

**PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.**

**THURSDAY, MARCH 14, 2013**

**DRAFT MEETING MINUTES**

A 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 1<sup>st</sup> Floor Conference Room on March 14, 2013. The Loan Committee meeting was called to order at 12:13 P.M, with Stuart MacDonald presiding in the absence of the Acting Chairman. Roll call was conducted.

**MEMBERS IN ATTENDANCE**

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

**MEMBERS ABSENT**

Members not in attendance were Manny Barrows, Acting Chairman.

**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; Joseph Caffey, PEDP Board of Directors; and Vincent Pisaturo, 280, LLC (Pisaturo Real Estate, LLC).

In the Acting Chairman's absence, Mr. MacDonald called the meeting to order and asked for a motion to appoint a temporary chairperson for today's meeting. Upon a motion made by Frank Benell and seconded by Doris Blanchard, it was voted to appoint Gonzalo Cuervo as temporary chairperson for today's meeting. Motion passed by unanimous vote. Roll call of the members was conducted. The meeting proceeded with Gonzalo Cuervo presiding.

**MEETING MINUTES**

The minutes of the February 7, 2013 PEDP Special Loan Committee meeting were submitted for review and approval. Upon a motion made by Frank Benell and seconded by Renee Bailey, it was voted to approve the minutes of the February 7, 2013 special meeting. Motion passed by unanimous vote.

At 12:15 P.M., Peter Scotti arrived at the meeting.

**REPORT OF THE ASSISTANT DIRECTOR**

Mr. MacDonald began by stating that there was a lot of business at the last meeting, which was presented to the board for their assent. The committee had not had a meeting in six months, which is why there was a backlog. We anticipate meeting on a regular basis from now on and therefore will not have that type of agenda going forward.

PEDP Attorney John Garrahy spoke to the new process. The PEDP Board is required to approve the committee's recommendations, which raised some issues and concerns at the board regarding the level of review that the board will complete and the minutes of this meeting are not available due to being scheduled so quickly together. Therefore, the board questioned whether they have to re-invent what is already done here or can they rely on the loan committee and they expressed that they do not want to rubber stamp the committee's actions.

Joseph Caffey, Vice-Chairman of the PEDP Board of Directors was present at today's meeting and spoke to the press that PEDP has received lately, especially with regard to the recent write-offs.

The board is taking a lot of heat for decisions that were made. The board is not going to rubber stamp the committee's decisions, they are going to go through and discuss matters presented to them. The board is trying to keep a better handle and keep more communication open. Hopefully more Board of Directors members will sit in on the Loan Committee meetings from time to time. Mr. Caffey stated that the committee is doing a great job and to keep up the good work.

Mr. Garrahy requested that the members add to an motions a summary of why the committee is taking the action being taken in order to summarize the discussion for the board. A discussion followed regarding including the committee meeting minutes in the board packages. Staff indicated that the timing of the meetings does not allow for the minutes to be included as the packages for the board meeting are posted and distributed the morning following the committee meeting. Gonzalo Cuervo suggested that the Loan Committee meetings be re-scheduled to take place two (2) weeks prior to the board meetings. Upon a motion made by Frank Benell and seconded by Alberto Guzman, it was voted to amend the annual schedule of meetings to one (1) week earlier than currently scheduled so that there are two (2) weeks between the committee and board meetings. Motion passed by unanimous vote.

#### NEW BUSINESS

The first agenda item entertained by the Loan Committee under New Business was the review of loans for approval. The first loan request was the re-presentation of the request from Pisaturo Real Estate, LLC, Vincent Pisaturo, 280 Plainfield Street, Providence, Rhode Island, 02909, for additional loan funds in the amount of \$34,000.00, which would be an increase to the Borrower's existing loan in the amount of \$40,000.00. Stuart MacDonald presented the request. Mr. MacDonald stated the Manny Barrows had an issue at the last meeting regarding the useful life of the asset for this loan request. The request has been modified and the use of funds is now for working capital expenses. Mr. MacDonald added that the request is two-fold: 1) the new use of funds and 2) are we going to continue doing working capital loans.

Mr. Garrahy indicated that the committee cannot address the general proposition of working capital loans at this time because it was not on today's agenda. The committee expressed general support of providing working capital loans so long as there is sufficient collateral to secure them.

Mr. MacDonald proceeded to present the collateral for this loan and the current status of the business. Vincent Pisaturo was present to address the committee relative to this loan request and was asked to do so at this time. Mr. Pisaturo provided a brief presentation of his business background and the current status of the business, which has now been operating for 13 months. The business has hired eight (8) employees, four (4) of which are minorities and many of whom were on welfare and are no longer. He just opened the coffee shop, which has one (1) employee. The business is experiencing growing pains and would appreciate any assistance the committee could provide. Upon a motion made by Peter Scotti and seconded by Frank Benell, it was voted to recommend approval of the additional loan funds, in the amount of \$34,000.00. Existing security agreements and mortgages are to be amended to the new/modified (increased) loan amount (\$74,000.00). Approval recommendation is subject to an appraisal of the Borrower's Narragansett property being pledged (in part) as additional collateral. Appraiser is to be acceptable to PEDP, and is to be at a minimum value of \$400,000.00. Mr. MacDonald questioned if the appraisal would be acceptable if less than \$400,000.00 but in an amount that would meet a loan-to-value of eighty percent (80%). The committee expressed that an 80% loan-to-value appraised value would be acceptable. The recommendation to approve the loan increase was based upon the Borrower having

created eight (8) jobs to date, is expanding its business, has completed a development project in the area, an eighty percent (80%) loan-to-value provides sufficient collateral, and the project meets PEDP's eligibility guidelines. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the re-presentation of the loan request of The Caledonian, Sara Quinn and Joseph Stracuzzi, Weybosset Mills, 33 Magnolia Street, Providence, Rhode Island, 02909, in the amount of \$30,000.00. This loan request was originally presented at the February 2013 special meeting and tabled for additional information. Mr. MacDonald asked that staff present this loan request. An overview of the use of funds and the project costs were provided. Mr. MacDonald questioned whether an appraisal of the Narragansett property being pledged as collateral was needed. Mr. Scotti responded that there is no question that we will have a significant amount of equity in the property and therefore an appraisal is not needed. Mr. Scotti added that PEDP should have a rough guideline for the future for when an appraisal is needed. It was requested that this matter be placed on the agenda for the next meeting. Upon a motion made by Peter Scotti and seconded by Alberto Guzman, it was voted to recommend approval of the loan request of The Caledonian, in the amount of \$30,000.00, with the loan funds to be made available once an inspection of the Magnolia Street property, to be leased by the Borrower, is completed and is acceptable to PEDP to verify the completion of the rehabilitation of the subject property. Approval is recommended without an appraised value of the principal's personal residence in Narragansett, Rhode Island, due to the amount of available equity in the property; the assessed value and Zillow value were deemed acceptable for this property. Approval is recommended due to the project having sufficient loan-to-value to ensure that the loan will be paid back, the applicant will be creating jobs and is helping the redevelopment of the neighborhood. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the loan request of Lopco, Thomas J. Lopatosky, Jr., 67 Seymour Street, Providence, Rhode Island. Mr. MacDonald indicated that this matter was being withdrawn from today's agenda as the pending information in connection with this loan was just received by staff this morning. The loan request will be presented to the committee at the next meeting.

The next agenda item entertained by the Loan Committee was the loan request of DJM Wholesale, LLC d/b/a Proofed Artesian Breads, Daniel J. McCominsky, 25 Eagle Street, Providence, Rhode Island, 02908, in the amount of \$10,000.00. Mr. MacDonald presented this request. A brief description of the business, the use of the loan funds and the collateral being pledged to secure the loan were presented. We do not have a liquidation value appraisal for this request as it would be costly compared to the value of the loan. Upon a motion made by Frank Benell and seconded by Peter Scotti, it was voted to recommend approval of this loan based upon the documentation submitted and the fact that the applicant has relevant extensive experience in the industry, the product is part of a growing market segment and the loan application meets the eligibility criteria for job creation. Motion passed by unanimous vote.

Prior to discussing the next agenda item, Ms. Cosentino stated that Mr. Pisaturo did not want to interrupt the meeting however asked that she thank the committee for its support on his behalf.

The next agenda item entertained by the Loan Committee was the loan request of ALC, Inc. d/b/a Capital Club Spa, Cassandra Buchanan, 1 West Exchange Street, Providence, Rhode Island, 02903,

in the amount of \$150,000.00. Ms. Cosentino indicated that this matter was being withdrawn from today's agenda as it is not ready for presentation to the committee at this time.

### OLD BUSINESS

The next agenda item entertained by the Loan Committee was the re-submission of the request for approval of an extension of the loan term (loan matured) in connection with the loan to The Pastry Gourmet. Ms. Cosentino indicated that this agenda item was being withdrawn from today's agenda due to the submission of certain tax returns still pending from the Borrower.

The next agenda item entertained by the Loan Committee was the request of Dolphin Measurement Systems, Ellis Waldman, 303 Allens Avenue, Providence, Rhode Island, 02905, for the approval of a proposed change in loan terms whereby interest-only payments for a period of twelve (12) months, commencing on April 1, 2013 will be made. Borrower is also requesting an option for a second year of interest-only payments. Stuart MacDonald presented the request. Tax returns were received but not the current year. The Borrower's accountant said that we do not need the financial statements of the business because the business status is evident in the tax returns. The tax returns show that the business is not off the ground yet, which supports the request, but we do not have the current information. Mr. MacDonald indicated that we request tax returns and financial statements to evidence that the request is not frivolous and is warranted. A brief discussion followed with regard to obtaining sales figures, however it was realized that the company is still in the product development phase and therefore sales figures were not relevant. Upon a motion made by Alberto Guzman and seconded by Renee Bailey, it was voted to recommend approval of the request of Dolphin Measurement Systems, subject to the submission of in-house financials, acceptable to PEDP and periodic financial status updates to also be submitted to PEDP. Approval recommendation is based upon the collateral pledged remaining unchanged, PEDP being in a secure position, and the Borrower to be making the interest portion of its payment. Motion passed by unanimous vote.

### OTHER BUSINESS

Mr. MacDonald began to discuss a loan that he will be presenting at the next meeting. Mr. Garrahy indicated that a motion is needed to allow this matter to be discussed at this time as it is not on the agenda. Upon a motion made by Gonzalo Cuervo and seconded by Frank Benell, it was voted to discuss a new matter without any action relative to the loan request of Contract Specialties. Mr. MacDonald provided a background on the history of the business. The company is going through a dramatic change in business to sales being internet driven now. The loan funds will be used to acquire updated computer equipment so that the business can sell directly over the internet as opposed to through contractors, which are commission based reps. A brief description of the real estate collateral to be pledged was also discussed and whether appraisals would be needed. Mr. Scotti indicated that he thought that some type of appraisals would be necessary. Staff would be allowed to use discretion with regard to which properties to obtain appraisals on. Mr. MacDonald questioned if an appraised value of \$600,000.00 was received on two (2) appraised properties (of three (3) being pledged) for a \$300,000.00 loan request, whether that would be acceptable. Mr. Scotti responded in the affirmative. Mr. Scotti questioned who will hire and pay for the appraisals. Mr. MacDonald indicated that PEDP would control which appraiser was chosen to conduct the appraisals and that PEDP will be creating a list of acceptable appraisers, which would be used on a rotating basis. It was once again requested that the appraisal process be placed on the next meeting agenda.

Mr. Garrahy requested that the HUD correspondence regarding PEDP approvals also be included on the next meeting agenda. HUD has responded to the approval granted by the PEDP Board of Directors that all approvals granted by the board also be approved by HUD by stating that only loan approvals require HUD approval, however the PEDP should have a loan modification policy.

Upon a motion was made by Alberto Guzman and seconded by Frank Benell, the meeting was adjourned at 1:30 P.M.