

**PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.**  
**THURSDAY, NOVEMBER 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 November 14, 2013. The Loan Committee meeting was called to order at 12:21 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, Alberto Guzman, and Peter Scotti.

**MEMBERS ABSENT**

Members not in attendance were Manny Barrows and Renee Bailey.

**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**

There were no others in attendance.

**MEETING MINUTES**

The minutes of the September 12, 2013 PEDP Loan Committee 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 September 12, 2013 meeting. Motion passed by unanimous vote.

**REPORT OF THE ASSISTANT DIRECTOR**

Mr. MacDonald stated that his primary thing to report is that we will be lending shortly. Jim Bennett and he met with HUD yesterday and are expecting a letter soon that the funds are released. The loans that were approved recently have been held in abeyance because we didn't have approval yet. HUD will be reviewing the loans. The committee will be meeting regularly because we will be back in action. The CDBG funds were released on November 5, 2013 for the HOME, HOPWA & CDBG programs and the letter from HUD was delivered yesterday. Questions were raised and answered relative to the new Section 108 funds and the existing RLF funds. Mr. MacDonald stated that there is \$7 million available in new Section 108 funds and \$1.4 million available in the RLF funds. Once the 108 loans are paid back, the funds are deposited into a separate bank account from the loan funds remaining to be disbursed. A reserve has to be built up in the loan collection account – there is approximately \$58,000.00 in the account right now. We can petition HUD to release those funds eventually and they will then become revolving funds. We do not have a revolving 108 fund per se.

**NEW BUSINESS**

The first agenda item entertained by the Loan Committee under New Business was the review of loans for approval. PEDP legal counsel, John J. Garrahy, Esq., stated that he has had conversations with the RI Attorney General personnel regarding how to disseminate confidential documents under the open records law. It is their opinion that the documents remain confidential if only sent to the board members and staff that already has access to the documents. We hope that they will maintain in that manner. This is a little bit of uncharted territory. This is a public corporation but people have a right to maintain confidentiality even though applying for a public loan. It was questioned when to enter executive session, to which Mr. Garrahy replied that executive session should be

entered into if we are going to discuss personal and business confidential information. We could go into executive session to discuss all of the matters at once and then vote in open session. The section of the law under which we will be entering into executive session will be 42-46-5(a)(7) – matters regarding investment of public funds.

At 12:34 P.M., a motion to enter into executive session was made by Peter Scotti and seconded by Alberto Guzman and it was voted to enter into executive session in accordance with R.I.G.L. 42-46-5(a)(7). Motion passed unanimously by roll call vote. Open meeting resumed at 1:00 P.M.

Gonzalo Cuervo stated that he would entertain a motion to recommend approval of the loan request of M.H. Stallman Company, Inc., James Stallman, 292 Charles Street, Providence, Rhode Island, 02904, in the amount of \$500,000.00, due to the company creating fifteen (15) new jobs and the loan being well collateralized. The loan approval will be subject to the following conditions: verification that the guarantor's personal residence is in his name; staff making an effort to obtain a first position security interest on the assets being acquired; and the net proceeds of the sale of the East Providence real estate being required to pay down the first lender. If the principal's personal residence is co-owned, the approval is also subject to the limited guaranty of the spouse or co-owner. A motion was made by Peter Scotti and seconded by Frank Benell, and it was voted to recommend approval of the loan request of M.H. Stallman Company, Inc. Motion passed by unanimous vote.

Mr. Cuervo asked for a motion to recommend approval of a loan, in the amount of \$248,000.00 or eighty percent (80%) of the lower of the purchase price or the appraisal value (upon the recommendation of Mr. MacDonald), to Turner Street, LLC / Professional Ambulance, Joseph and Brenda Baginski, 22-26 Turner Street, Providence, Rhode Island, 02908. The motion was made by Peter Scotti and seconded by Frank Benell. Mr. Garrahy suggested that the motion be amended to include the loan approval being subject to the pledge of a first mortgage position on the property to be acquired be inclusive of an assignment of leases and rents as well the rent being set at a market rent in the event of a default. The amendment to the motion was made by Peter Scotti and seconded by Frank Benell. Motion passed by unanimous vote.

#### OLD BUSINESS / EXISTING LOAN REQUESTS

The next agenda item entertained by the Loan Committee was the request of Pisaturo Real Estate, LLC d/b/a Irving, Vincent and Joseph Pisaturo, 280 Plainfield Street, Providence, Rhode Island, 02909. "Loan #1" is in the amount of \$40,000.00 dated July 2011 and the request in connection with this loan is for the release of one of the principals as a personal guarantor.

The additional requests on the agenda of Pisaturo Real Estate, LLC d/b/a Irving relate to "Loan #2", in the amount of \$34,000.00 dated August 2013. The requests are as follows: 1) to further modify the original loan approval to accept PEDP being secured by a fourth (4<sup>th</sup>) position mortgage, junior to senior mortgages in the amount of \$269,000.00 in total, on the Borrower's personal residence in Narragansett, RI. The original loan write-up indicated a third (3<sup>rd</sup>) position mortgage, junior to senior mortgages in the amount of \$188,000; 2) to further modify the original loan approval to accept the subordination by Irving Bank of its existing second (2<sup>nd</sup>) position mortgage on the commercial real estate to PEDP's Loan #2 only with the mortgage amount remaining in the amount of up to \$515,000.00. The original loan approval and write-up was for PEDP to be junior to Irving's second position mortgage in an amount to be reduced to \$350,000.00 in order to meet HUD's underwriting guidelines; 3) to further modify the original loan approval to accept the appraisal submitted for the Narragansett property pledged as collateral, in the amount of \$365,000.00, as of May 22, 2013, completed by Gerald Roch, Roch Appraisal Company. Original

loan approval was subject to an appraisal in a minimum amount of \$400,000.00, or an amount that would meet a loan-to-value ratio of eighty percent (80%) and by an appraiser acceptable to PEDP; and 4) for approval for PEDP to subordinate its collateral position on the principal's personal residence to the refinancing of the existing second and third mortgages plus additional financing.

Mr. Garrahy gave a brief explanation of the nature of the requests. Mr. Garrahy added that the release of the guarantor is a policy question and the rest of the requests are really technical. Mr. MacDonald added except for the subordination request.

At 1:09 P.M., a motion to enter into executive session was made by Peter Scotti and seconded by Frank Benell and Alberto Guzman and it was voted to enter into executive session in accordance with R.I.G.L. 42-46-5(a)(7). Motion passed unanimously by roll call vote. Open meeting resumed at 1:25 P.M.

A motion was made by Peter Scotti and seconded by Alberto Guzman to deny the request of Pisaturo Real Estate, LLC d/b/a Irving for the release of the brother of the principal and to approve the request for PEDP to subordinate to the refinance of some of the senior debt as well as approve the other technical matters. Motion passed by unanimous vote. Mr. MacDonald apologized for this loan.

The next agenda item entertained by the Loan Committee was the request of Olneyville Housing Corporation, Jay O'Grady, in connection with the Paragon Mills complex project, 31-39 Manton Avenue, and 148 and 160 Delaine Street, Providence, Rhode Island, for approval and written consent by PEDP to incur additional indebtedness (pre-development) that will be junior to PEDP. Mr. MacDonald presents this request. Peter Scotti stated that he would recuse himself from the discussion and the vote in connection with this matter and stepped away from the table. Mr. MacDonald spoke of an extension request that this Borrower has discussed for this project. Ms. Cosentino indicated that the request before the committee today is a different request than that of the extension request. Ms. Cosentino gave an overview of the request before the committee for PEDP consent for the Borrower to incur additional debt, which requires prior written consent of PEDP under the Loan Agreement. The question was raised as to whether this project will complete during the interest-only payment period of this loan's term. Mr. Cuervo requested the proper language for the motion for this request from PEDP legal counsel. Mr. Garrahy stated that the motion would be to recommend PEDP consent to the additional financing, in the amount of \$400,000.00, from Local Initiatives Support Corporation (LISC), that will be subordinate to PEDP. The motion was made by Doris Blanchard and seconded by Alberto Guzman, and it was approved by roll call vote. Peter Scotti recused himself from the discussion and vote in connection with this agenda item.

The next agenda item entertained by the Loan Committee was the request of Providence En Espanol, Loan #1 and Loan #2, for approval of the restructure of both loans. Mr. MacDonald presented this request. Mr. MacDonald and Arthur Speaks met with this Borrower. Mr. MacDonald apologized that nothing got out to the committee in the packages for this request. The discussion was for the two (2) loans to be consolidated to a combined monthly payment of seven hundred dollars (\$700.00), amortized over ten (10) years with a balloon payment due in seven (7) years. The Borrower's delinquent loan status was discussed. Concern was expressed with regard to the viability of the business over a seven (7) year period – the new loan term. It was questioned why we wouldn't reduce the interest rate in the alternative. Mr. MacDonald responded that we can but that it does not send the right message since the loan is delinquent. It was then suggested that the interest rate would be

reduced by one percent (1%) only if the Borrower makes twelve (12) consecutive loan payments, with a floor of four percent (4%). Mr. Cuervo indicated that he would need to recuse himself from the vote in connection with this agenda item. Alberto Guzman chaired the meeting during the vote. Upon a motion made by Alberto Guzman and seconded by Peter Scotti, it was voted to recommend approval of the restructure request with the terms presented by Mr. MacDonald. The loan restructure is to include a reduction in the loan rate after twelve (12) consecutive loan payments are made by the Borrower, to a rate not lower than four percent (4%). Mr. MacDonald added that late charges have assessed on the loan accounts that he thinks should be forgiven. The recommendation was further amended by Alberto Guzman to include the late fees that have assessed on the accounts to be waived and Peter Scotti seconded the amendment. Motion passed by vote.

The next agenda item entertained by the Loan Committee was the requests of Tobey Waste and Recycling (Fusion Steel, LLC), Bryan Tobey, 150 Colfax Street, Providence, Rhode Island. The first agenda item for this loan was the reporting of a moratorium granted by the Executive Director for the twelve (12) month period of April 1, 2012 through and including March 1, 2013. Mr. MacDonald presented this agenda item and explained that this request was approved prior to the by-laws change. This agenda item was for reporting purposes only and no action was required.

The second request of Tobey Waste and Recycling was a request for an additional moratorium for the twelve (12) month period of April 1, 2013 through March 31, 2014. Mr. MacDonald presented this request and explained that the moratorium term would be retroactive. As of today, the account is delinquent and Mr. MacDonald is presenting this request to clean up this account. Mr. Cuervo indicated that this Borrower has been working through a plethora of zoning, DEM, licensing and other issues. Questions were raised relative to the type of business the company is, the status of the issues that they have been experiencing and the collateral that is pledged for this loan. Mr. MacDonald indicated that in fairness of full disclosure, the Borrower is not paying the state either. Upon a motion made by Alberto Guzman and seconded by Peter Scotti, it was voted to recommend approval of the request of Tobey Waste and Recycling for an additional payment moratorium for the period April 1, 2013 through March 31, 2014. Motion passed by unanimous vote.

#### OTHER BUSINESS

Attorney Garrahy stated that a request from Moveable Code, an IIP loan, came in too late for this agenda but that it will be placed on the agenda for the PEDP Board of Directors meeting next week. The convertible note for this loan has a term that expires in April 2014 due to the loan not yet having been paid back. The Borrower is requesting a two (2) year extension in order to get additional financing. The request came in one (1) minute too late in order for forty-eight (48) hours notice to be provided relative to this matter. Mr. Garrahy just wanted the committee to know that the request was too late for today's meeting but that it will be on the board's agenda. Mr. MacDonald indicated that we are going to have several of these due to the fact that it is just taking longer than anticipated for an event to take place to convert the PEDP Note. Mr. Garrahy added that all of the future requests will be presented to the committee first for recommendation to the board.

A motion to adjourn was then made by Peter Scotti and seconded by Frank Benell, and the meeting was adjourned at 1:51 P.M.