

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
THURSDAY, FEBRUARY 7, 2012
SPECIAL MEETING MINUTES

A special meeting of the Providence Economic Development Partnership, Inc. (PEDP) Loan Committee was held at the office of the Department of Planning and Development, 444 Westminster Street, Providence, Rhode Island, in the 1st Floor Conference Room on February 7, 2013. The Loan Committee meeting was called to order at 12:13 P.M, with Manny Barrows, Acting Chairman presiding. Roll call was conducted.

MEMBERS IN ATTENDANCE

Members of the Loan Committee in attendance included Manny Barrows, Renee Bailey, Doris Blanchard, Frank Benell, Alberto Guzman and Peter Scotti.

MEMBERS ABSENT

All members were in attendance.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included: Stuart MacDonald, Director of Fiscal Operations, Department of Planning and Development (DPD) and Assistant Director, PEDP; Kathy Cosentino; Gail McGowan; and Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance were Thomas Hoagland, PEDP contract underwriter; Lizzie Araujo, Archetype, LLC d/b/a Fete; Alisha Pina, Providence Journal; and Dan McGowan, WPRI.

MEETING MINUTES

The minutes of the July 19, 2012 PEDP Loan Committee meeting were submitted for review and approval. Upon a motion made by Peter Scotti and seconded by Frank Benell, it was voted to approve the minutes of the July 19, 2012 meeting. Motion passed by unanimous vote.

REPORT OF THE ASSISTANT DIRECTOR

The first topic of discussion was the review of the PEDP By-Law amendments approved by the PEDP Board of Directors. Stuart MacDonald deferred to Attorney John Garrahy to present this agenda item. Mr. Garrahy gave a brief overview of the three (3) changes contained in the amended by-laws, which are: 1) technical changes and correction of typographical errors were made as well as the purpose section was expanded to include the language from the PEDP Articles of Incorporation; 2) to incorporate and make clear that PEDP is subject to the public records and open meetings act and language from the law was added; and 3) Section 7, which relates to this committee, was changed. In the past, the Loan Committee would review loan requests and recommend approval. If no action was taken, the recommendation was automatically approved. The by-laws have now been changed and all committee actions will go to the board for approval due to the board members' fiduciary responsibility for those actions. In practice, Mr. Garrahy is not sure how it is going to work, but thinks that the board will still rely heavily on the committee. The committee's actions are now a recommendation to the board. In addition, staff approvals have been removed. Therefore, all loans will now be brought to this committee and the full board for approval.

Questions were raised and answered by Mr. Garrahy relative to executive session issues and whether the PEDP applications are public documents. The exceptions to enter into executive session are limited however income tax and personal financial information is an exception. The application can be reacted but PEDP cannot withhold documents in their entirety. It was requested that a notice to all Borrower be included in the PEDP application package. Kathy Cosentino noted that a notice, drafted by former PEDP legal counsel, was sent out to all current Borrowers as well as having been added to the application package. Mr. MacDonald added that staff will present and

recommend loan request to the Loan Committee and the committee will recommend to the Board of Directors.

The next topic of discussion was the HUD Audit findings. Mr. MacDonald stated that there are two parts that pertain to PEDP: 1) ineligible expenditures; and 2) thorough combing of the loan files. The committee will see today that there is much more focus on eligibility and National Objective. Secondary focus is on the underwriting. We are approximately sixty percent (60%) along with the file review, which will wrap up by the end of February.

If a loan is not eligible, we have to pay the loan funds back. We pay HUD back the money and it is added to our line of credit. We do not know the dollar amount yet. Approximately \$1.5 million was determined to be ineligible expenses paid with the CDBG funds, which is now down to \$470,000. These expenses can be reclassified as administrative expenses or if we can find the impact of the studies that were done, for which the funds were used, we may not have to pay the money back to HUD. Mr. Garrahy noted that HUD made a presentation regarding CDBG eligibility to the PEDP Board of Directors and that HUD is currently providing technical assistance to PEDP. Mr. MacDonald added that loans will not get to the committee unless they meet a National Objective and an eligible activity, which will be included in the loan presentation. A brief discussion followed with regard to whether technical assistance is provided to PEDP Borrowers. Mr. MacDonald added that technical assistance is provided to most Borrowers.

NEW BUSINESS

Prior to proceeding to New Business, Ms. Cosentino asked if the Chairman and legal counsel would allow the agenda items to be taken out of order due to the fact that Lizzie Araujo, a representative of Archetype, LLC d/b/a Fete, was present relative to the presentation of its request. It was agreed and Ms. Araujo was asked to provide a brief presentation to the committee. Manny Barrows first stated that Fete has two (2) requests before the committee: 1) the reallocation of the remaining loan funds, in the amount of \$48,405.62, from acquisition of equipment to additional working capital expenses; 2) the approval of a moratorium of principal and interest payments for a period acceptable to PEDP. Borrower's requests are dated October 16th and 18th, 2012, and have been pending a PEDP Loan Committee being convened. Borrower has now made its October 2012 through January 2013 payments. Ms. Cosentino asked Ms. Araujo to provide a brief overview of the business for the new members of the committee. Ms. Araujo stated that the business is a live music venue and employs approximately thirty (30) people, almost all of which are Providence residents. Ms. Araujo answered questions of the committee relative to the unfinished space at the project location as well as how business is going. Mr. MacDonald added that the business already purchased the equipment, which was acquired before the PEDP loan approval, which is not an eligible expense for the loan funds. Therefore, we are just substituting additional working capital for equipment. Ms. Araujo indicated that the remaining funds, if allocated, would be used for payroll expenses already incurred by Fete. Upon a motion made by Peter Scotti and seconded by Frank Benell and Renee Bailey, it was voted to approve the reallocation of the loan funds from acquisition of equipment to additional working capital, as presented. Motion passed by unanimous vote. A motion was made by Renee Bailey to approve the moratorium request. Ms. Cosentino indicated that a time period would have to first be determined for the moratorium request. The motion was then withdrawn. When questioned as to what time period she felt would assist the business at this time, Ms. Araujo indicated through June 2013. Ms. Cosentino questioned if the committee would consider a six (6) month moratorium, through July 2013. A second motion was then made by Renee Bailey and seconded by Peter Scotti to approve the request of Fete for a moratorium of principal and interest

payments, for the period of February 2013 through July 2013. Motion passed by unanimous vote. Ms. Araujo thanked the committee before leaving the meeting. Mr. Barrows asked that staff ensure that Ms. Araujo understands that the committee's recommendation is not an approval and that the request and recommendation will now need to be approved by the board of directors.

The first agenda item of New Business entertained by the Loan Committee was the loan modification (increase) request of Vincent Pisaturo, Pisaturo Real Estate, LLC, 280 Plainfield Street, Providence, Rhode Island, 02909, for additional loan funds in the amount of \$34,000.00. The underwriting for this agenda item was distributed at today's meeting. Mr. MacDonald presented this request. The Borrower has an existing loan in the amount of \$40,000.00. Mr. Barrows indicated that a five (5) year loan for \$34,000.00 purchase of gasoline exceeds its useful life. Upon a motion made by Peter Scotti and seconded by Renee Bailey, it was voted to deny the loan modification request of Pistaturo Real Estate, LLC, as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the loan request of Sara Quinn and Joseph Stracuzzi, Caledonian, Weybosset Mills, Magnolia Street, Providence, Rhode Island, 02909, in the amount of \$30,000.00. Mr. MacDonald stated that this loan was a start-up that was pledging real estate therefore we are able to fund it. The principals are pledging a personal residence and injecting personal capital. Questions were raised with regard to the total overall project and related funding sources. The committee expressed concern that not enough information was received with regard to this project and request. Upon a motion made by Peter Scotti and seconded by Alberto Guzman, it was voted to table the loan request of the Caledonian, subject to the submission of an appraisal, the full scope of the project and a copy of the lease. Motion passed by unanimous vote.

The next agenda item, the loan request of Thomas J. Lopatosky, Jr., Lopco, 67 Seymour Street, Providence, Rhode Island, 02905, was withdrawn from the agenda due to additional documentation in connection with this request pending.

The next agenda item entertained by the Loan Committee was the report of loans/grants approved by the PEDP Board of Directors. Mr. MacDonald presented the approval of a \$250,000.00 grant to WaterFire to acquire a building. This was an eligible expense under HUD. Mr. Garrahy added that there are conditions to the grant, which are that the business is to remain in the city for five (5) years and that the funding is secured by a mortgage on the real estate during that time period.

Mr. MacDonald proceeded to present the ratification of the IIP program by the Board of Directors. PEDP funds Betaspring, Cherrystone and Slater, in the amount of \$50,000.00. The \$1 million for this program has been exhausted. This (second) round of financing was funded with CDBG funds in the amount of \$650,000.00. The question was raised as to how the recipients are doing. Mr. MacDonald stated that the loans are convertible notes and the trigger is an extraordinary event at which time we get preferred stock at a twenty percent (20%) discount. We have had two (2) recipients convert and two (2) that did not make it.

OLD BUSINESS

The next agenda item entertained by the Loan Committee was two (2) requests from staff relative to the Dark Lady, Inc. and Alley Cat Corporation loans, 19 Snow Street, Providence, Rhode Island, 02903. Kathy Cosentino presented the requests. The first request was a collateral update from Ms. Cosentino. At the last committee meeting (July 2012), the committee had requested that Ms.

Cosentino pursue a future pledge of the Snow Street property that had recently been acquired by the principals. This request was a request only and was not a condition of the approval that was granted at that meeting. The future pledge requested would be upon the receipt of the financing for the third phase of the rehabilitation of the subject property. The senior lender, The Providence Revolving Fund, has since agreed to allow PEDP to take subordinate mortgages on the property for each loan, provided that PEDP agrees to subordinate to the final phase of financing from the Revolving Fund or another lender. PEDP will currently be junior to \$600,000.00, which will later be increased to \$1 million. Ms. Cosentino indicated that while the approval of this collateral position was previously approved, she would prefer to have an approval granted specifically approving the future PEDP subordination.

The second request in connection with the Alley Cat Corporation and Dark Lady, Inc. loans was the approval of staff's request to modify the respective loan documents to address the relocation of the Dark Lady to 19 Snow Street and the consolidation of the two corporate entities into the Alley Cat Corporation, which will be assuming the PEDP debt service of the Dark Lady loan. Ms. Cosentino indicated that this matter was discussed at the last committee meeting (July 2012) but a vote was not able to be taken due to the request not having been received in sufficient time to provide public notice of this matter. The billing accounts will need to remain separate due to having been funded from two (2) different loan funds and due to the loans having different loan terms. The Borrower has been making both loan payments since this matter was first discussed. Upon a motion made by Peter Scotti and seconded by Frank Benell, it was voted to approve the two (2) requests in connection with the Alley Cat Corporation and Dark Lady, Inc. loans, as requested by staff. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Mary O. Osinaga and Christopher Osinaga, Naga Food Products, 896 Atwells Avenue, Providence, Rhode Island, 02909, for the approval of 1) a payment plan for its past due payments; and 2) a reduction in its interest rate for the PEDP loan. Kathy Cosentino presented this request. A more specific request was requested by staff, which was received on the date of the meeting and distributed to the members. The two (2) correspondence from the Borrower request the following: 1) reduced monthly payments in the amount of \$250.00; 2) a fifty percent (50%) principal reduction; 3) a two percent (2%) rate reduction; and 4) forgiveness of the past due interest. The changes in the loan terms are being requested due to the current economy and due to a personal medical reason. The request is dated August 27, 2012 and has been pending a meeting of the loan committee being convened. After a brief discussion of the request, a motion was made by Alberto Guzman and seconded by Peter Scotti to approve the reduced monthly payment, in the amount of \$250.00 and for the late fees, in the amount of \$430.27 to be waived. Should twenty-four (24) on-time payments be received from the Borrower, the outstanding accrued interest, in the amount of \$2,753.47 will be forgiven. The requests for a principal reduction and interest rate reduction are to be denied. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Julie Zito, The Pastry Gourmet (Bake-Us, Inc.), 170 Royal Little Drive, Providence, Rhode Island, 02904, for approval by PEDP to allow the Borrower to continue to make its monthly payments. Kathy Cosentino presented the request. The loan matured in May 2012 and the Borrower does not have the ability to pay the loan in full at this time. At the current loan rate and monthly payment, the outstanding loan balance will be amortized over approximately sixty-two (62) months. This request is dated September 6, 2012 and has been pending a loan committee meeting being convened. Updated financials and tax

returns have been requested by staff, which are pending. Upon a motion made by Alberto Guzman and seconded by Doris Blanchard, it was voted to table the request of The Pastry Gourmet for the submission of financial statements. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Donna Mollo, North Shore Construction (Donna Mollo d/b/a), c/o The Capital Good Fund, 127 Dorrance Street, 5th Floor, Providence, Rhode Island, 02903, for the approval of an additional moratorium of principal and interest payments through September 2013 due to medical issues. Kathy Cosentino presented this request. The Borrower's previous moratorium was for a period of six (6) months and expired in March 2012. The current moratorium being requested would be for the period of March 2012 through August 2013. Ms. Cosentino indicated that she was in receipt of additional e-mails from the principal with specific medical information which was not included in the meeting packages today due to the principal having requested that staff maintain her personal medical information in confidence. The principal was willing to bring in her medical records to document her medical issues if necessary for PEDP's records, however expressed to staff her concern in doing so as she did not want those documents public records. Staff indicated that it was not necessary to submit medical records for its the PEDP loan file. The business is no longer operating but the principal anticipates being able to commence monthly loan payments in September 2013. The committee briefly discussed the alternatives to granting the additional extension, but agreed that it was in everyone's best interest to grant the additional time and bring this matter back before the committee for review at that time, if necessary. Upon a motion made by Peter Scotti and seconded by Alberto Guzman, it was voted to approve an additional principal and interest payment moratorium, for the period of March 2012 through September 2013, in connection with the loan to North Shore Construction. It was requested that a modification of the corporate guaranty to the modified loan amount of \$20,000.00 be pursued. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request from Tobey Waste and Recycling (Fusion Steel, LLC). Mr. MacDonald indicated that this request was being withdrawn from today's agenda.

The next agenda item entertained by the Loan Committee was the request of Gianfranco Marrocco, Villa and Caffè Dolce Vita, 57-63 DePasquale Avenue, Providence, Rhode Island, 02903, for the approval of the re-amortization of the outstanding arrearage, for the months of February 2012 through January 2013 and of the extension of the Borrower's loan term to allow for the missed monthly payments to continue to be made during the extended loan term. Kathy Cosentino presented this request. The Borrower has indicated that regular payments can re-commence in February 2013. Financials (4), tax returns (4) and appraisals (3) have been submitted. Ms. Cosentino indicated that this loan has been significantly paid down in addition to PEDP's collateral position being improved since the time of the loan closing. In addition to the recent refinance of the senior debt on the subject real estate, the principal has since repaid the senior debt on the Atwells Avenue property which is pledged as additional collateral to secure this loan. As such, PEDP is now in first position on the Atwells Avenue property. Borrower has indicated that it experienced difficulty in the past year primarily due to having opened three new small businesses, all in Providence, and due to the impact the economy has had on the start-up of those new businesses. Ms. Cosentino added that in general the Borrower has a good payment history. Although the Borrower misses some payments during its slow season, those payments are brought up to date during its busier months. After a brief discussion of the collateral pledged in connection with this loan, a motion was made by Frank Benell and seconded by Alberto Guzman and it was voted to

approve the request of Villa and Caffè Dolce Vita for the re-amortization of its outstanding arrearage for the months of February 2012 through January 2013. Peter Scotti recused from the discussion and vote in connection with this request and PEDP legal counsel requested that Mr. Scotti step away from the table during this period. Motion passed by vote.

The next agenda item entertained by the Loan Committee was the request of Frank Shea, Executive Director of Olneyville Housing Corporation (OHC), 66 Chaffee Street, Providence, Rhode Island, 02909, for approval of an extension of the commencement of the interest-only payments in connection with its revolving loan for the Paragon Mills Project from month 13 to month 25 (February 2013 to February 2014). Kathy Cosentino presented this request. The terms of this loan called for no payments for the initial twelve (12) months, with interest-only payments commencing thereafter, on February 1, 2013, for a period of twenty-four (24) months with a thirty (30) year amortization, at which time a balloon payment is due. Peter Scotti and Manny Barrows recused from the discussion and vote in connection with this agenda item. Manny Barrows appointed Renee Bailey as Acting Chairperson for this agenda item. Mr. Barrows and Mr. Scotti stepped away from the table during the discussion and voting on this matter. OHC has indicated that it is not yet in a position to close on the full project financing and is therefore requesting the above modification. Under the historic tax credit program, the project has until May 2013 to encumber ten percent (10%) of the qualified rehabilitation expense on the project and OHC is on target to meet this requirement. Upon a motion made by Alberto Guzman and seconded by Renee Bailey, it was voted to approve the request of Olneyville Housing Corporation for the extension of the commencement of its interest-only payments, as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the two (2) requests of Barry Feldman, Managing Partner, Eagle Square Commons (the New England Expedition-Providence I, LLP d/b/a), located at Atwells, Eagle and Valley Streets, Providence, Rhode Island, 02909. The requests are: 1) approval of the extension of the loan term, which matured on January 1, 2013, for an additional ten (10) year period, amortized on a twenty (20) year schedule, and of a rate reduction from six percent (6%) to four percent (4%); and 2) for discussion purposes only – a request for a substitution of collateral from the pledge of a portion of the principal's ownership position in his Colchester, Vermont property to a pledge of his ownership position in the Commercial Office Condominiums at Eagle Square – financial information is pending relative to this request. Stuart MacDonald presented this request.

Renee Bailey left the meeting at 1:53 P.M.

Mr. MacDonald indicated that the staff recommendation is for the approval of the re-amortization over one hundred twenty (120) months with a ten (10) year amortization as well as a one percent (1%) rate reduction to five percent (5%), which would not take effect until such time that the company makes six (6) on-time payments. Financials are pending. Upon a motion made by Alberto Guzman and seconded by Doris Blanchard, it was voted to table this request pending the submission of financials. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Michael Gennaro, Executive Director, Trinity Repertory Company, 201 Washington Street, Providence, Rhode Island, 02903, for the approval of a partial release of collateral, more specifically the pledge of the property located at 87 Empire Street, Providence, Rhode Island. Borrower states that the Washington Street property provides sufficient security for Trinity's remaining loan balance, as it was recently

appraised at \$5 million by Peter M. Scotti and Associates (5/2012). Stuart MacDonald deferred to John Garrahy relative to this request. Attorney Garrahy requested that Kathy Cosentino present this request. Ms. Cosentino provided a brief background and history for this loan, its previous approvals, and current status and loan terms. Peter Scotti questioned legal counsel as to whether he should recuse from this agenda item since he completed the appraisal on this property for Navigant. PEDP legal counsel indicated that he did not need to recuse for that reason. Upon a motion made Peter Scotti and seconded by Manny Barrows, it was voted to approve the request of Trinity Repertory Company for a partial release of collateral, as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Len Cabral, Ali Cabral, and Herman Snead, Partners, Bali Holdings, LLC, Providence Inner City Arts/Roots Cultural Center/Café, 276 Westminster Street, Providence, Rhode Island, 02903, for the approval of an additional (third) period of interest-only loan payments (principal moratorium) for an additional twelve (12) months and of a rate reduction. Staff recommendation is for the approval the additional moratorium (second plus initial 12 months) of principal payments for twelve (12) months and the reduction of the loan rate from three percent (3%) to two and one-half percent (2.5%) for the next twelve (12) month period. Stuart MacDonald presented this request. The Borrower has been making interest-only payments and is not in a position to make principal and interest payments. Whether the Borrower is current on its taxes was questioned. Mr. MacDonald indicated that a quarter is in dispute that assessed during the time period that the Borrower assumed the loan of the Providence Black Repertory Company. Upon a motion made by Peter Scotti and seconded by Alberto Guzman, it was voted to approve the additional period of interest-only payments for a period of twelve (12) months (February 2013 through January 2014). Interest rate is to remain unchanged. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Broad Street Revitalization (BSR) / Elmwood Foundation f/k/a Community Works Rhode Island (CWRI), 640 Broad Street and related properties, Providence, Rhode Island, 02907, for the approval of an additional (third) moratorium of principal and interest payments for an additional twelve (12) months for the period of October 2012 through September 2013, or until the commercial space is rented. Stuart MacDonald presented this request. Staff recommendation is for the approval of an additional twelve (12) month moratorium with the following provisions: 1) submission of quarterly marketing reports; 2) approval granted for twelve (12) months with quarterly reviews; and 3) notice provision upon rental of commercial space to be included in forbearance agreement (conditions of the previous approval). A request letter and financials are pending relative to this request. Mr. MacDonald indicated that the Borrower brought in financials but were asked to update them.

Thomas Hoagland left the meeting at 2:03 P.M.

Mr. MacDonald stated that this loan is to a not-for-profit for residential and commercial properties. PEDP recently released its mortgage deed and now has the pledge of a fifty (50) year leasehold mortgage as collateral for this loan. The lease is to CWRI from BSR. Mr. Garrahy added that it was felt that the change in collateral put PEDP in better, or remained in as good of, a position as before because we can now control the property. A discussion followed relative to the commercial spaces of the property, the terms of the leases in the area, and the market rate for the area. The question of whether PEDP should receive some type of payment should this request be granted. Upon a motion made by Peter Scotti and seconded by Alberto Guzman, it was voted to table this

request pending the submission of financials. PEDP staff is to suggest that Borrower also provide evidence that a professional has been hired to market the property. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Anthony and Mary Bucci, Andrea Valentini (AV Studio, LLC), 70 Kennedy Plaza, #6, Providence, Rhode Island, 02903, for the approval of PEDP to subordinate its mortgage on the personal residence of the principal's parents, Mr. & Mrs. Bucci, located at 1025 Major Potter Road, Warwick, Rhode Island, to the refinancing of the existing first mortgage. Kathy Cosentino presented this request. This transaction is strictly a refinance for a lower interest rate, with the exception of the amortization of the settlement charges. After a brief discussion relative to the collateral, a motion was made by Peter Scotti and seconded by Frank Benell and it was voted to approve the request of Anthony and Mary Bucci for PEDP to subordinate its collateral position on their personal residence to the refinancing of the existing first mortgage, as presented, which is pledged in connection with the PEDP loan to Andrea Valentini. Motion passed by unanimous vote.

OTHER BUSINESS

There being no other business, a motion was made by Frank Benell and seconded by Peter Scotti, and the meeting was adjourned at 2:16 P.M.

Approved: March 14, 2013