

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
WEDNESDAY, OCTOBER 15, 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, 1st Floor, Providence, Rhode Island, on October 15, 2014. The meeting was called to order at 12:30 PM, with Joseph Caffey, Vice-Chairman, 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, representative for Mayor Taveras, Joseph Caffey, John Bentz, Allyson Cote, Mark Feinstein, Juana Horton, Gerald Massa, and Councilwoman Sabina Matos.

MEMBERS ABSENT

Members not in attendance were Mayor Angel Taveras, Daniel Baudouin, Kas DeCarvalho, Adriana Dawson, Gary Glassman, James Salome and William Tracey.

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, Chief of Staff, City of Providence and Representative for Mayor Angel Taveras (PEDP), John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Patrick A. Rogers, Esq., Hinckley Allen & Snyder, LLP, PEDP special corporate counsel, Dan McGowan, WPRI, and Thomas Hoagland, PEDP contract underwriter.

MEETING MINUTES

The minutes of the September 17, 2014 PEDP Board of Directors 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 September 17, 2014 Board of Directors 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

In Jim Bennett's absence, Stuart MacDonald, Assistant Director, provided the report. There is loan activity, as the board can see from the agenda. There are three (3) loans being presented today. Mr. MacDonald also wanted to provide a report on IP.21 Studio, LLC. This matter is not on today's agenda but he will provide the report because no vote is needed. There was a question last time whether the business was still in Providence. Mr. MacDonald conducted a site visit. The address of the condo is actually 435 Wayland Avenue and not 433 Wayland Avenue as stated in the loan documents. There are two (2) people working there. He feels they do have an operation here and therefore are not technically in default and the Borrower is making payments.

NEW BUSINESS

Attorney Garrahy requested of the Chairman that this matter go at the end of the agenda.

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 September 2014 meeting. The recommendations for approval were first presented. The first recommendation for approval was the loan request of

Jamel, MEP, LLC d/b/a Ramaraya Cafeteria, Manuel Peguero, 1005-1007 Broad Street, Providence, Rhode Island, 02905, in the amount of \$150,000.00. The loan request is recommended for approval by the Loan Committee subject to no Entertainment License being obtained during the term of the loan and if one is applied for and granted, the PEDP loan comes due. Joseph Caffey introduced the agenda item and Stuart MacDonald presented the loan request. The recommendation for approval is subject to the business not becoming a nightclub and a loan restriction against an Entertainment License, which will be a default. The collateral is in the real estate. A brief discussion followed with regard to whether the applicant has been informed of this stipulation and whether he is comfortable with it. Staff indicated that the applicant was informed. Gonzalo Cuervo stated that Mr. Peguero has represented right along to PRA and PEDP that the business will not become a nightclub. Upon a motion made by Mark Feinstein and seconded by Juana Horton, it was voted to approve the recommendation of the Loan Committee for the approval of the loan to Jamel, MEP, LLC d/b/a Ramaraya Cafeteria, in the amount of \$150,000.00, subject to the Loan Committee's stipulations and with the terms set forth in the recommendation, which were that there not be Entertainment License for the business during the term of the loan and if one is applied for and granted, the PEDP loan comes due. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee considered by the Board of Directors was the loan request of 26 Turner Street, LLC, Joseph and Brenda Baginski, 26 Turner Street, Providence, Rhode Island, 02908, in the amount of \$120,000.00. The loan request is recommended for approval by the Loan Committee subject to legal counsel's recommendation that an Assignment of Leases and Rents should be added to the collateral for the loan. Staff is to confirm that the ambulances of Professional Ambulance are registered in Providence and that the business and drivers have the proper and up-to-date licenses. Mr. Caffey introduced the agenda item and Mr. MacDonald presented the loan request. Mr. MacDonald affirmed that the vehicles are all registered in Providence. It was questioned whether the company does BCI checks on its employees. Mr. MacDonald responded that the applicants' daughter said that they do. A brief discussion followed with regard to why the applicant is coming to us for financing. Mr. MacDonald responded that it was due to a dispute between the owners of the Ambulance Company that is ongoing. It was questioned if we should be concerned about the dispute. Mr. MacDonald responded that the Baginski's have a net worth to pay us off. It was questioned how much equity Mr. Baginski has, to which Thomas Hoagland responded sixty-three percent (63%). Upon a motion made by John Bentz and seconded by Juana Horton, it was voted to approve the recommendation of the Loan Committee for the approval of the loan to 26 Turner Street, LLC, in the amount of \$120,000.00, as presented. Motion passed by unanimous vote.

The next recommendation for approval by the Loan Committee considered by the Board of Directors was the loan request of Cromwell Ventures, LLC, Federico Manaigo and Antonio Manaigo, 55 Cromwell Street, Providence, Rhode Island, 02907, in the amount of \$550,000.00. The loan request is recommended for approval by the Loan Committee subject to: 1) HUD approval of the loan and the job creation requirements; and 2) all other financing being committed and the Borrower obtaining a construction loan. Mr. Caffey introduced this agenda item and Mr. MacDonald presented the loan request. The job creation requirements were questioned. Mr. MacDonald responded that the applicant is to create fifteen (15) jobs and has three (3) years to do so, however we like to have them get it done in two (2) years.

It was questioned how long PEDP would allow for the construction loan to be obtained, and it was expressed that it should not be longer than six (6) months. Mr. MacDonald responded that it would actually be longer. This is a \$10 million project and we are buying the equipment. The building has to be significantly complete and the project financing in place before we acquire the equipment.

Questions were raised regarding whether any other assistance is being provided by the city and why the board has to approve this loan now. Mr. MacDonald responded that it is being presented now due to being part of a financing package. It could be tabled but that he does not know what that will do to them obtaining the rest of the financing. Tax credits are also being applied for, in addition to the PRA funding. Questions were raised and answered with regard to how the PEDP funds will be held until the construction financing is obtained and whether this piece of the financing could be obtained elsewhere since it is a small part of a \$10 million project. It was noted that the project costs were reviewed and there is a 91.2% loan-to-value. It was questioned what PEDP would be approving today. Mr. MacDonald responded that the board will just be approving the commitment and the HUD approval. Mr. MacDonald stated that he told the Loan Committee that HUD would turn around its review of this loan before today's meeting, but that the committee meeting was Thursday and with the holiday on Monday, they could not. HUD is looking at it now, and our representative doubts very much that HUD will approve 91.2% funding. It was noted that nothing depreciates faster than restaurant equipment and that therefore we have the worst collateral position. It was also noted that in the applicant's proforma, in year 3 they are projecting to have one (1) employee. It was questioned if they are counting the people that use the equipment as new jobs. Mr. MacDonald responded they if they come in and are employed, then yes. Concern was expressed with regard to how HUD will count employees and this business being a one (1) employee company. Mr. Cuervo noted that when the loan request was looked at by the Loan Committee, it was recommended for approval subject to review by HUD and we do not have many answers at this time.

Mr. Caffey stated that he would entertain a motion to table the loan request of Cromwell Ventures, LLC, subject to HUD approval and a reasonable explanation of who the employees are and how they are being employed to the satisfaction of the committee. The motion was made by John Bentz and seconded by Allyson Cote, and it was voted to table the request of Cromwell Ventures, LLC, subject to the above stated conditions. Motion passed by unanimous vote. It was suggested that if the project is beneficial to the city to support, perhaps we could fund another piece of the project. Mr. MacDonald responded in the negative due to the building having been already purchased. It was noted that we also could not pay for construction costs due because of the Davis-Bacon Act requirements.

The next agenda item entertained by the Board of Directors was the review of the recommendation from the Loan Committee for denial. The first recommendation for denial was the loan request of Plaid & Stripe, Laurie Briglin, 17 South Angell Street, Providence, Rhode Island, 02906, in the amount of \$15,000.00. This loan was previously denied by staff. The Loan Committee recommended the approval of the actions of staff to deny the loan. Joseph Caffey introduced the agenda item and Stuart MacDonald presented the request. Mr. MacDonald stated that there is no provision in the by-laws to entertain loans denied by staff. The proposed Borrower asked that we do so. We brought the loan to the Loan Committee and the committee upheld the denial. The loan was denied because of the strict federal underwriting guidelines and the project does not meet the HUD requirements; inadequate demonstration of sufficient collateral to secure the loan; history of losses; lack of cash flow; and corporate debt. Attorney Garrahy stated that the motion in connection with this matter is to approve the recommendation of the Loan Committee to approve the action of staff. Upon a motion made by John Bentz and seconded by Juana Horton, it was voted to deny the loan request of Plaid & Stripe and to approve the recommendation of the Loan Committee to approve the action of staff to deny the loan. Motion passed by unanimous vote.

The next recommendation for denial by the Loan Committee was the request of Pisaturo Real Estate, LLC d/b/a Irving relative to its first and second loans. A moratorium consisting of reduced loan payments, in an amount equal to fifty percent (50%), was approved at the August 2014 meetings. The

Borrower's request is for a reduced interest rate during the moratorium/reduced payment period of July 2014 through March 2015. Joseph Caffey introduced the agenda item. Upon a motion made by Mark Feinstein and seconded by John Bentz, 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 a reduced interest rate during the moratorium/reduced payment period. The recommendation is for no change in the interest rate. The approval granted by the board is to remain unchanged. 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.

NEW BUSINESS

The agenda item of New Business entertained by the Board of Directors was to enter into Executive Session pursuant to RIGL Section 42-46-5(a)(2) to discuss the status of potential litigation regarding the subpoena from the U.S. Attorney regarding a transaction that took place prior to 2001 (under agenda item 8.b.).

Attorney Garrahy stated that if he may, he is not counsel on this matter, and will recuse himself. Attorney Patrick Rogers, PEDP special corporate counsel, is representing the board on this matter and is here. The board needs a motion to go into Executive Session. At 12:57 P.M., Attorney Garrahy left the meeting and a motion was made to enter into Executive Session pursuant to RIGL 42-46-5(a)(2) to discuss the matter set forth in Section 5 of the agenda. The motion was made by John Bentz and seconded by Gonzalo Cuervo. Motion passed by unanimous roll call vote.

At 1:23 P.M., public session of the meeting was reconvened. Roll call of the members and Patrick Rogers, PEDP special corporate counsel was conducted. Mr. Caffey requested that Attorney Rogers report on the action that was taken in Executive Session. Attorney Rogers stated that the board went into Executive Session pursuant to RIGL 42-46-5(a)(2) to discuss the status of potential litigation regarding the subpoena from the U.S. Attorney regarding a transaction that took place prior to 2011. The board met in Executive Session. The matter was discussed. A vote was taken regarding a request from prior legal counsel to the board seeking indemnification. The request was denied unanimously. There were two (2) abstentions and the appropriate Ethics Recusal Forms will be distributed to the abstaining parties so that they can be filed with the Ethics Commission. Attorney Rogers asked that the names of the abstaining parties be stated for the record. Kathy Cosentino stated that the two (2) abstentions were from Joseph Caffey and Mark Feinstein. Executive Session was then adjourned in accordance with the appropriate law and as reconvened here. Mr. Caffey thanked attorney Rogers.

Questions were asked of legal counsel as to why recusal forms would be completed if the member just abstained from the vote. The difference between an abstention and a recusal was also questioned. Attorney Rogers responded that he thought out of an abundance of caution that it might be in the interest of the abstaining parties to complete the form, but that he would leave it up to them as to whether they think it is appropriate in this instance to do so.

Attorney Rogers asked that when the board accepts the vote in open session that it also votes to seal the minutes of Executive Session per the agenda. A motion was made by John Bentz and seconded by Gonzalo Cuervo and it was voted to approve the action taken in Executive Session and to seal the minutes of Executive Session. Motion passed by unanimous vote. Attorney Rogers stated that concludes his report.

Upon a motion made by Gonzalo Cuervo and seconded by John Bentz, the meeting adjourned at 1:26 PM.

Approved: November 19, 2014