

***PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.***  
***WEDNESDAY, MARCH 20, 2013***  
***MEETING MINUTES***

A meeting of the Providence Economic Development Partnership, Inc. (PEDP) Board of Directors was held at the office of the Department of Planning and Development, 444 Westminster Street, 1<sup>st</sup> Floor, Providence, Rhode Island, on March 20, 2013. The meeting was called to order at 12:12 PM, with Mayor Angel Taveras, Chairman, presiding. Roll call of the directors was conducted. Mayor Taveras asked that the record reflect that Jim Bennett, Stuart MacDonald, Gonzalo Cuervo, Kathy Cosentino and John Garrahy were also present.

**MEMBERS IN ATTENDANCE**

Members in attendance included Mayor Angel Taveras, Joseph Caffey, Daniel Baudouin, Adriana Dawson, Kas DeCarvalho Mark Feinstein, Gary Glassman, Juana Horton Councilwoman Sabina Matos, and Clay Rockefeller.

**MEMBERS ABSENT**

Members not in attendance were William DiStefano, Jr., Stephen Lane, Gerald Massa, Paul Mithun and Janet Raymond.

**STAFF MEMBERS IN ATTENDANCE**

Staff members in attendance included: James Bennett, Director of Economic Development and Executive Director, PEDP; 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 included Gonzalo Cuervo, Deputy Chief of Staff, City of Providence and Representative for Mayor Angel Taveras (PEDP); John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; David Ortiz, Press Secretary, City of Providence; Ann Gooding, Director of Communications, Department of Economic Development; David Klumpp, Crunchbutton; Thomas Hoagland, consultant to PEDP; and Dan McGowan, WPRI.

**MEETING MINUTES**

The minutes of the February 27, 2013 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by Joseph Caffey and seconded by Kas DeCarvalho, it was voted to approve the minutes of the February 27, 2013 Board of Directors meeting. Daniel Baudouin abstained from voting on this agenda item due to not having been present at the meeting. Motion passed by vote.

**REPORT OF THE CHAIRMAN**

Mayor Taveras would not be giving a report today due to having to leave the meeting to catch a flight and apologized for having to leave early. Mayor Taveras noted that the requests at previous meetings for reports will be followed up at future meetings and that the requests for those reports are not off his radar.

**REPORT OF THE EXECUTIVE DIRECTOR**

James Bennett indicated that he would defer his time due to the mayor's time being short.

**NEW BUSINESS**

Mayor Taveras deferred to Mark Feinstein, Committee Chair for the report on the IIP Ad Hoc Committee Recommendations. Mr. Feinstein began by stating that the Mayor had asked Clay Rockefeller, Gary Glassman and him to be on the IIP Ad Hoc Committee to review the six (6) companies still in the hopper. Three (3) companies are Betaspring applicants and three (3) are not.

The committee met yesterday and tried to do what is best to serve the city. The committee had several concerns. The committee did not know that its meeting would come under the open meeting laws until they arrived at the meeting yesterday, which changed the conversation they were going to have. All applications were from the October to November timeframe and therefore representatives from each of the companies were asked to come and provide the committee with an update. The committee did not see any numbers until at the committee meeting, which were just passed around at the meeting to be looked at because of the open meeting issue. The committee had a conversation regarding how to proceed in the best interest of the city. This board had approved a cap of \$1.65 million and we are currently at the cap. This represents approximately ten percent (10%) of the current portfolio, which is in a good range, but is on the high side. The committee felt that the process itself was not serving the goals well. In order to do right by doing the due diligence for these types of investments, we need to be able to look at the strength of management, viability of the concept, the outlook in the future, the potential market, and all sorts of things that the committee did not have the time nor the resources to do. The loan program has guarantees and other collateral that provides a comfort level for the funding. The committee did not feel it could make a decision at the ad hoc level and decided to bring the matter back to the board. Mr. Feinstein gave a brief overview of the Betaspring process. The committee had some comfort with those applicants due to the Betaspring process. Relative to the other three (3) (non-Betaspring) applicants, we do not have the ability to do the due diligence to make a decision as to whether it is a good investment. It was a very difficult decision for the committee to kick it back to the board. Mr. Feinstein asked Gary Glassman or Clay Rockefeller to add anything that he did not address.

Mr. Rockefeller stated that as far as a synopsis goes, Mr. Feinstein covered everything really clearly. Based upon the information that he had and the time that he had to review it, if it was his personal funds, he would not invest in these companies. Mayor Taveras asked for clarification for which companies he would not fund, to which he answered all six (6) based upon the information that he had and having no comfort in making the decision for the city. Mr. Glassman added that he felt the same as far as what the committee was grappling with and was willing to say for now let's pass on funding all of them. Mr. Glassman stated that there was some comfort with the Betaspring applications but we are at our cap and felt it was a good place to cut things off for now until the board gets a report from Betaspring regarding where we are at with our current investment with them. Mr. Glassman also added that he would keep that cap where it is, pass on funding all the applicants for now, and if we decide to continue to do the IIP investments once we see the numbers, we should suggest to Betaspring to include these three (3) pending applicants in its next graduating class.

Mayor Taveras questioned Mr. Bennett regarding the Betaspring applicants as to whether they were part of a graduating class and how they were not included in the funding for that class. What was their expectation regarding what we promised?

At 12:28 P.M. Dan McGowan arrived at the meeting.

Mr. Bennett responded by saying that the three (3) companies made it through the boot camp and our commitment was to fund them. We instituted the \$1.65 million cap before they got all of their paperwork in. The applications were delayed because of some snafu with paperwork. There is a question on our commitment. It is a good program but we are at our tolerance. We do have funds available if we want to change the cap. When he first saw this program, we could go outside of the program, which he was excited by because it is what he does. He thought that he could vet them himself but does not have the time nor does his staff. We made no commitment to the non-Betaspring

applicants.

Questions were raised regarding why just Betaspring, why no partnership with Social Ventures or SBA, and whether PEDP has a line of credit to support businesses. Mayor Taveras responded by saying that we should really say “incubator” instead of Betaspring because we do work with Betaspring, Slater and Cherrystone. We have funded one company from Slater but we do not receive as many applications for the others. Mayor Taveras thinks that a line of credit is something that we can do and we can discuss this as a board. Kas DeCarvalho expressed that a program like Betaspring is an excellent program to complete the vetting process and that we do not have the bandwidth here to do it, however concern was expressed regarding not recalling the board’s commitment to just Betaspring. There are other programs here that they can go through and it is more exciting to keep the program available to people outside of the incubators so long as we keep the process transparent. Mayor Taveras expressed that he is very concerned with the vetting of the applicants and likes the third-party vetting since it eliminates an argument regarding favoritism. Mayor Taveras would prefer if we agree to the third-party vetting of these companies. As Mr. Bennett mentioned, we do not have the capacity to vet the applications and Mayor Taveras is concerned with keeping that in-house. The question was raised of whether financial documents were not submitted. The financials for these companies were submitted in November but the committee could only review them at the meeting. Mr. Garrahy stated that there was no decision by the committee yesterday and that there was no consensus among the members. A brief discussion followed whether there was in fact a consensus among the members, which was that the committee members were not comfortable in making a recommendation. Mayor Taveras added that he thought the consensus from Mr. Rockefeller and Mr. Glassman was not to fund any of the six (6) applicants and did not hear either way from Mr. Feinstein. Mr. Rockefeller added the caveat that he would first have to hear whether or not there was a commitment to these companies before the commitment was later made to Betaspring, which changes the playing field.

At 12:40 P.M. David Ortiz arrived at the meeting.

Mayor Taveras requested that a search of the meeting minutes be conducted regarding the IIP commitment and asked that attorney John Garrahy check this issue to see if we have any legal issues. The question of the company that wanted to pay back its IIP loan was raised and Mayor Taveras responded that the company did give us preferred stock rather than repay its loan. The question was raised as to whether there is a commitment to the new Betaspring class, which was answered in the negative. Mayor Taveras requested that this be communicated in writing to Betaspring. The board requested to see evaluations of the ones that have been funded and likes the idea of seeing if the program worked. The question was raised regarding executive session and whether the committee could go into executive session to look at confidential documents. The committee did go into executive session in order to do the due diligence, however Mr. Feinstein indicated that more time was needed and that it was too difficult to do in executive session.

It was noted that the majority of the companies that go through Betaspring are from out of state and that it is a good thing that so many have agreed to stay here and that is why we went through the money so quickly. The question was raised as to whether there are other ways to incentivize companies to stay here and to nurture those companies.

Based upon what he has heard, Mayor Taveras stated that he is now not comfortable voting on this matter at this time, adding that: 1) we confirm what our commitment was; 2) to the extent that there

may be any additional information that would effect the ad hoc committee's view and that he does not want to back away from a commitment if we can show that there was a reasonable expectation that we would fund; and 3) the reason why we have committees is so that people who have expertise can come back and talk to us as a board and he is not comfortable disregarding the recommendations of the committee. Mayor Taveras stated that he cannot make the above motion because he is the chairman, under Robert's Rules of Order, and asked that the above motion be made. Councilwoman Sabina Matos stated that she feels that we put a lot of emphasis on new companies and that we need to also support those already here. Councilwoman Matos made the motion as Mayor Taveras stated. Mr. Feinstein added that he had one comment regarding asking for more information. Mr. Feinstein does not see what the companies could provide that would give comfort and that it is more the process and a skill set that we do not have. Mayor Taveras feels that there was a relative consensus from the ad hoc committee even though no vote was taken and would like 1) to clarify the agreement between us and the incubator; and 2) to see if there is any additional information, if any, that the Ad Hoc Committee thinks would be helpful to us. A discussion followed with regard to the board's role in the IIP review process and decision making. Mr. DeCarvalho expressed once again that he did not recall agreeing to rubber stamping the Betaspring applicants and would not vote for doing so. Mayor Taveras added that if we have a third-party validator and then review the applicants ourselves, it defeats the purpose of the third-party validator. Mayor Taveras apologized that he has to leave to catch a plane and legal counsel asked for a vote on the motion. Attorney Garrahy asked for clarification of the motion on the floor as it is not clear whether we are continuing the matter to the next meeting subject to the submission of additional information and whether we are continuing the entire agenda item. Daniel Baudouin expressed that they wanted to tell the non-Betaspring applicants that we would not be funding those companies. Legal counsel indicated that that was not the current motion on the floor. Councilwoman Matos indicated that her motion is to be inclusive of all six (6) applicants and not just to the three (3) Betaspring applicants. The motion was seconded by Joseph Caffey and passed by unanimous vote.

At 12:58 P.M. Mayor Taveras left the meeting. Joseph Caffey, Vice-Chairman, now presiding.

Mr. Feinstein added that the fact that we may choose not to invest in some of the companies should not be interpreted that we are saying that these are poor companies to invest in and that these applicants should be allowed to go through the Loan Committee or any other program that is available. Mr. Glassman requested clarification in relationship to the pot of money put into Betaspring as his recollection was that there was originally going to be ten (10) graduates, which meant \$100,000.00 for each company since they were dividing the \$1 million allocated to the program. Additional graduates were later added for which the pot was being divided and requested clarification as to what pot of money is for Betaspring when the clarification is provided regarding any commitment that has been made. Mr. Glassman also added that he was on the original IIP Sub-Committee and that committee, too, was uncomfortable vetting these applications or putting it on the staff.

Mr. Bennett stated that the IIP is a program that is blessed by HUD as set up. The question is what our commitment was and we have to clarify that, but this may be a moral obligation. We may need to call a special meeting so that the companies do not have to wait another month. Mr. MacDonald added that the cap was established at \$1.65 million and that two (2) of the companies were in the pipeline but the documentation was not complete yet. The other company came in after that but was part of that graduating class. The two in the pipeline just needed their certifications from the State of Rhode Island since they are Delaware corporations. Clarification of the IIP process was requested by Mr. DeCarvalho and the question was raised that if we have the authority to vet, how we can do that without the appearance of impropriety.

The next agenda item entertained by the Board of Directors was the HUD response relative to PEDP Board actions requiring HUD approval. Mr. MacDonald asked that Mr. Garrahy present this request. Mr. Garrahy stated that the requirement approved by the Board that all approvals be approved by HUD was deemed not necessary by HUD. It is only necessary for new loan approvals and therefore not for loan modifications. A motion made by Gonzalo Cuervo and seconded by Daniel Baudouin, to only require HUD approval for new loans. Questions were raised regarding whether this was per HUD's approval, whether this would be for forever, and if there should be a date or time period to the motion. It was suggested that the motion be modified to state that only new loans approvals will be submitted to HUD until such time deemed otherwise appropriate by HUD. Mr. Garrahy indicated that he thinks that it was the mayor's intention that this approval would be under the period involved that PEDP is under HUD supervision. The second to the motion was withdrawn. A motion was then made Kas DeCarvalho and seconded by Daniel Baudouin, that until deemed otherwise by the board, board votes on new monies being lent out are subject to approval by HUD. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the presentation and approval Loan Committee Recommendations from its March 2013 meeting. The Loan Committee Action Report was presented by Joseph Caffey. Mr. Caffey indicated that he sat in on the meeting to refresh himself on the process and feels confident that the requests are vetted in the appropriate manner. The committee made recommendations that he happens to agree with. The committee spent a lot of time on the requests or put the matter off until it could make an appropriate decision. The question was raised as to whether we should be in executive session to which legal counsel responded that executive session would only be required if the board had specific questions regarding financial conditions.

The first item of discussion was the review of recommendations for approval. The first recommendation for approval was of the re-presentation of the request of 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 will be an increase to the existing loan in the amount of \$40,000.00. Mr. Caffey presented a brief overview of the request and approval recommendation. The Borrower has been in business for a year and needs the additional funds to continue operating the business, which has been very successful. Upon a motion made by Kas DeCarvalho and seconded by Gonzalo Cuervo, it was voted to accept the recommendation of the Loan Committee and approve the request of Pisaturo Real Estate, LLC. Motion passed by unanimous vote.

The next recommendation for approval was of the re-presentation of the 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. Mr. Caffey presented this request and recommendation for approval, which is subject to the project and renovations being completed. Upon a motion made by Mark Feinstein and seconded by Kas DeCarvalho, it was voted to accept the recommendation of the Loan Committee and approve the request of the Caledonian. Motion passed by unanimous vote.

The next recommendation for approval 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. Caffey presented this request, a brief description of the business and the recommendation for approval. Upon a motion made by Adriana Dawson and seconded by Kas DeCarvalho, it was voted to accept the recommendation of the Loan Committee and approve the loan request of DJM Wholesale, LLC d/b/a Proofed Artesian Breads. Motion passed by unanimous vote.

A point of clarification was requested and it was questioned whether when the board is approving these matters, if it is approving the more specific recommendation on the Loan Committee Action Report. Legal counsel responded in the affirmative.

The next recommendation for approval was the request of Dolphin Measurement Systems for the approval of change in loan terms, whereby interest-only payments will be made for a period of twelve (12) months, with a twelve (12) month review. Upon a motion made by Kas DeCarvalho and seconded by Mark Feinstein and Juana Horton, it was voted to accept the recommendation of the Loan Committee and approve the request of Dolphin Measurement Systems. Motion passed by unanimous vote.

Mr. MacDonald indicated that the first three (3) approvals will need to go to HUD and the fourth does not.

The last three items are agenda items that were withdrawn from the agenda and no action was taken. No action was necessary in connection with these matters and the board will see these matters at a future meeting.

#### OTHER BUSINESS/PUBLIC COMMENT

The next agenda item entertained by the Board of Directors was Other Business/Public Comment. There being no Other Business or Public Comment, Vice-Chairman Caffey asked for a motion to adjourn.

Upon a motion made by Garry Glassman and seconded by Daniel Baudouin, the meeting was adjourned at 1:18 PM.

Mr. Caffey asked that the members to keep an eye on their e-mail in the event that a special meeting is scheduled.

Mr. DeCarvalho then requested a numbers report for the next meeting for where we are at from Stuart MacDonald.

Approved: April 17, 2013