

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

WEDNESDAY, NOVEMBER 20, 2013

DRAFT 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, 1st Floor, Providence, Rhode Island, on November 20, 2013. The meeting was called to order at 12:37 PM, with Mayor Angel Taveras, presiding.

MEMBERS IN ATTENDANCE

Members in attendance included Mayor Angel Taveras, Daniel Baudouin, John Bentz, Adriana Dawson, Mark Feinstein, Gary Glassman, Juana Horton, Gerald Massa, Councilwoman Sabina Matos, Clay Rockefeller and William Tracey.

MEMBERS ABSENT

Members not in attendance were Joseph Caffey and Kas DeCarvalho.

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 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; Ann Gooding, Director of Communications, Department of Economic Development; Thomas Hoagland, PEDP consultant.

MEETING MINUTES

The minutes of the October 16, 2013 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by Mark Feinstein and seconded by Gerald Massa, it was voted to approve the minutes of the October 16, 2013 Board of Directors meeting. Motion passed by unanimous vote.

REPORT OF THE CHAIRMAN

Mayor Taveras stated that there is no report today. He did want to inform the board that this week there was a press conference regarding an EB-5 regional office opening in Providence. EB-5 is a special kind of visa that can be obtained by investing in the United States and creating jobs. The opening was announced with Senator Reed and Jim Bennett. Mayor Taveras asked that if any of the members wants more information on the EB-5 Visas to contact Stuart MacDonald.

Mayor Taveras welcomed the new board members – John (Jack) Bentz and William (Bill) Tracey. Both members introduced themselves, provided their professional backgrounds and thanked Mayor Taveras.

Mayor Taveras added that we are close to getting the green light from HUD from our supervision. More information will be provided at the next meeting. Mayor Taveras thanked the staff – Jim Bennett, Stuart MacDonald and all the staff that worked on this, which has been a process. Mayor Taveras also thanked the board and acknowledged that it has been a challenging time to serve.

REPORT OF THE EXECUTIVE DIRECTOR

Mayor Taveras stated that Jim Bennett was unavailable today and asked Mr. MacDonald if there was anything to add. Mr. MacDonald reiterated the mayor's comments regarding HUD and added that Mr. Bennett and he were in Boston to meet with HUD last week.

NEW BUSINESS

The first agenda item under New Business entertained by the Board of Directors was the request from MoveableCode, Inc., Nicholas Napp, for an extension of the maturity date of the IIP Note. PEDP legal counsel, John G. Garrahy, Esq., asked that Mr. MacDonald explain what the IIP is for the new members. Mr. MacDonald provided a brief overview of the program. Mr. MacDonald presented the request. The IIP loans have a two (2) year term during which they have to have their funding event, which converts our note. This will be the first of several extension requests. The Loan Committee recommended approval of this request. Attorney Garrahy corrected Mr. MacDonald as the committee did not see this request because PEDP did not receive in time for the committee to review the request. Mr. Garrahy added that this is financing that is being provided but is not a \$100,000 equity event that would convert our note. The maturity date for this loan is April 2014 and the Borrower is requesting a two (2) year extension. Questions were raised regarding the terms of the financing and the current number of employees employed by the company. Mr. Garrahy indicated that the answers to those questions could be obtained and relayed that the Borrower expressed urgency to this request. A motion was made by Mark Feinstein and seconded by Daniel Baudouin to approve the request of MoveableCode for a two (2) year extension of the maturity date for this loan. A brief discussion followed during which additional questions were raised. It was questioned whether the extension has to be granted for two (2) years as it will set a precedence for the other requests that may be submitted. It was also questioned whether the extension being granted also extends the length of time during which the company must remain in Providence. Mr. MacDonald stated that the original note calls for the business to remain in Providence for one (1) year. Mark Feinstein made a motion to amend his original motion to also extend the requirement for the company to remain in Providence by an additional twelve (12) months. Daniel Baudouin seconded the amendment to the original motion. An additional motion was then made by Mark Feinstein to further amend the amended motion to extend the requirement for the company to remain in Providence by an additional twenty-four (24) months. Daniel Baudouin seconded the motion amending the amendment to the motion. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the request of Vicmar Communications, Inc., Martha Melgar, for approval of PEDP to subordinate its mortgage position to the refinancing of senior debt. Mr. MacDonald presented the request. There is a first and second mortgage ahead of PEDP; the second [first] mortgagee has proceeded to foreclose on the property, which got stayed because the Borrower filed for bankruptcy. Mayor Taveras questioned whether that makes this request moot since any financing in bankruptcy is debtor-in-possession financing, which will have a superior position to us anyway based upon bankruptcy code. Mr. Garrahy indicated that he thinks it would be moot at this time. Mr. MacDonald stated that we did not have time to act – the request was made but we could not act because it had not been presented to the board.

At 1:53 P.M. Juana Horton arrived at the meeting.

Mayor Taveras questioned whether PEDP inability to act contributed to the bankruptcy filing of the Borrower due to not being able to refinance. Mr. Garrahy responded that the request to subordinate was received two (2) days prior to the foreclosure sale. So he would suggest that no, it did not but that the Mayor brings up a good point that we may want to address in the future regarding subordination requests that require responses faster than meetings are scheduled. Mr. Garrahy stated that he was just informed by staff that the entity that filed for bankruptcy is not the entity that owns the property. Mayor Taveras indicated that no action need be taken on this agenda item as it is moot in light of the bankruptcy filing. This agenda item was tabled.

LOAN COMMITTEE RECOMMENDATIONS

The recommendations of the Loan Committee from its November 2013 meeting were presented for review and approval. The review of the recommendations for approval were presented first. The first recommendation was for a loan, in the amount of \$500,000.00, to M.H. Stallman Company, Inc., James Stallman, 292 Charles Street, Providence, Rhode Island, 02904. Mr. MacDonald questioned what could be discussed in open meeting. Mr. Garrahy stated that executive session needs to be entered into if personal financial information is to be discussed; otherwise the matter can be discussed in open session. Mr. MacDonald proceeded to present the loan request. Mr. MacDonald indicated that this will be a 108 loan as it would cripple the RLF if were to be funded from that account due to the loan amount. Mr. MacDonald gave a background to the company and this project. The business will be creating 15-20 new jobs by adding a third shift. Mayor Taveras questioned whether the company is aware of the First Source Ordinance, adding that they should be able to hire from that list. Mr. MacDonald responded in the affirmative.

Mr. MacDonald addressed concerns of the board as well as those expressed at the Loan Committee relative to the jobs being net new jobs created and not transferred from the company's East Providence facility; it's debt load; the company being bankable; the status of the East Providence facility; job monitoring to occur and its process; and funds remaining in the loan fund (\$1.2 million). Mr. MacDonald stated that this loan went to HUD and that they always recommend that we use the RLF first since it is zero cost to us, but the amount of the loan is well suited to be a 108. Mayor Taveras questioned whether HUD has looked at this loan. Mr. MacDonald responded in the affirmative. Mayor Taveras questioned whether HUD approved this loan. Mr. MacDonald stated that HUD approval is concurrent with this board's approval. It was noted that there was not a personal financial statement in the confidential documents package and it was questioned whether the Loan Committee received it. Mr. MacDonald responded in the affirmative. The job creation regulations were questioned, which Mr. MacDonald briefly reviewed. It was suggested that the company sell the East Providence property and pay down its debt since this company is highly leveraged and that staff should encourage the company to get rid of this asset. It was noted that a requirement of the recommendation of the committee was that all of the net sale proceeds be required to paydown the first mortgage. Mayor Taveras requested a motion in connection with the committee's recommendation. Mr. Garrahy requested that if there was a motion that it would be to accept the recommendation and the conditions of the loan committee so that it is clear that the approval here incorporates the conditions that the Loan Committee put on it. A motion was then made by Mark Feinstein and seconded by Daniel Baudouin as expressed by PEDP legal counsel. Mayor Taveras requested that staff report back to the board on what the company has done to use the First Source list. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the loan request of Turner Street, LLC/Professional Ambulance, Joseph and Brenda Baginski, 22-26 Turner Street, Providence, Rhode Island, 02908, in the amount of \$248,000.00. Mr. MacDonald presents the recommendation of the Loan Committee. The owner of the building will be the LLC and the tenant of the building will be the ambulance company. The company has generated significant cash flow. Mr. MacDonald explained that the reason the principal is coming to us is due to the fact that there is a minority owner in the company and until that partner is bought out, a bank will not finance this company. Otherwise, it is a bankable loan. Mr. MacDonald questioned whether cash flow could be discussed in open session. Mr. Garrahy responded that we cannot discuss cash flow in open session. It was noted that when Universal Ambulance went out of business recently, some of those contract went to Professional Ambulance. It was questioned why the minority owner was an issue, to which Mr. MacDonald responded that he did not want to sign for additional debt. Mr. MacDonald has not decided if this loan will be a RLF loan or

a 108; he does not want to borrow the funds if this loan will be paid back in the short term. Mr. MacDonald stated that the company is creating jobs as a result of the loan. We are not requiring the Borrower to payoff this loan sooner; the loan term is ten (10) years. Several members suggested that the loan balloon in five (5) years then.

Mayor Taveras interjected that he thinks that we need to try to let the Loan Committee do this and make these decisions; otherwise, we are going to go through each of these loans over again and in effect be a super loan committee. We could certainly do that if the members want to but he wants to be careful and thinks that the most efficient way to do this is to have a robust loan committee. It was suggested that the members of the board do not have to become a member of the loan committee but that they can attend the committee meetings. Mayor Taveras requested that it be indicated in the committee report should any members of the board be present at the committee meeting. It was questioned whether the committee looks at the loan from the lens of our mission or from a financial standpoint. Mayor Taveras responded both and requested that Mr. MacDonald speak with Gerald Massa and Mark Feinstein so that we provide enough information to the board so that they are comfortable. What the applicant will need to service its new contracts and its ability to do so in light of Universal Ambulance ceasing operating was questioned. Thomas Hoagland responded that they will have no difficulty acquiring more ambulance equipment. Mayor Taveras added for the record that Tom Hoagland, PEDP contract underwriter, made the above comment. The number of jobs being created was questioned and Mr. MacDonald responded that a minimum of ten (10) jobs will be created. Upon a motion made by Daniel Baudouin and seconded by Sabina Matos, it was voted to approve the recommendation of the Loan Committee to approve a loan, in the amount of \$248,000.00, to Turner Street, LLC / Professional Ambulance. Motion passed by unanimous vote.

The next agenda items entertained by the Board of Directors were the requests in connection with the loans (Loan #1 and Loan #2) to Pisaturo Real Estate, LLC d/b/a Irving, 280 Plainfield Street, Providence, Rhode Island, 02909. Mayor Taveras requested that Mr. MacDonald present these matters. Mr. MacDonald stated that PEDP is in a better position because Irving Oil subordinated to PEDP. The additional mortgages outlined in the package are to our detriment but are mitigated by the Irving subordination. Attorney Garrahy added that there are really two (2) matters here and that the other matters are technical in nature. The two (2) requests are for the release of one of the guarantors which is before the board for a denial and for PEDP subordination on the principal's personal residence which is before the board for approval based upon the committee's recommendations. The Loan Committee took the position that this loan has required a lot of maintenance for a small loan.

The request for the release of one of the principals a personal guarantor relates to Loan #1, in the amount of \$40,000.00 dated July 2011. 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 (4th) 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 (3rd) 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 (2nd) 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.

A brief discussion followed. The same concern was expressed as was by the loan committee for the number of times this loan has been back before the board. The Borrower's payment history was questioned and Kathy Cosentino responded that the Borrower has had an excellent payment history on its first loan and the due to the timing of the closing and the Borrower's loan disbursements, payments have not yet commenced on the second loan. It was questioned whether the Borrower has obtained liability insurance and whether an environmental study was done. Mr. Garrahy responded in the affirmative relative to the liability insurance. Mr. MacDonald responded in the negative with respect to the environmental study. Mayor Taveras added that the motion on these matters will not include the recommendation for denial as that is a separate matter later on the agenda. Upon a motion made by Mark Feinstein and seconded by John Bentz, a motion was made to accept the recommendations of the Loan Committee, with conditions, relative to the requests in connection with Loan #2 to Pisaturo Real Estate, LLC d/b/a Irving. Motion passed by unanimous vote.

At 1:35 P.M. Mayor Taveras stated that he had to leave the meeting and that in the Vice-Chairman's absence, Juana Horton, PEDP Secretary, would preside over the meeting in his absence. Mayor Taveras requested that the record reflect that he did not vote on the rest of the agenda items.

The next agenda item entertained by the Board of Directors was the request of Olneyville Housing Corporation (OHC), 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 written consent by PEDP to incur additional indebtedness (pre-development) that will be junior to PEDP. Mr. MacDonald presents this request. The question was raised as to whether PEDP's collateral position is unchanged. Councilwoman Matos added that the funds are pre-development funds and that the money will only be used if they have a tenant. It was requested that this be made a condition of the PEDP consent. Clay Rockefeller questioned whether he should recuse himself from the vote in connection with this matter. Attorney Garrahy responded in the affirmative and stated that Mr. Rockefeller should step back from the discussion. Upon a motion by Mark Feinstein and seconded by Gerald Massa, it was voted to approve the recommendation of the Loan Committee to grant consent for the additional debt to be incurred by OHC from Local Initiatives Support Corporation (LISC) in the amount of \$400,000.00, with the condition that OHC cannot draw on the funds until they have a tenant. Attorney Garrahy suggested that the board make the consent to additional debt subject to only the LISC financing presented. Clay Rockefeller recused from the vote in connection with this agenda item. Motion passed by vote.

The next agenda item entertained by the Board of Directors was the request in connection with the two (2) loans to Providence En Espanol (Loan #1 and Loan #2), for approval of the restructure of both loans. Mr. MacDonald presented this request. Mr. MacDonald indicated that we are not going to consolidate the loans any longer but are going to modify each of the existing loans to modify its term and payment. Mr. MacDonald reviewed the status of both loan accounts and balances. The loans will be restructured to have a combined monthly payment of \$166.00 and \$485.00 per month, which will be under the \$700.00 presented. The term will be modified to a ten (10) year amortization with a seven (7) year balloon. The Loan Committee recommendation was to decrease the interest rate but only after twelve (12) consecutive payments are made and to a floor of four percent (4%). The current loan rates are ten percent (10%) and six percent (6%). Mr. MacDonald also asked the committee to forgive the

late charges, which they have recommended for approval. The Borrower's payment history and total number of loans was questioned. Ms. Cosentino provided a brief overview to the board. The Borrower has not had a good payment history and the payments reflected in the reports in today's package are a somewhat of a false payment history since part of the second loan repaid the arrearage on the first loan and also created a reserve from which monthly loan payments for both loans were made for a period of approximately five (5) months. It was questioned how many loans we have that are at ten percent (10%). Arthur Speaks explained that the interest rates for the Micro-Loan Program were calculated at prime plus four percent (4%). It was suggested that the loan restructure recommendation be modified to incorporate the interest rate increasing if the Borrower misses a payment but has to make six (6) payments in order for the rate to be lowered. Therefore, if the Borrower is current for the previous six (6) months, the lower rate will be applied in the month that is due.

At 1:49 P.M. Daniel Baudouin left the meeting.

It was then suggested that if a payment is missed, PEDP would call the notes to these loans. To this suggestion, it was responded that if we do not do this, we will not get repaid; therefore we have to help the Borrower. Upon a motion made by Mark Feinstein and seconded by Bill Tracey, it was voted to approve the restructure of the two (2) loans to Providence En Espanol, whereby a lower rate of four percent (4%) will be applied to the accounts if they are current for six (6) months, however if the accounts are in arrears for more than two (2) months, the loans will be called. If the Borrower misses one (1) payment, the loan rates will increase back to their original rates until such time that the accounts have been current for a period of six (6) months. The above terms are modifications to the recommendation of the Loan Committee. The loan term and monthly payment will be amended as recommended and presented. Motion passes by unanimous vote.

The next agenda item entertained by the Board of Directors was the requests in connection with Tobey Waste and Recycling (Fusion Steel, LLC), Bryan Tobey, 150 Colfax Street, Providence, Rhode Island. Mr. MacDonald presents the two (2) matters. The request is for a second twelve (12) month moratorium. The first twelve (12) month moratorium was granted by the executive director before the by-laws changed. Mr. MacDonald provided a brief background of the business and its loan. The company ran into multiple issues and weren't able to get up and running. The Borrower's payment history was questioned. Mr. MacDonald indicated that the Borrower paid no one. Ms. Cosentino stated that the Borrower made its first two (2) payments to PEDP and then the payment moratorium went into effect. Gonzalo Cuervo stated that this company has had a myriad of issues – licensing, zoning, environmental, etc. Upon a motion made by Gary Glassman and seconded by John Bentz, it was voted to approve the recommendation of the Loan Committee for an additional payment moratorium for the period April 1, 2013 through March 31, 2014 in connection with the loan to Tobey Waste and Recycling (Fusion Steel, LLC). Motion passed by unanimous vote. The question was then raised as to whether any action has been taken by RIEDC with respect to its loan to this company. Mr. MacDonald responded that that state wrote-off its loan to this Borrower.

The next agenda item entertained by the Board of Directors was the Review of Recommendations for Denial. The recommendation for denial was in connection with the first loan to Pisaturo Real Estate, LLC d/b/a Irving ("Loan #1) in the amount of \$40,000.00 dated July 2011, for the release of one of the principals as a personal guarantor. Upon a motion by Mark Feinstein and seconded by John Bentz, it was voted to accept the recommendation of the Loan Committee to deny this request. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the Agenda Items Withdrawn from the Agenda and/or No Action Taken. Cromwell Ventures was withdrawn from the Loan Committee agenda and therefore no action was taken. No action was required in connection with this agenda item.

OTHER BUSINESS/PUBLIC COMMENT

There was no other business or public comment.

Upon a motion made by John Bentz and Mark Feinstein, the meeting adjourned at 2:00 PM.