

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

September 17, 2012

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 17, 2012, 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, Elizabeth Dolan, Barbara Jackson, William J. Parsons, John A. Patterson, John G. Simpson, and James Rugh. Absent were: Kas R. DeCarvalho, John G. Laramée, and Anthony F. Miccolis, Jr. Also present were: Steven J. King, P.E., Managing Director; Kevin M. Barry, Finance Director; E. Jerome Batty, Secretary; and the Corporation's staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:04 p.m. by Chairman William J. Parsons.

2. APPROVAL OF MINUTES:

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

VOTED: To approve the Public and Executive Session minutes of the August 20, 2012 meeting, as presented.

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

Voting Against were: None

Abstaining were: John A. Patterson

Unanimously Approved.

3. STAFF REPORTS:

Mr. King reviewed the Staff Report with the Board:

TIGER Project

- TIGER projects are approximately 92% complete.**

- **Pier 2 Improvements – finalizing improvements but essentially complete.**
- **Pier 1 Improvements- final stages with the installation of six of the eighteen new fender units.**
- **Davisville Road Improvements and Tidal Drive Extensions – progress ongoing.**
- **Mobile harbor crane – operator training has been completed. On-board computer training is scheduled for later this month.**

EDA Project

- **Construction of Compass Circle roadway continues with the installation of the water, sanitary sewer and storm water drainage system completed to the new culvert that is located near the midway point of the new roadway.**

CMAQ Project – RI Fast Ferry Dock

- **Project involves the construction of new timber mooring piles, timber piers, landing platform, and timber dolphins and the procurement and installation of aluminum gangway. The project was advertised with bids due by October 2, 2012.**

Other Construction Projects

- **Jones Road – Minor punch list remains.**
- **NOAA Building – Security and teledata systems have been installed. Training scheduled.**
- **Maintenance Dredging – Great Lakes Dredge & Dock, LLC of Oak**

Brook, Illinois was the low bidder. Project includes maintenance dredging between Pier 1 and Pier 2 along within the Davisville Turning Basin and Allen Harbor. A preconstruction meeting is scheduled for September 19, 2012. Shellfish harvesting is in process.

- Pavement Management – Roadway preparation and crack patching is ongoing.**
- Pier 1 & 2 Bollard and Cleat Painting – Martone Service Company of Narragansett, RI was the low bidder. A preconstruction meeting was held on September 9, 2012 with the painting to begin at the end of September.**
- Terminal 4 & 5 Security Fencing – United Fence Company of Johnston, RI was the low bidder. A preconstruction meeting was held on September 12, 2012.**

Development

- Wide World of Indoor Sports – Grand opening event is scheduled for October 3rd at noon and the Board of Directors will be invited to attend.**
- Gateway - Home Goods scheduled to open on September 23, 2012.**
- Solar – Bella Energy and Narragansett Solar were unsuccessful in their most recent round of National Grid applications and will reapply during the next round of applications. Nexamp Solar will be constructing the largest rooftop solar array in New England on buildings 316 and 317 in West Davisville. Plans have been approved by the Corporation.**
- Bryant University – Online Economic Impact Study is under review.**

Operations

- **Storage Buildings – building construction is underway.**
- **Allen Madison House – sill replacement continues on the east side of the house; the north side is complete.**
- **Gottwald Crane – Maintenance staff and ILA members have completed training.**

Port Operations

- **Terminal Operator RFP – Rhode Island Port Services (RIPS) was selected to operate the terminal and handle containers on August 31, 2012. Three bids were received in total. QDC and RIPS are negotiating a letter of intent and a 3 year lease with two (2) 1 year options. Terminal must be equipped to begin operations on November 1, 2012. Tariff rates will be approved and published by Corporation for terminal and handling charges. RIPS will hire and manage terminal labor and staff gates for receiving and clearing cargo. The license will only cover container cargo, and all stevedores are permitted to hire crane for break-bulk and project cargo.**
- **Port activity continues to be brisk with 15 ships carrying 14,991 vehicles inbound in August 2012.**

Finance and Administration

- **Closing for the 7.5 million dollar bond for the dredging project was**

successful and the funds are now available to the Corporation.

4. COMMITTEE REPORTS:

The Audit Finance Committee met prior to adjournment of the Board of Director's meeting to discuss approval of agenda items 1 and 2. Their comments are indicated below.

5. APPROVALS:

A. Acceptance of the FY2012 Audited Financial Statements:

Mr. Barry, QDC Finance Director, introduced the auditors; Debbie Mitchell and Lindsey Albernaz from Braver PC and presented the FY2012 Audited Financial statements to the Board.

Mr. Barry reviewed the financial highlights, noting that the Corporation's actual revenues increased in 2012 by nine hundred and fifty two thousand dollars (\$952,000.00) compared to 2011 or approximately 10.5%, while expenses only increased one hundred and thirty thousand dollars or 2.3% in that same period.

Mr. Barry noted:

- 'Capital Contributions' significantly increased in 2012 as a result of the TIGER Grant funds and to a lesser extent EDA grants. The Corporation's bond fund balance also falls in this category.**

- **The Corporation's depreciation expense is expected to increase considerably over the next few years.**
- **The Corporation's total operating expenses remained relatively flat over 2011 and 2012.**

Mr. Barry advised the Board that the FY2012 financial statements had been presented to the Audit Finance Committee prior to the Board of Director's meeting. Ms. Jackson, Chairwoman of the Audit Finance Committee, advised that the Finance Committee recommends the FY2012 Audited Financial Statements be approved as presented subject to State Auditor General approval. Ms. Jackson noted that there was nothing negative in the statements and there were no substantial comments from the auditors.

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

VOTED: To accept the FY2012 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, Elizabeth Dolan, Barbara Jackson, John A. Patterson, John G. Simpson, and James Rugh.

Voting Against were: None

Unanimously Approved.

B. Approval of the FY2014 Operating Budget:

Mr. Barry reviewed the FY2014 Operating Budget and began by noting that the ‘total revenues’ column in the FY2014 and FY2013, when compared, are virtually flat. Mr. Barry highlighted some of the minor changes in revenue and expenses:

- Rental income has decreased slightly; building 7 tenants removed from rent roll and some tenants in West Davisville have moved out of the warehouses**
- Port income increased due to increased activity and the new rate structure under the Tariff**
- Water and Waste Water sales have increased; over the last twelve months revenue has increased but some of that increase can be attributed to the long summer and increased watering, etc.**
- Personnel costs increased 2.7%; increase includes the 10% increase for medical expenses (employee contribution increased as well)**
- Overall Operating expenses decreased**
- Capital Infrastructure Funding was broken out and a new separate category titled ‘Debt Service/Acquisition’ was created**
- Debt Service/Acquisition funding represents mainly the Port of Davisville dredging project funds.**

Mr. Barry briefly noted some changes in the operating expenses:

- Office supplies increased significantly due largely to new mailing machine, copy machine contracts, and paper/toner costs
- Liability and property insurance costs increased due to the addition of the new mobile harbor crane
- D & O insurance increased since the Corporation is no longer covered under the RIEDC policy and began a new policy with no history
- Training and Education decreased as the Corporation has no employees in college level courses.

Finally, Mr. Barry reviewed the Corporation's Capital Expenditure Plan including Capital Maintenance Projects, Planned Capital Projects, and Planned Cash Expenditures. Mr. Barry noted that the five projects under Capital Maintenance Projects come in just under five hundred thousand dollars (\$500,000.00). Planned Capital Projects include \$1.07 million dollars for Zarbo Avenue Bulkhead repairs. Repairs are dependent upon receiving an EDA grant. The EDA grant requires the ability to produce a 25% match to the funds. The remaining funds will be for Site Readiness of parcel 30 and demolition of building 7. Planned Cash Expenditures include the dredging debt service, the mortgage in West Davisville, the building lease of the former OSTI building, and the new office space to be discussed later in the public session.

Ms. Jackson advised the Board that the Audit Finance Committee also discussed the FY2014 budget and voted to recommend approval

to the Board of Directors. Ms. Jackson made mention of the importance that the budget is balanced with a surplus and requires no tax payer assistance.

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

VOTED: To accept the FY2014 Operating Budget as presented to the Board.

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

Voting Against were: None

Unanimously Approved.

C. Approval of a public/private partnership for the development of the initial phase of the Gateway Offices:

Mr. King advised the Board that the Corporation is interested in developing 8.9 acres of unimproved property on Romano Vineyard Way in the Gateway District. Mr. King explained there would be several phases to this project which at full build-out would consist of 13 buildings ranging from 3000 square feet to 9000 square feet. The

Corporation is seeking approval to begin phase I which would consist of constructing a 9000 square foot one-story office building. The concept for the building will be a “business center” wherein individuals can rent single offices or blocks of offices on a month to month basis. There will also be shared areas such as break rooms, conference rooms, and restrooms. This type of business center will appeal to start ups as well as companies that are downsizing. Mr. King noted the hope is to begin construction in October.

Mr. King introduced Robert Carr who will partner with the Corporation in this project. Mr. Carr will provide the capital, construct, market, and manage the first phase of the development.

Mr. King stated that under the agreement, Mr. Carr would enter into a ground lease with the Corporation for 10 years (with two 5 year options to extend) at the cost of \$1.00. The Corporation will rent the building from Mr. Carr and then sublease space within the building on a month to month or longer term to third parties. The base rent for the building would be equal to the construction costs with interest thereon at a rate to be determined, amortized over a period of 6 years, with equal monthly installments during the term of the lease. The Corporation will pay all the taxes, insurance and operating expenses for the Phase I premises and building. The Corporation will have the right to purchase the building at any time during the term. The purchase price will be \$1.00 or equal to the unpaid balance of rent discounted to present value as of the date of purchase.

The Corporation will enter into a developer agreement with Mr. Carr for the development of Phase I of this project and pay him one hundred and fifty thousand dollars (\$150,000.00) to oversee and manage the day to day construction. Mr. Carr will also obtain the financing to construct the project.

Mr. Simpson questioned the necessity of this building when vacant office space is available all over Rhode Island. Mr. King explained that the appeal of this building is that it will consist of small office space; noting that Quonset does not have any office space of this size to offer currently. The building will also offer a concierge service; a model very successful in Providence but not currently offered in this area. Mr. King stated that comparable business campuses in the area are all full and they do not offer business services.

Mr. Simpson expressed his concern and asked about the risks to the Corporation. Mr. King explained the financial risk was two hundred thousand dollars over the next six years and the Corporation would own the building after six years. Mr. King also explained that this parcel is only suitable for a small building of this type and could not accommodate a larger scale facility.

Mr. Rugh asked about the office space planned by New Boston over the Gateway Shops. Mr. King stated those suites are much larger at

around 10,000 square feet. Mr. Rugh and Mr. Simpson agreed that they would be more comfortable approving this project if a market study had been presented. Mr. Berson advised that he has spoken to Mr. Lavalley of CB Richard Ellis about this very concept on numerous occasions and affirmed that Mr. Lavalley stated to him that this concept is badly needed in the Quonset Business Park. He also noted that this project will help economic development in Rhode Island and while there is risk, it is not unreasonable. Ms. Jackson agreed and also noted that she receives calls daily from people inquiring about obtaining small office space in her dealings with the North Kingstown Chamber of Commerce.

Upon motion duly made by Ms. Jackson and seconded by Mr. Patterson, 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 Ground Lease, Sublease, Development Agreement, Construction Management Agreement, Property Management Agreement and other agreements related thereto with the Carr Group, or an affiliated entity for the lease of approximately 3.13 acres in the Gateway District of Quonset Business Park, substantially in accordance with the Request for Board Authorization presented to the Board (the Lease, Sublease, Development Agreement, Construction Management Agreement, Property

Management Agreement and related documents are referred to herein collectively as the “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 Agreements or 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, Elizabeth Dolan, Barbara Jackson, and John A. Patterson.

Voting Against were: John G. Simpson, and James Rugh.

Motion passed.

6. MOTION TO ADJOURN TO EXECUTIVE SESSION:

Upon motion duly made by Mr. Rugh and seconded by Ms. Dolan, the Board:

VOTED: To adjourn to Executive Session pursuant to 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: Robert H. Breslin, Jr., James Berson, Elizabeth Dolan, Barbara Jackson, John A. Patterson, John G. Simpson, and

James Rugh.

Voting Against were: None

Unanimously Approved.

The meeting adjourned to Executive Session at 6:09 p.m. The meeting reconvened in Public Session at 6:24 p.m.

Ms. Dolan left the Executive Session meeting at 6:23 p.m.

7. VOTE TO MAINTAIN MINUTES OF EXECUTIVE SESSION CLOSED:

Upon motion duly made by Mr. Berson and seconded by Mr. Rugh, 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, Jr., James Berson, Barbara Jackson, John A. Patterson, John G. Simpson, and James Rugh.

Voting against were: None.

Unanimously approved.

There being no further business to come before the Board, upon motion duly made by Ms. Jackson and seconded by Mr. Berson, the meeting was adjourned at 6:25 p.m.

Respectfully submitted:

By: _____

E. Jerome

Batty, Secretary