

***PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.***  
***WEDNESDAY, SEPTEMBER 17, 2014***  
***BOARD OF DIRECTORS 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 September 17, 2014. The meeting was called to order at 12:17 PM, with Gonzalo Cuervo, presiding. A roll call of the members and legal counsel was conducted. It was noted that a quorum was present.

**MEMBERS IN ATTENDANCE**

Members in attendance included Gonzalo Cuervo, John Bentz, Kas DeCarvalho, Mark Feinstein, Juana Horton, Gerald Massa, Councilwoman Sabina Matos, and William Tracey.

**MEMBERS ABSENT**

Members not in attendance were Mayor Angel Taveras, Joseph Caffey, Daniel Baudouin, Allyson Cote, Adriana Dawson, Gary Glassman, and James Salome.

**STAFF MEMBERS IN ATTENDANCE**

Staff members in attendance included: James Bennett, Director of Economic Development, City of Providence 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, Chief of Staff, City of Providence and Representative for Mayor Angel Taveras (PEDP), John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Paul Grimaldi, Providence Journal; Ann Gooding, Acting Deputy Director of Communications, City of Providence; Thomas Hoagland, PEDP contract underwriter; and Len Ranallo.

**MEETING MINUTES**

The minutes of the July 1, 2014 PEDP Board of Directors special meeting were submitted for review and approval. Upon a motion made by John Bentz and seconded by Juana Horton, it was voted to approve the minutes of the July 1, 2014 Board of Directors special meeting without any amendments. Motion passed by unanimous vote.

**REPORT OF THE CHAIRMAN**

In Mayor Taveras' absence today, Gonzalo Cuervo deferred to the Report of the Executive Director.

**REPORT OF THE EXECUTIVE DIRECTOR**

Jim Bennett stated that in the interest of time and due to the extensive agenda, he would forgo his report and turn the meeting over to Stuart MacDonald for presentation of New Business.

**NEW BUSINESS**

The first agenda item of New Business entertained by the Board of Directors was the presentation of the Borrower's response received from IP.21 Studio, LLC, Seth Goldenberg, relative to its covenant default. Mr. MacDonald deferred to attorney John Garrahy to present this matter. Attorney Garrahy began by stating that the board previously considered this matter in Executive Session with respect to a covenant default with respect to location. It was on in Executive Session because it relates to possibly putting the loan in default and then having litigation as a result. In the interest of not having to go into Executive Session, he does not believe that the nature of the matter warrants executive session today. So if it is the view of the board we can discuss this matter or vote to enter executive session. It was questioned of attorney Garrahy if the nature of the discussion requires, can the board go into executive session then, to which attorney Garrahy responded in the affirmative. Attorney Garrahy noted that the discussion would take place in executive session if it is a potential litigation matter, and this is a

potential litigation matter, but we will not be discussing potential litigation strategy or anything like that. Attorney Garrahy asked the Chairman if he may proceed, to which Gonzalo Cuervo responded in the affirmative. Attorney Garrahy began by stating that the board had a discussion last time regarding a potential default as a result of what we perceived to be move of the business from Providence to Jamestown. The Board voted to send a letter to the Borrower and request an explanation. The response letter is in today's meeting package. The Borrower has stated that he still owns and uses from time to time the Providence location and uses Jamestown as a second location. Attorney Garrahy stated that he would defer this matter until staff has had an opportunity to conduct a site visit to see if that is the case. Mr. MacDonald stated that the board can take a motion subject to a satisfactory site visit showing that they actually do have a business operating and remaining in Providence. Mr. Cuervo questioned legal counsel as to how this motion would be stated. Mr. Cuervo then stated that he would entertain a motion to defer action on this matter pending a staff site visit. Upon a motion made by Mark Feinstein and seconded by John Bentz, it was voted to table the consideration of the response received from IP.21 Studio, LLC pending a staff site visit. Motion passed by unanimous vote. It was questioned of Mr. MacDonald as to when the site visit would take place since eighty percent (80%) of the time they would not be there. Mr. MacDonald responded that staff will make an appointment for the site visit and that it will not be a surprise. It will be clear visually whether the Providence location is still being used to operate this business.

The next agenda item entertained by the Board of Directors was the request of Plainfield Auto Sales, Inc. for approval of a re-allocation of its loan funds. Mr. MacDonald presented the request. Plainfield Auto Sales is a loan that was approved by the board and is in the process of disbursing its loan funds. The Borrower has requested additional funds for working capital. Forty-five thousand dollars (\$45,000.00) was allocated for the acquisition of equipment in the loan approval and the Borrower is only going to need ten thousand dollars (\$10,000.00) for equipment. The request is to move thirty-five thousand dollars (\$35,000.00) into additional working capital. Mr. MacDonald indicated that we have done a collateral analysis and that the primary collateral is real estate. The overall loan-to-value ratio does change from seventy-nine percent (79%) to eighty-two percent (82%), since we do lose some collateral by the equipment no longer being purchased. It is a three percent (3%) difference in the overall loan-to-value. The primary collateral is the real estate, which does not change. It was questioned of Mr. MacDonald whether the three percent (3%) difference in collateral drops us below any particular threshold. Mr. MacDonald responded in the negative. It was questioned if it was a material enough difference relative to our collateralization. Mr. MacDonald responded in the negative, stating that he thinks we are adequately collateralized. Upon a motion made by Kas DeCarvalho and seconded by Mark Feinstein, it was voted to move thirty-five thousand dollars (\$35,000.00) to working capital from acquisition of equipment. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the request of Pioneer Shoppe, LLC, for the approval of a substitution of collateral. Mr. MacDonald presented the request. Mr. MacDonald stated that the loan has been approved by the Loan Committee, the Board of Directors and HUD. Part of the collateral for the loan was assets with an investment banker, which will not allow us to take a pledge of those assets. The asset is \$13,000.00 in mutual funds. The company's policy is that it does not do pledges of less than two hundred thousand dollars (\$200,000.00). We have the personal guaranty of the parents, which is substantial; therefore we do not need the \$13,000.00 pledge. We also have a second loan to Pioneer Shoppe [the first loan] and the parents will now guaranty the first loan also. The Borrower is paying its first loan and has a good payment history. Mr. Cuervo stated that he would entertain a motion to approve the substitution of collateral request. A motion was made by Mark Feinstein and seconded by John Bentz, and it was voted to approve the request for substitution of collateral of Pioneer Shoppe, LLC, as presented. Motion passed by unanimous vote.

### LOAN COMMITTEE RECOMMENDATIONS

The next agenda item entertained by the Board of Directors was the presentation of the recommendations from the Loan Committee from its August 2014 meeting. The recommendations for approval were first presented. The first recommendation for approval was the loan request of Garrison Café, Garrison Confections, Inc., Andrew Shotts, 648 West Fountain Street, Providence, Rhode Island, 02903, in the amount of \$232,000.00. Mr. Cuervo requested that Jim Bennett clarify the status of the PRA financing for this project. Mr. MacDonald responded that it is part of the overall presentation of the loan. Mr. MacDonald is going to ask the board to approve the loan subject to the PRA financing in the amount of \$100,000.00. Mr. MacDonald stated that the matter was tabled at the PRA meeting last Thursday, but that it was not denied. The Borrower needs \$100,000.00 from PRA; we can look at the loan and approve it subject to that financing. The PEDP financing is in the amount of \$232,000.00, the project costs are \$616,000.00, and the principal is injecting \$180,000.00. Mr. MacDonald told the principal of the PRA meeting and that he may need to look at other sources of financing. The Seller is financing the purchase of the property. The company expects to create quite a few jobs. The location is in an area where there is some activity. PEDP's overall collateral position is adequate. If approval is granted with the PRA funding, he will have to come up with the rest of the financing if it is not granted by PRA. Questions were raised relative to the guaranty of Garrison Confections, whether the applicant has contracts and the applicant's previous locations in Providence. It was also questioned whether there is any signal from PRA that its funding is going to be an issue. Mr. MacDonald stated that he was not there, but that they do want to fund economic development. PRA did not approve, but did not deny the loan request. Their board is waiting on policy on how it is going to make loans. Upon a motion made by John Bentz and seconded by Kas DeCarvalho, it was voted to approve the recommendation of the Loan Committee to approve the loan request of Garrison Café, Garrison Confections, Inc., in the amount of \$232,000.00, subject to PRA financing in the amount of \$100,000.00. Legal counsel recommended that the motion to approve also be subject to the conditions of the Loan Memorandum, which contains additional conditions. John Bentz accepted the additional subject to be added to his motion. Questions were raised regarding finances. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee was the loan request of Harry's Bar and burger on the Hill, Burger Domination, LLC, Laura Elkhay, 301 Atwells Avenue, Providence, Rhode Island, 02903, in the amount of \$165,000.00. Mr. Cuervo first questioned the relationship between Laura and John Elkhay. Mr. MacDonald responded that they are daughter and father. Mr. MacDonald added that he got right to the teeth of it. It was questioned why John Elkhay needed to come to us. The daughter is the applicant and John is the guarantor. It was questioned if the board is to assume that if John Elkhay went to get a bank loan that he would not get a loan. Mr. MacDonald responded that he may be able to get it. It was expressed that John Elkhay is a fifty-two percent (52%) owner. The PEDP loan is going to the majority owner, therefore he is the main owner/Borrower even though he may be doing this for his daughter. It was questioned whether this is the same business as the existing one and just a different location. Mr. MacDonald responded in the affirmative, but that there are different owners. It was expressed that it does not sound like a start-up; it is only a start-up because it is a different corporation. It was questioned whether there were any issues from the Loan Committee. Mr. MacDonald responded that the issue for the committee was why he needs financing. It was questioned whether they offered the liquor license as collateral. Mr. MacDonald responded that the license is a Class B license, that it has no value, but that we can make it a condition of the loan. It was questioned how the interest rate was determined, noting that this loan was underwritten at five percent (5%), while the first loan considered was underwritten at five and one-half percent (5.5%). Mr. MacDonald responded that it was underwritten on the strength of the guaranty.

It was questioned if the guarantor applied to a bank or to several. Mr. MacDonald responded that it was to a bank. PEDP's requirement of an applicant needing two (2) letters of rejection was questioned. Mr. MacDonald responded in the negative, they only need one (1). Mr. MacDonald further responded that they do not need any. The PEDP funds cannot take the place of bank financing and that is the easiest way to document that. It was expressed that this is a solid loan, which is not the concern. The concern is taking the money away from someone that needs it. Mr. MacDonald responded that we have plenty of money to lend. The cost of the funds is zero (0).

It was questioned if we have looked at the financial statements. Mr. MacDonald and Thomas Hoagland, PEDP contract underwriter, responded in the affirmative. We have personal financial statements and returns of all the principals. Mr. Elkhay's track record was questioned. Mr. Cuervo responded that his track record is that he is a very successful restaurateur, which is why we are questioning this loan. It was questioned whether anyone has asked him why he doing it this way. Mr. MacDonald responded in the affirmative, that when he and Jim met with him, it is because he wants to eventually turn it over to his kids. The lease terms were questioned. Mr. MacDonald responded that it is fifteen (15) years. It was questioned whether the building meets fire code. Mr. MacDonald responded that the fire inspectors have been in and that there are some things that he has to do. It was questioned why we cannot take this low hanging fruit, make some money and move on. It was questioned if the loan was approved by HUD. Mr. MacDonald responded in the affirmative. A motion was then made by Kas DeCarvalho and seconded by Gerald Massa and it was voted to approve the recommendation of the Loan Committee to approve the loan request of Harry's Bar and Burger on the Hill, Burger Domination, LLC, in the amount of \$165,000.00, as presented. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee was the loan request of Sajo Gourmet, Rojwan Sajo, 85 Richmond Street, Providence, Rhode Island, 02903, in the amount of \$35,000.00. A modified loan request, underwritten in the amount of \$35,000.00 was presented to the Loan Committee and recommended for approval (modified from the loan request of \$50,000.00). Mr. MacDonald presented the request. The applicant has an existing PEDP loan. This loan is for a different business, for Middle Eastern Food for sale to Whole Foods. The applicant has agreements, not contracts, which Mr. MacDonald looked at yesterday. The main piece of equipment that he bought is for packaging. It met Whole Foods standards and they have approved it. He is currently operating a pizza business that is starting to make money. He has closed Providence Cookie but is still making payments on his PEDP loan, so he is servicing the loan. There is adequate collateral. The appraisal was completed on an orderly liquidation value. It is a good Borrower. It was questioned if he will be operating out of the same building. Mr. MacDonald responded in the affirmative. It was questioned if he has incorporated as a separate entity. Mr. MacDonald responded in the affirmative. Upon a motion made by John Bentz and seconded by Mark Feinstein, it was voted to approve the recommendation of the Loan Committee to approve the loan request of Sajo Gourmet, Rojwan Sajo, in the amount of \$35,000.00, as presented. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee was the request of M.H. Stallman Company for a modification of the subordination approval that was granted at the June 2014 meeting due to a change in Lender. Attorney Garrahy presented the request. We are subordinate to the existing lender. An additional two hundred fifty thousand dollars (\$250,000.00) will be subordinated to. We approved the loan six (6) to eight (8) months ago. Mr. Cuervo gave a brief review of the loan. Mr. MacDonald stated that it was for the relocation of the business from East Providence to Providence near the Marriott. The amount of the PEDP loan was questioned, to which Mr. MacDonald responded it was in the amount of \$500,000.00. The new lender and line of credit amount was questioned and

answered. The new lender is Crestmark and the financing is in the amount of \$2.5 million. Attorney Garrahy stated that we have a purchase money security interest in the equipment purchased and that we are not subordinating on that interest. It was questioned if we know where the new lender Crestmark is located; there is no address on the commitment letter. Mr. Bennett questioned whether that was relevant. It was responded that it may just be a stationary situation. Crestmark was Googled and it was stated that it is located in Michigan. Mr. Cuervo questioned whether PEDP has done a site visit to the Providence location. Mr. MacDonald responded in the affirmative. Mr. Cuervo stated that he would entertain a motion to approve the request for the modification of the board's previous subordination approval that was granted. A motion was made by Councilwoman Sabina Matos and seconded by Juana Horton for the approval of the recommendation of the Loan Committee for the approval of the modification of the subordination approval that was granted by the board due to a change in lender as presented. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee was one (1) of the requests of Pisaturo Real Estate, LLC d/b/a Irving, relative to its first and second loans, for a moratorium on both loans due to business interruption as a result of the Magnolia Street Bridge Project. Mr. Cuervo noted that there were two (2) requests considered from this Borrower and that this is one (1) of the two (2). Mr. MacDonald presented the request. Mr. MacDonald provided a brief overview of the loans. One loan was in the amount of \$40,000.00 and has been paid down to \$23,000.00. The other loan was in the amount of \$44,000.00, and was paid down to \$30,000.00. The project rebuilt the ramp on Plainfield Street to Route 10 and was down for a long time. The number of cars at the gas station decreased from 30,000 to 12,000. The number is now up to about 24,000. The Borrower has asked for a moratorium. The committee recommended approval of a decrease in the loan payments back to July 1, 2014. Mr. Bennett added that he went to the site both times when traffic was shut down and there was no one at the station. He has been back since it re-opened and the bays are full. The amount of the payment reduction was questioned. Mr. MacDonald responded that the committee approved a fifty percent (50%) reduction, with full interest, for nine (9) months. Attorney Garrahy added that interest continues to accrue. A motion was made by John Bentz and seconded by Juana Horton and it was voted to approve the recommendation of the Loan Committee to approve a moratorium in connection with both loans to Pisaturo Real Estate, LLC d/b/a Irving in the form of reduced monthly payments as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the review of the recommendation from the Loan Committee for denial. The committee recommended for denial the second request of Pisaturo Real Estate, LLC d/b/a Irving for subordination on both loans to additional financing. Attorney Garrahy stated that the board still has to approve the recommendation for denial. A motion was made by \_\_\_\_\_ and seconded by \_\_\_\_\_ and it was voted to approve the recommendation of the Loan Committee to deny the request of Pisaturo Real Estate, LLC d/b/a Irving for subordination on both loans to additional financing. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the review of Loan Committee agenda items that no action was taken. The request from Citizens Bank relative to the Trinity Repertory Company loan for PEDP subordination was tabled pending advise from counsel regarding the priorities and validity of the loans on the property. No action was necessary in connection with this agenda item.

Upon a motion made by John Bentz and seconded by Gerald Massa, the meeting adjourned at 1:00 PM.