

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

THURSDAY, SEPTEMBER 12, 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 1st Floor Conference Room on September 12, 2013. The Loan Committee meeting was called to order at 1:10 P.M., with Gonzalo Cuervo presiding. Roll call was conducted.

MEMBERS IN ATTENDANCE

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

MEMBERS ABSENT

Members not in attendance were Manny Barrows, Renee Bailey and Peter Scotti.

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 Dan McGowan, WPRI-12.

MEETING MINUTES

The minutes of the June 13, 2013 PEDP Loan Committee special meeting were submitted for review and approval. Upon a motion made by Frank Benell and seconded by Doris Blanchard, it was voted to approve the minutes of the June 13, 2013 special meeting. Motion passed by unanimous vote.

REPORT OF THE ASSISTANT DIRECTOR

Mr. MacDonald stated that at the last meeting he talked of the ineligible expenses in the amount of \$528,000.00. We are going to take the decrease in the CDBG allocation in order to pay the money back to HUD. The second phase of the HUD review is the loan portfolio review. We are close to having the funds released to lend again. We can make 108 loans. We cannot make RLF loans. We are about ninety to ninety-five percent (90-95%) close. HUD said that he could say that we are very close. He is going to meet with HUD next week to review the final issues. The question was raised as to whether HUD is going to have a review role going forward. Mr. MacDonald responded by saying that HUD does not want to, but he offered to continue having the loan approvals reviewed. HUD may do so for a short period after this review is complete. Eventually, if not right away, HUD will not have oversight or review of the new loans role.

Mr. MacDonald indicated that we passed the test of overall job creation. We have to highlight the National Objective and eligibility criteria in the loan underwriting. The guidelines have not changed, we have to be more meticulous in dotting i's and crossing t's.

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 request of Thomas J. Lopatosky, Jr., Lopco, 67 Seymour Street, Providence, Rhode Island, 02905. Mr. MacDonald requested that Arthur Speaks present this agenda item as he underwrote the loan. The loan request was higher, in the amount of \$350,000.00. We had to modify the loan amount. Mr. Speaks reviewed the loan terms, use of funds, and provided a brief history of the business. The loan funds will be used for the acquisition

of equipment and for working capital expenses. Mr. MacDonald indicated that the National Objective for this loan is job creation. The loan amount that we came up with is considerably less than the ask based on the collateral and the ability to repay. The loan amount is what we are comfortable with, but it will help the Borrower. We are not strapping him because we lowered the loan amount. A brief review of the percentages we use to underwrite the collateral values was provided.

PEDP legal counsel, John Garrahy, indicated that if trucks are being pledged as collateral, the approval should be specific because it is not a UCC that will be filed to secure those assets but a lien on the title to the vehicles. Upon a motion made by Frank Benell and seconded by Doris Blanchard, it was voted to approve a loan in the amount of \$48,000.00 to Lopco with the terms that were presented to the Loan Committee. The collateral that was presented to the committee is inclusive of unencumbered vehicles, which will require title liens in addition to the security interests being pledged. Motion passed by unanimous vote.

OLD BUSINESS / EXISTING LOAN REQUESTS

The next agenda item entertained by the Loan Committee was the request of staff in connection with the loan to Pisaturo Real Estate, LLC d/b/a Irving relative to its second loan, "Loan #2" (\$34,000.00 dated August 2013) for a change to the loan approval that was granted due to a typographical error in the loan write-up stating that PEDP's collateral position in the assets of the business would be a first position security interest. PEDP's collateral position is a third position security interest behind the senior lender and the original PEDP financing, which PEDP was aware of. Kathy Cosentino presented this request. The request of staff is for a technical change to the original loan approval due to the typographical error in order to reflect the correct collateral position. PEDP was aware of the senior lender's security interest at the time that the original PEDP financing (the first loan) was provided. Upon a motion made by Alberto Guzman and seconded by Frank Benell, it was voted to approve the technical change to the loan approval granted of the typographical error in the loan write-up to reflect the correct collateral position in connection with the second loan to Pistaturo Real Estate, LLC. Motion passed by unanimous vote. In addition, Ms. Cosentino reported to the committee that PEDP's collateral position on the commercial real estate has improved since the loan approval was granted as one of the senior lenders subordinated its mortgage position to PEDP's mortgage for this loan only (Loan #2 in the amount of \$34,000.00 dated August 2013), thereby advancing PEDP's position on the real estate from fourth (4th) position to second (2nd) position for the second loan only. As such, PEDP's overall collateral position for this loan has improved.

Then next agenda item entertained by the Loan Committee was the request Vincent Pisaturo of Pisaturo Real Estate, LLC d/b/a Irving relative to its first loan, "Loan #1" (\$40,000.00 dated July 2011), for the release of one of the principals as a personal guarantor. The written request for this matter is still pending. Mr. Garrahy presented this request. Mr. Garrahy closed the second loan to this Borrower. The brother of Mr. Pisaturo is a member of the LLC and he has since taken him off the LLC and has settled with him. Mr. Pistaturo requested that because the brother is no longer a member of the LLC that is the owner of the commercial property that he be released as a guarantor. Questions were raised as to the impact the release of this guarantor would have on the loan and its security as well as the guarantor's net worth. Upon a motion made by Alberto Guzman and seconded by Gonzalo Cuervo, it was voted to request that staff complete a review of the subject guarantor's status and the impact of his release on the loan and related security. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Donna Mollo d/b/a North Shore Construction, for an extension of its moratorium due to medical issues. Kathy Cosentino presented this request. The Borrower has indicated that the request is due to continued medical issues. The date of the first of several surgeries was pushed back and is now scheduled on October 17, 2013. The anticipated recovery process is at least six (6) months. Questions were raised relative to documentation being provided to evidence the Borrower's medical condition. The Borrower has offered to submit her medical records but expressed great concern over their release as public records once she does so. A discussion followed relative to the overall recovery time necessary for all of the surgeries the Borrower requires. Extending the moratorium for a period of one (1) year to cover the recovery time for all of the surgeries was suggested. The committee was not completely comfortable with granting a moratorium for longer than a six (6) month period at a time, with a review at that time. The Borrower's payment history was questioned and discussed. Ms. Cosentino indicated that a few payments were made by the Borrower through her loan proceeds; however the moratoriums that were granted began shortly after the loan payments commence. Gonzalo Cuervo requested that a motion be made to grant a six (6) month moratorium, with a review at that time of the principal's medical status. The motion was made by Alberto Guzman and seconded by Frank Benell. The motion passed by unanimous vote. Ms. Cosentino questioned whether she is to extend the current loan term upon entering the moratorium approval or keep the current loan term the same with a balloon payment due at the end of the loan term. Mr. MacDonald responded that we do not need to consider this matter at this time. Mr. Garrahy stated that the motion that was made keeps the maturity date of the loan the same and is therefore to remain unchanged.

OTHER BUSINESS

There being no other business, a motion to adjourn was made by Frank Benell and seconded by Alberto Guzman and Doris Blanchard, and the meeting was adjourned at 1:43 P.M.