

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

September 19, 2011

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, September 19, 2011, 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 members constituting a quorum were present and participated throughout the meeting as indicated: Robert H. Breslin, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson. Absent were: Kas R. DeCarvalho, Anthony F. Miccolis, Jr., John A. Patterson and Keith Stokes. Also present were: Steven J. King, P.E., Managing Director; Kevin M. Barry, Finance Director; E. Jerome Batty, Secretary; and Corporation's staff and members of the public.

1. **CALL TO ORDER:**

The meeting was called to order at 5:06 p.m. by Vice Chairman Simpson.

2. **APPROVAL OF MINUTES:**

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

VOTED: To approve the Public Session minutes of the July 18, 2011 meeting, as presented.

Voting in favor were: Robert H. Breslin, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

3. **STAFF REPORTS:**

Mr. King reviewed the Staff Report with the Board:

Grants

- Maritime Administration (MARAD) has provided determinations on fender components for Pier 1 and 2 under "Buy American" regulations. They have declined to provide a waiver for the Cargo Preference Act for the shipping of the mobile crane and therefore, a US flag vessel will have to be used. The cost of shipping the crane from Germany to the US will be more

using a US flag vessel but there are funds set aside in the grant to cover the additional costs.

- MARAD - No objections to the mobile crane purchase from Gottwald Port Technologies.
- MARAD officials visited the Corporation on August 24, 2011 for a pre-audit site visit, followed by an official audit on September 2, 2011 by the USDOT's Office of Inspector General. No major findings are anticipated.
- Supplementary information was submitted to the US Economic Development Administration supporting the extension of Compass Circle grant application.
- Mr. King reviewed the status of the five projects under the TIGER Grant.
- Mobile Harbor Crane – Final purchase contract should be completed in the next few days. The crane has to be constructed and shipped – arrival in about nine months.

EDA Project

- Romano Vineyard Way – bridge construction should be complete in October. Landscaping low bid went to Yard Works, Inc.

Development

- Site Readiness – QDC has initiated the first phase of the site readiness program.
- Wide World of Indoor Sports agreement is expected to be completed by next month.
- Toray Solar Installation is substantially complete and partially operational. RIEDC assisted in funding the project.
- Stanley Black & Decker – will move their Research, Development, and Engineering Division (70-80 employees) to the Quonset Business Park ("QBP"). Anticipated fall opening – renovations are currently being made to the Emissive Energy building located at 135 Circuit Drive.

Operations

- Hurricane Storm Damage – No major damage to QDC buildings. QBP lost power on Sunday and trees were blown down and blocked several roads. QDC Maintenance was called in at approximately 9:00 a.m. and the roads were reopened by 11:30 a.m. Sunday morning.

Port Operations

- Port activity continues to be brisk with 14 ships carrying 14,186 cars inbound in August. Currently, the Port is on target to process one hundred and fifty thousand (150,000) vehicles by year end; exceeding last year's record of one hundred and thirty five thousand (135,000) vehicles.

Finance and Administration

- FY2013 Operating Budget and the FY2011 Audit Financial Statements have been submitted for the Board's approval.

4. COMMITTEE REPORTS

Audit Finance Committee

Barbara Jackson, Finance Committee Chairperson, advised the Board that the committee had reviewed both the FY2013 Operating Budget and the FY2011 Audited Financial Statements and recommend approval by the full Board of Directors.

There were no other committee meetings.

5. APPOINTMENT OF JOHN G. LARAMEE TO THE OFFICE OF DEPUTY VICE-CHAIR:

Mr. King recommended the approval of Mr. Laramee to the office of Deputy Vice-Chair.

Upon motion duly made by Mr. Breslin and seconded by Mr. Berson, the Board:

VOTED: To ratify and confirm the appointment of John G. Laramee to the office of Deputy Vice-Chair to perform the duties of the Vice-Chair in the event the Vice-Chair is not in attendance at a meeting of the Board of Directors.

Voting in favor were: Robert H. Breslin, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

6. ACCEPTANCE OF THE FY2011 AUDITED FINANCIAL STATEMENTS:

Mr. Barry introduced Lindsey Alvarez and Joseph Spagna from Braver PC, who completed the audit, and were available for questions. Mr. Barry then reviewed the FY2011 Audited Financial Statements, noting:

- Operating Revenues are up 20% in 2011 compared to 2010 (pg. 4; Summary of Operations and Change in Net Assets)
- Operating Expenses only increased 3.5% in 2011 compared to 2010 (pg. 4; Summary of Operations and Change in Net Assets)
- Personnel Services only increased 3.6% in 2011 – to include fringe benefits such as medical and dental (pg. 5; Summary of Major Operating Expenses)
- All other operating expenses went up a total of 7%; more than half of that increase was due to commissions as a result of increased property sales and leases (pg. 5; Summary of Major Operating Expenses).

Mr. Barry reviewed the Rhode Island Auditor General's minor comments to the Corporation's Financial Statements with the Board. The one item of note was the

removal of a sentence that had appeared previously on the financial statements stating that the Corporation had no outstanding debt. Mr. Barry explained that this statement is no longer true since the Corporation had acquired the land in West Davisville.

The Board of Director's briefly discussed the Corporation's pension plan noting that the plan was frozen in 2006 and therefore, not all of the Corporation's full time employees are in the plan. Mr. King advised that the plan is fully funded and he is confident with the growth rate which has always been 6.5%. Employees hired after 2006, participate in the Defined Contribution Plan.

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

VOTED: To accept the FY2011 Audited Financial Statements as presented to the Board, subject to approval by the State Auditor General.

Voting in favor were: Robert H. Breslin, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

7. APPROVAL OF A LEASE FROM THE CARR GROUP AND SUBLEASE TO ELECTRIC BOAT CORPORATION:

Mr. King reviewed the Carr Group lease transaction prior to the FY 2013 budget due to the transactions relevancy to the budget.

Mr. King described this transaction as a public/private/tenant lease and property purchase. Mr. King explained that Electric Boat Corporation ("EB") is currently in the process of a \$50 million expansion under their 10 year master plan. EB needs to relocate their administrative offices, due to their unique security issues, to another location outside their gated facility. There is an unfinished building located in the vicinity of their current location that would meet their needs, however, it is in need of major renovations. The Corporation, at EB's request, looked for a partner who could purchase the property and make the necessary renovations. Carr Group agreed to take on the project and was able to fund the \$2 million necessary to purchase the building and make the needed upgrades. As part of the deal, Carr Group has agreed to sell back to the Corporation the 1.5 acres of land where the building is located. The Corporation would then combine the land with another adjacent 1.5 acre lot to create a new 3 acre parcel. Upon completion of the renovations, the Corporation would lease the building from Carr and then in turn, lease the 3 acre parcel and the building to EB. At the end of the 10 year Lease, the Corporation could then purchase the building for \$1. The total cost to the Corporation for the purchase of the building would be just over \$1 million after factoring in EB's rent over the 10 year period. Additionally, EB would then have two (5) year options to renew their lease agreement on the building. Mr. King reviewed the transaction sheet specifics with the Board.

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

VOTED: That the Corporation acting by and through its Chair, 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 Purchase and Sale Agreement, and other agreements related thereto with the Carr Group, or an affiliated entity for the purchase of land at 1050 Roger Williams Way, substantially in accordance with the Request for Board Authorization presented to the Board (the Purchase and Sale Agreement, and related documents are referred to herein collectively as the "Purchase Agreements").

VOTED: That the Corporation acting by and through its Authorized Officers is hereby authorized to enter into, execute and deliver a Lease Agreement, and other agreements related thereto with the Carr Group, or an affiliated entity for the lease of approximately three acres of land on Roger Williams Way, substantially in accordance with the Request for Board Authorization presented to the Board (the Lease Agreement, and related documents are referred to herein collectively as the "Land Lease Agreements").

VOTED: That the Corporation acting by and through its Authorized Officers is hereby authorized to enter into, execute and deliver a Property Lease Agreement, and other agreements related thereto with the Carr Group, or an affiliated entity for the lease of land and building at 1050 Roger Williams Way, substantially in accordance with the Request for Board Authorization presented to the Board (the Property Lease Agreement, and related documents are referred to herein collectively as the "Property Lease Agreements").

VOTED: That the Corporation acting by and through its Authorized Officers is hereby authorized to enter into, execute and deliver a Sublease Agreement, and other agreements related thereto with Electric Boat Corporation, or an affiliated entity for the sublease of land and building at 1050 Roger Williams Way, substantially in accordance with the Request for Board Authorization presented to the Board (the Sublease Agreement, and related documents are referred to herein collectively as the "Sublease Agreements").

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 the Purchase Agreements, Land Lease Agreements, Property Lease Agreements and Sublease Agreements (collectively the "Agreements") 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 Agreements and/or all related and ancillary agreements and documents in connection with the terms and conditions to be effectuated by the Agreements, including any and all agreements, promissory notes, contracts, certificates, licenses, assignments, and memorandums 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, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

8. APPROVAL OF THE FY2013 OPERATING BUDGET:

Mr. Barry advised the Board that FY2013 revenue projections are up while expenses remained relatively flat. The increase in revenue comes mainly from lease income from recent agreements with EB, Banneker, NOAA, and Amtrak. Mr. Barry noted that $\frac{3}{4}$ of the Corporations revenues come from long term leases locking in revenues for at least the next 5 years. Mr. Barry also noted that expenses run about 50/50 between operating and personnel expenses in the FY2013 budget forecast.

Mr. Barry pointed out the increased funding of Capital Infrastructure in the FY2013 budget and noted some of the projects under the plan (Exhibit A).

Finally, Mr. Barry stated that the recently completed audit stands as further support of the strength of the FY2013 budget.

Mr. Breslin asked if there was any concern over expiring leases resulting in loss of revenue. Mr. Barry explained that when the budget is calculated, the Corporation takes into account the expiring leases and does not include any options associated with those leases, so in reality the budget is a "worse case" scenario.

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

VOTED: To accept the FY2013 Operating Budget as presented to the Board.

Voting in favor were: Robert H. Breslin, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

9. **APPROVAL OF A PROPERTY PURCHASE FROM MARRINAN REALTY TWO, LLC:**

Mr. King advised to the Board that the Corporation is interested in purchasing 1.9 acres in West Davisville. The property, Plat 180, Lot 16 is currently owned by Marrinan Realty Two, LLC ("Marrinan"), who purchased the land back in July 2006 for \$256,000 for a proposed expansion of Marrinan's business in West Davisville. Marrinan decided not to expand and attempted to sell the lot. During this process, a potential buyer discovered some issues with the soil and the deal was not completed. The proposal is to purchase the lot from Marrinan for \$156,000 from Marrinan. The \$100,000 difference between the sale price and purchase price should be sufficient to prepare the building site for future users.

Upon motion duly made by Mr. Breslin and seconded by Mr. Berson, 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 Purchase and Sale Agreement, as agent and attorney in fact for Rhode Island Economic Development Corporation, and other agreements related thereto with Marrinan Realty Two, LLC substantially in accordance with the Request for Board Authorization presented to the Board (the Purchase and Sale 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, 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, Jr., James Berson, Barbara Jackson, John G. Laramee, James Rugh, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

Mr. Berson noted that the Marketing Committee will be meeting in November to review some new marketing material.

Mr. King noted that on October 17th, the Board will be invited to a private tour of the Okeanos Explorer. The event is being handled by Senator Reed's office. The Board members agreed that since the event falls on the date of the next Board meeting, the October Board of Director's meeting would be held after the event.

There being no further business to come before the Board, upon motion duly made by Mr. Breslin and seconded by Mr. Rugh, the meeting was adjourned at 5:55 p.m.

Respectfully submitted:

By: 
E. Jerome Batty, Secretary

EXHIBIT A

**Quonset Development Corporation
Capital Expenditure Plan**

Capital Maintenance Projects

Water System Capital Maintenance	\$887,000
Wastewater Treatment Facility Capital Maintenance	\$157,000
Port Facility Capital Maintenance	\$60,000
Public Works Capital Maintenance	\$185,000
Buildings Capital Maintenance	\$530,000
Total Capital maintenance Projects	\$1,819,000

Planned Capital Projects

Compass Circle Extension to Parcel 34	\$826,500
Thompson Road Improvements	\$578,370
Parcel 34 Site Improvements	\$200,000
Additional Site Readiness	\$300,000
Land Acquisition Payments	\$250,951
Total Planned Capital Projects	\$2,155,821

Total Capital **\$3,974,821**

Source of Funds:

Cash	\$1,050,000
FY 2013 Contribution	\$2,950,000
Total Funds	\$4,000,000