approval from Technical Review Committee and plans are currently under review by the Town.
- Hotel Project has received approval from both the Design Review Committee and the Technical Review Committee (a rendering was exhibited to the Board).
- NOAA's Environmental Review Form was submitted and the Conformance Report was received from Statewide Planning. The project is currently out to bid and will close on August 20, 2009.
- Staff has provided preliminary comments to Deepwater Wind on their conceptual layout plan.
- The Mainsail land swap with the Town has closed.
- LJM sale closed.
- BB&S Lumber of NE has rented an additional 10,000 square feet in Building 315.
- Bannaker Industries will be leasing Bay C in Building 318 for 5 years.
- RAVV relationship has been terminated as the Letter of Intent expired on June 30th due to financing issues.
- Grants:
 1. EDA grant for Commerce Park Connector Road overpass received signoff from the US Fish and Wildlife and RI Airport Corporation. Supplementary material was submitted pursuant to EDA's Letter of Further Consideration. No official award has been received yet.
 2. TIGER (Transportation Investments Generating Economic Recovery) grant application is in progress. The project mix has changed and the overall funding amount has increased to accommodate additional projects related to Deepwater Wind's proposed development. Please note that the additional projects are considered to be useful and beneficial to the QDC notwithstanding the DWW project.

Construction:

- Maritime Way finalized.
- Romano Vineyard Way Bridge is working towards 90% design completion. DEM approval has been received and the Corporation is targeting bidding for September or October.
- Cardi Corporation was the low bidder on the Mainsail Drive curve realignment project. Work should start in approximately forty-five (45) days.
- Bike Path (multi-use path) ribbon cutting ceremony was held on July 17, 2009.

- NOAA pier improvement for the Okeanos Explorer berthing is presently in the design stage with fender designs going to NOAA for review in the next few weeks.
- Design plans are under review for the Pier 1 repair project.
- Northrup Road improvements from Callahan Road to Commerce Park Road are under design.

Operations:

- Building 318 repairs and renovations have been underway in preparation of Bannaker Industries lease.
- Bids were received for the painting of the Ladd Center water storage tank on August 12, 2009. The work is scheduled for completion within 90 days of a notice to proceed. Funding for the project has been made available through the Department of Administration.

Mr. Patterson asked if the water tank in West Davisville was in need of painting. Mr. King affirmed that the West Davisville tank will probably need painting next year. Mr. Pastore made the suggestion that a local artist be used to add some local flare to the job.

Port Operations:

- The Corporation settled on July 2nd with the Japan Ship Owners Mutual P & I Association for damages caused by the Amity Ace in 2003.
- The Port received 7 ships totaling 6099 autos during July.
- On August 7th, the TSA's (Transportation Security Administration) and VIPR (Visible Intermodal Protection and Response) team tested the Facility Security Plan during a staged maneuver.
- The US Coast Guard will be accompanied by 6 representatives from the government of Brazil to conduct an International Maritime Organization (IMO) inspection of the Port of Davisville.
- Rail traffic was up significantly in July.

Finance and Administration:

- Initial Year End audit work has begun. Final reports will be ready for the September Board meeting.
- The FY 2011 Capital Improvement Plan Budget was submitted to the State Budget Office and has been reviewed by the Audit-Finance Committee.

4. **COMMITTEE REPORTS:**

Audit-Finance Committee:

Ms. Jackson announced that the Audit-Finance Committee met on August 4, 2009. Minutes from May 4, 2009 were approved and the Committee discussed the FY2011 Capital Improvement Budget Plan.

Strategic Planning Committee:

Mr. Simpson reported that the Strategic Planning Committee met on August 4, 2009 and August 17, 2009 to gather feedback on the Operating Plan Outline and Critical Success Factors.

5. APPROVAL REQUESTS:

A. Approval of a Lease Option Agreement with Alterra Energy Services, Inc.:

Mr. King reacquainted the Board with the transaction details of the Alterra Energy Services, Inc. (“Alterra”) transaction as it was first presented at the February 2009 Board meeting. Mr. King noted that the Board had approved that transaction contingent on Alterra receiving financing within a 6 month period: the 6 month mark passed on August 8, 2009. Alterra has requested additional time to secure financing as well as requesting a firm commitment from the Corporation to lease the property. Mr. King explained that Alterra receiving financing is contingent on having this commitment from QDC, especially given the current market situation. Mr. King suggested a twelve (12) month lease option agreement in order to give Alterra time to acquire the necessary financing. The one (1) year agreement would run from September 1, 2009 until August 31, 2010, the total option fees would be \$11,100 (7.4 acres x \$1500 per acre) to be paid in quarterly installments of \$2,775.

Mr. King reviewed a few recent developments that would affect this transaction:

- Alterra would now build a facility to produce 28 million gallons of bio-diesel fuel in its entirety instead of in phases as previously discussed.
- The project is being stimulated by the renewable fuel standard that was passed by the federal government and some surrounding states.
- RI legislature just passed a law to make bio-diesel fuel tax exempt if it is manufactured in Rhode Island.
- Job creation has jumped from 5 jobs to 18 jobs at full build out. High paying jobs with salaries upward of \$100,000.

Mr. King also noted:

- 9 million dollars in tax generation for the State.
- Renewable energy project.

Upon questioning, Mr. Palmer of Alterra explained that potential investors were looking for a stronger commitment from the Corporation. He explained that an Option to Lease is preferable to the Letter of Intent that was approved in February.

Mr. King confirmed for Ms. Jackson that the Emergency Response Plan and the Environmental Insurance requirements were still part of the agreement as discussed in February.

Mr. Patterson and Mr. Breslin questioned Alterra’s assertion that their project would generate nine million dollars in tax revenue because they would essentially be supplanting sales from another supplier so there is no incremental increase in sales. Mr. Palmer explained that Alterra intended to produce twenty eight (28) million gallons of biodiesel that will be taxed at \$.32 generating \$8,960,000. The Board members pointed out that currently there are not many biodiesel manufacturers in

Rhode Island and consumers could go to surrounding states to get their biodiesel which would result in lost revenue. Ms. Jackson noted that Rhode Island can only collect the tax if the fuel is blended in this state; therefore, Alterra is creating additional revenue. Mr. King clarified that there may be some displacement of #2 diesel fuel, so some of the tax generated will not be new taxes, however, people buying biodiesel will now have the choice to purchase Rhode Island blended biodiesel therefore saving taxes that might go to another state.

Mr. Pastore also noted some environmental benefits of biodiesel include reduction in carbon emission from fossil fuel, recycling of cooking oil in biodiesel production reduces the waste stream, and the potential to use biodiesel for heating oil. Mr. Pastore reminded the Board that the US is under mandate to create alternate fuel sources as well.

Mr. Palmer upon questioning from Mr. Stokes explained that Alterra intends to use Rhode Island vendors and contractors as much possible on this project. The eighteen (18) permanent on site jobs will hopefully be from the Rhode Island employee pool, however, Mr. Palmer noted the biodiesel field is relatively new and may require some out of state recruiting. Alterra does intend to work with the engineering department at URI to help with that facet.

Mr. Pastore asked about the possibility of having a fueling station at Quonset for local uses such as home delivery and port use. Mr. King stated that the Master Land Use and Development Plan allows for 10% retail sales in industrial areas so as long as Alterra stays within those limits, fueling at the site would be allowed. Otherwise, the Board would have to review this retail proposal at the end of the project separately.

Mr. Simpson requested that Alterra provide an update in 6 months on the status of their financing.

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

VOTED: That the Corporation acting by and through its Chairman, Vice-Chair, Managing Director or Finance Director, each of them acting alone the "Authorized Officers" is hereby authorized to enter into, execute and deliver a Lease Option Agreement, and other agreements related thereto, including, without limitation, a subsequent Lease Agreement, with Alterra Energy Services, Inc. substantially in accordance with the Request for Board Authorization presented to the Board (the Lease Option Agreement and related documents are referred to herein collectively as the "Agreement"). Prior to the Corporation entering into a Lease, Alterra Energy Services Inc. shall (i) provide the Corporation with evidence satisfactory to the Corporation, which may be in the form of a firm loan commitment, that Alterra Energy Services Inc. has the financial capacity to complete the project within time periods acceptable to the Corporation and (ii) provide the Corporation evidence that Alterra Energy Services Inc. has reached an agreement with the Town of North Kingstown with respect to the payment of all costs incurred by the Town of North Kingstown in preparing an evacuation plan and training for first responders in the event of an accident at the facility. The Lease will also address environmental issues and responsibilities associated with the facility.

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 as any of the Authorized Officers acting singularly and 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 deeds, agreements, contracts, certificates, licenses, assignments, and financing documents upon such terms and conditions and with such changes, additions, deletions, supplements and amendments thereto as the Authorized Officer executing or authorizing the use of 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: Robert H. Breslin, Barbara Jackson, John G. Laramée, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Voting Against were: None

Unanimously Approved.

Mr. Simpson requested that when a transaction comes back before the Board, that the minutes from the prior meeting that addressed that transaction be included in the Board packet.

B. Approval of the FY2011 Operating Budget:

Mr. Barry reviewed the FY2011 Operating Budget for the Board:

- Total revenues have increased by over a million dollars for FY2011 based on the new NOAA lease, EB lease, and the additional leases by NORAD.
- Salaries and Wages are down, Payroll overhead is increased due to medical and pension costs.
- Total Operating Expenses - 2.5% increase over FY2010.
- New this year, is a description of the projects included in the Capital Infrastructure Funding. In the past there has always been a shortfall in Capital Funding and these projects have been identified as necessary and fundable in FY2011.

- Consultant expenses have increased dramatically in 2011 in Operating Expenses: Mr. Barry and Mr. King explained that the Corporation will be implementing a Phase I engineering study of all available Quonset property to make the land more “shovel ready” and marketable.
- Insurance savings - \$100,000.00.
- Commissions have increased for FY2011.
- Chemical and additives have increased due to market trends with the oil industries.
- Water Surcharges savings of \$65,000 results from the method of accounting. A Water Resources Surcharge is included on all QDC water billing. This amount was included as income in previous budgets but has been removed going forward, therefore, the surcharge has been removed as an expense as well.
- RIEDC fee is now included under the consultant expense.

Ms. Jackson added that the Corporation has been reviewing all consultants and their contracts in the last eighteen (18) months and there should be additional consultant savings next year. Ms. Jackson also noted that the Audit-Finance Committee has reviewed the budget and recommends it for approval by the Board.

Mr. Rebecchi asked if there was anyway to increase the rates to water/sewer users to offset the rising cost of chemicals. Mr. King affirmed that the Corporation may need to review the rate schedule as conservation efforts have been very successful but have resulted in lost revenue while costs have increased.

Upon motion duly made by Mr. Laramee and seconded by Mr. Stokes, the Board:

VOTED: To approve the Fiscal 2011 Operating Budget as presented to the Board.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramee, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Voting Against were: None

Unanimously Approved.

6. **MOTION TO ADJOURN TO EXECUTIVE SESSION:**

Upon motion duly made by Mr. Pastore and seconded by Mr. Rebecchi, the Board:

VOTED: To adjourn to Executive Session pursuant to Subsection (2) – (Litigation), Subsection (5) – (Acquisition or Lease of Real Estate for Public Purposes or Disposition of Publicly held Property), Subsection (6) – (Location of Perspective Businesses in Rhode Island) and Subsection (7)- (Investment of Public Funds) of the RIGL §42-46-5(a) (the “Open Meetings Law”).

1. To discuss investment of public funds, potential litigation.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramee, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Unanimously Approved.

The meeting adjourned to Executive Session at 5:55 p.m. The meeting reconvened in Public Session at 6:30 p.m.

VOTE TO MAINTAIN MINUTES OF EXECUTIVE SESSION CLOSED:

Upon motion duly made by Mr. Rebecchi and seconded by Mr. Laramee, 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 regularly scheduled meeting of the Corporation because such disclosure may adversely impact ongoing negotiations.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John G. Laramee, Richard L. Pastore, John A. Patterson, Sav Rebecchi, John G. Simpson and Keith Stokes.

Voting against were: None.

Unanimously approved.

There being no further business to come before the Board, upon motion duly made by Mr. Laramee and seconded by Mr. Pastore, the meeting was adjourned at 6:35 p.m.

Respectfully submitted:

By: 
E. Jerome Batty, Secretary