

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

October 19, 2009

EXECUTIVE 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: James D. Berson, Robert H. Breslin, Kas DeCarvalho, Barbara Jackson, John G. Laramée, Richard L. Pastore, John A. Patterson, Sav Rebecchi, J. Michael Saul, and John G. Simpson. Absent was Keith Stokes. 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.

1. CALL TO ORDER:

The Executive Session was called to order at 6:14 p.m. by Chairman Saul.

Prior to adjournment to Executive Session, 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”).

Voting in favor were: James D. Berson, Robert H. Breslin, Barbara Jackson, Kas DeCarvalho, John G. Laramee, Richard L. Pastore, John A. Patterson, Sav Rebecchi, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

Noted for the record the following Corporation staff were in attendance; Jill Sherman, Administrative Assistant; Katherine Trapani, Planning Manager; Evan Matthew, Port Director; Kevin M. Barry, Finance Director; and Jack Sprengel, Director of Operations. Also in attendance were: Gerry Lavallee, CB Richard Ellis, and David Preston, New Harbor Group,

2. DISCUSSION OF STATUS OF LEASE AGREEMENT WITH NEW BOSTON DEVELOPMENT:

Mr. King noted that he has been in negotiations with New Boston Development (“New Boston”) since July when they announced that they would not be able to move forward with the construction of the office space at the Gateway due to the market conditions but they felt they had met their obligation under the lease by grading and paving the parking area. Since that time, the Corporation has offered New Boston an extension on their obligation to build the office space which they turned down citing their belief that they have met the criteria under the lease. New Boston then offered to finance \$2 million of the \$5 million needed to build a hotel at the Gateway in exchange for the Corporation acknowledging that New Boston has met their obligations. Mr. King reminded the Board that New Boston is under considerable financial strain and has a \$25 million loan that matures with Bank of America in a little over a year and New Boston fears they will not get refinanced if they have the office building obligation hanging over them.

Mr. King explained that during recent negotiations New Boston proposed the following changes to the existing 65 year lease:

- Eliminating purchase options from lease (option begins in year 11 of**

current lease)

- **Reducing the rent profile by \$7000 per acre and a fixed rent for the first 10 years**
- **1 ½ % bump in rent after 10 years, and then again every 5 years**
- **Fair market value adjustment in year 20 of the lease and again every 10 years.**

Mr. King outlined the financial benefits of the proposal by noting that New Boston, under the current lease, is expected to pay in rent \$10,432,422 for 10 years versus \$72,401,578 under the proposed changes for 65 years. The benefit for New Boston, Mr. King noted, is a reduction in rent equal to \$270,000 approximately annually (\$3 million over the first 10 years). Mr. King noted that there are some exceptions to note:

- **Lowe's Home Improvement has the option to purchase parcel 5b in year 31 of their lease with New Boston**
- **Under the current Hotel negotiations, New Boston has agreed to a purchase right in year 11 (4 acre parcel).**

Mr. King also advised the Board that New Boston would like the Corporation to also acknowledge that they have commenced building the office space as required under their lease agreement. New Boston has agreed to complete the office project when the market conditions for such space rebound.

Ms. Jackson stated that she was pleased with this agreement and that

the funds generated by the proposed changes will go a long way to meeting the Corporation's sustainability needs.

Mr. Berson asked what the risks are to the Corporation. Mr. King stated that the proposed changes are improving the risks because New Boston will be able to refinance their loan with Bank of America and keep the Gateway project alive.

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

VOTED: To approve the proposed changes to the New Boston Development lease, as presented.

Voting in favor were: James D. Berson, Robert H. Breslin, Barbara Jackson, Kas DeCarvalho, John G. Laramee, Richard L. Pastore, John A. Patterson, Sav Rebecchi, and John G. Simpson.

Voting Against were: None

Unanimously approved.

Mr. King provided the Board with a brief update on some of the other matters related to the Gateway:

- Under New Boston's lease with Kohl's, New Boston is obligated to**

rent an additional 40,000 square feet of inline retail space. New Boston has signed a letter of intent with Pet Smart to open a store in the Gateway but has had to significantly reduce the rent in order to do so

- New Boston has generated some interest with Waxy O'Connor's to build a restaurant next to the hotel. This restaurant will be an expensive build out and New Boston is willing to build the building but does not want to go into a ground lease with the company. QDC would likely lease the 9 ½ acres of property directly to Waxy O'Connor's

- Tokyo Grill has indicated interest in opening a restaurant in the Gateway. The restaurant would be located in building "K" opposite the Dave's Marketplace

- Building "L" possible tenants include Inside Scoop and Quiznos

There being no further business to come before the Board, upon motion duly made by Mr. Pastore and seconded by Mr. Simpson, the Executive session was adjourned at 6:34 p.m.

Respectfully submitted:

By: _____

E. Jerome Batty, Secretary