

**PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.**  
**WEDNESDAY, MARCH 18, 2015**  
**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 March 18, 2015. The meeting was called to order at 12:13 PM, with Brett Smiley, designee of Mayor Elorza and PEDP Chairman, presiding. A roll call of the members was conducted. PEDP legal counsel noted that a quorum was present.

**MEMBERS IN ATTENDANCE**

Members in attendance included Brett Smiley, Chief Operating Officer, City of Providence, and designee of Mayor Jorge Elorza and PEDP Chairman, Joseph Caffey, Sussy DeLeon, Stephen DelSesto, Juana Horton, John (Jack) Bentz, Adriana Dawson, Mark Feinstein, Gary Glassman, Councilwoman Sabina Matos .

**MEMBERS ABSENT**

Members not in attendance were Daniel Baudouin, Allyson Cote, and Kas DeCarvalho and William Tracey.

**STAFF MEMBERS IN ATTENDANCE**

Staff members in attendance included: Kathy Cosentino, Gail McGowan and Arthur Speaks.

**OTHERS IN ATTENDANCE**

Others in attendance included John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Stuart MacDonald, consultant, City of Providence Department of Planning and Development; Thomas Hoagland, PEDP contract underwriter; and Gianfranco Marrocco, GfM Realty, LLC.

**MEETING MINUTES**

The minutes of the February 18, 2015 PEDP Board of Directors meeting were submitted for review and approval. A motion made by Joseph Caffey and seconded by John Bentz to approve the minutes of the February 18, 2015 Board of Directors meeting. Councilwoman Sabina Matos stated that she would like to clarify her comment on page #3, which should read that she has several businesses in similar situations. Motion passed by unanimous vote, as amended.

**REPORT OF THE CHAIRMAN**

Mr. Smiley stated that a date and time has been established for the PEDP retreat, which is to take place on Saturday, March 28, 2015, from 11:00 a.m. to 1:00 p.m. The retreat is for determining the appropriate role and future of this board and to solicit guidance and advice from this board not just as a loan making body but as counselors to set economic development policy for the city. We have scheduled the meeting as a result of feedback that Mayor Elorza and he received to have that discussion. The meeting will take place here and Mayor Elorza will be in attendance. We hope everyone can make it, even if you can only make it for a portion of the meeting. We encourage all to attend. We have also scheduled it so that it will be a joint meeting of the PEDP Board of Directors and the PEDP Loan Committee so that those that serve on the committee can also participate in the same conversation. We are excited to have time to do it. Now is our chance to have a good conversation about rebooting and making better use of everyone's time and better use of the resources available through PEDP.

**REPORT OF THE EXECUTIVE DIRECTOR**

Mr. Smiley stated that there was no report of the Executive Director today. The city is still in the process of recruiting and hiring a new Executive Director.

Before moving on to New Business, Mr. Smiley acknowledged that there is a Borrower in the audience and that Gian Marrocco is in attendance. We appreciate him being here as we consider this matter here

today.

### NEW BUSINESS

The first item under New Business/Existing Loan Requests was the authorization and ratification of Thomas Hoagland as Acting Assistant Director of PEDP to sign all loan documents on behalf of PEDP until an Executive Director is named. Upon a motion made by Joseph Caffey and seconded by Mark Feinstein, it was voted to approve the authorization and ratification of Thomas Hoagland as Acting Assistant Director of PEDP. 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 March 2015 meeting. The recommendations for approval were presented. The first recommendation for approval was the request from staff to approve the extension of the balance of the IIP loans whose terms are to mature during 2015 (through May 2015) to an extension date of December 31, 2015, consistent with the maturity date of the loans recently extended by the Board of Directors (February 2015) in order for all IIP loans to have the same maturity date. The extension approval would be contingent upon the Borrower's compliance with PEDP's requests for information.

Mr. Smiley stated that at the last meeting the board gave an extension to IIP loans that had matured. The board requested that we get an update of additional information regarding how those companies are doing. That information was e-mailed to the directors and extra copies are available at today's meeting. Mr. Smiley asked Mr. Hoagland to update the board and provide information regarding what is coming after this. Mr. Hoagland stated that at the last meeting, the board approved the extension of those loans that matured prior to the last meeting to December 31, 2015. We have another group of ten (10) to twelve (12) loans that are coming due in March 2015-May 2015. We are requesting that those also be extended to December 31, 2015. At that time we will have all the active loans on the same maturity date. It will be easier to deal with them on that basis. We have been in the process of getting updates from the actual Borrowers as to how they are doing. We received four (4) of the six (6) that have matured and have already been extended and we will get similar reports from the others in the next month hopefully, as well as on those that have converted. When we have all of those together, we will have a report in the future. It was expressed that to incentivize the companies to submit the reports, that we make the extension contingent upon the submission of the reporting. Mr. Hoagland responded that was an excellent idea.

Questions were raised regarding the nature of the reporting and what would be best for us to understand how they are doing. Mr. Hoagland responded that he is certainly open to suggestions. We have just asked for a one-page report on what and how they are doing. Mr. Hoagland noted that there is no provision in the loan documents regarding requiring them to give us financial reports or any financial reporting. We can certainly request them. In the case of those that have converted, we are entitled to it as shareholders. A discussion followed with regard to what PEDP should ask for and whether to make it a condition of the extension. It was expressed that some sort of financial statements should be requested as well as the one-page report on where they are on their development and how they are doing. It was added that tax returns should be requested also.

A brief discussion followed regarding the companies that have wound-down and how much those loans represent as well as regarding Betaspring's current role with these companies. Mr. Hoagland responded that Betaspring was invited to the meeting but indicated that it would not be available. Mr. Smiley stated that the new administration will have a conversation with Betaspring to see what type of participation they would like to have. It was noted that they are still involved as investors in the

companies. As key investors, they are getting reports on the companies. Attorney Garrahy stated that he needs to make a point based upon the discussion. There is discussion regarding requiring some type of financial statements if PEDP is going to extend the maturity. There has to be an objective standard as to whether we are going to extend it or not. He would suggest that they submit whatever they can provide at the discretion of the staff. Upon a motion made by Mark Feinstein and seconded by John Bentz, it was voted to approve the extension contingent upon a narrative description of the state of the firm and the submission of the best financial statements they can provide at the discretion of the Acting Assistant Director. Questions regarding the terms of the IIP loans were questioned. Mr. Smiley provided a brief background to IIP loan program for the new members of the board. Motion passed by unanimous vote.

The next recommendations for approval were the requests of GfM Realty, LLC d/b/a villa Dolce Vita. Mr. Smiley noted that the Borrower is in attendance. Mr. Smiley introduced the agenda item and Mr. Hoagland presented the requests and recommendations. The Borrower's requests were for the PEDP to extend the loan term by an additional thirty-six (36) months, re-amortize the arrearage and interest and to waive the late fees; for PEDP to subordinate its collateral position on the properties located at 134 and 139 Atwells Avenue, Providence, Rhode Island, to a line of credit being provided by Rockland Trust in the amount of \$250,000.00; and for PEDP to subordinate its collateral position on the properties located at 57, 59 and 63 DePasquale Avenue, Providence, Rhode Island, to additional financing (refinancing the existing first mortgage and increasing the current balance) being provided by Rockland Trust in the amount of \$150,000.00.

Mr. Hoagland began by stating that the requests are to defer the past due principal and waive late fees and to subordinate our interest in the collateral are outlined in the Loan Memorandum and provided a brief overview of those requests. Rockland Trust will be advancing an additional \$400,000.00. PEDP is not being asked to advance any additional funds. In consideration for a very strong collateral position, the Loan Committee agreed to the subordinations. The advance on the Atwells Avenue properties is in the amount of \$250,000.00 and the appraisal value of those properties is approximately \$1.7 million. The advance on the DePasquale Avenue properties is in the amount of \$150,000.00 and the appraisal value on those properties is \$1.8 million. PEDP's Loan-to-Value (LTV) is currently approximately 37.5%. With the additional funds, PEDP's LTV will still be less than 50%. PEDP will continue to be very well secured.

The Loan Committee did not waive the late fees or extend the term of the loan as requested. The committee's recommendation is to maintain the same maturity date and to defer the late fees and interest to the end of the loan in 2017. It is expected that Rockland Trust will refinance the properties before 2017 and PEDP will be paid out entirely. Rockland has established tax escrow accounts so that once the real estate taxes are paid current, they will be paid out on a timely basis.

The Loan Committee requested an additional provision whereby the Borrower is prohibited from making capital distributions during the term of our loan, which is in the addendum to the package. Mr. Smiley added that one of the reasons that the Borrower is seeking an additional Rockland loan is to bring the city taxes current. This is something that the Loan Committee saw fit to help along. It was not willing to waive the late fees but was willing to tack them onto the end of the loan. Because the owner does have significant equity in the businesses and in the properties, and in order to protect our interest, the committee voted to prohibit the owner from withdrawing equity on the properties so that our position does not get less secure.

Questions were raised regarding the outstanding real estate taxes, the status of the Rockland financing and the financials of the business. It was requested that the board enter into executive session. Joseph

Caffey made a motion to enter into Executive Session pursuant to Rhode Island General Law 42-46-5(a)(7) to discuss the investment of public funds as may be necessary for review of loan applicants. Prior to going into Executive Session, it was requested that the Borrower be asked if there was anything else the board should be aware of before going into Executive Session. The down-side of not doing this was first briefly discussed. It was questioned again if the owner wished to make a statement to us. It was questioned once again if the owner wished to make a statement to the board. Legal counsel was questioned whether we would need to do that under Public Comment on the agenda. Attorney Garrahy stated that it is more appropriate under Public Comment because generally there are not public comments taken during the board meeting, but we can make an exception. It was expressed that the board was just wondering if there was any new information that we should be considering in Executive Session. Mr. Smiley stated that there was no objection to that and asked the Borrower if he wished to make a comment. Gianfranco Marrocco stated that he did not, unless there were questions that the board had for him. Mr. Marrocco added that the board summarized the matter pretty well. Mr. Marrocco further stated that this transaction has to happen before the next actions can take place. The appraisal is being finished tomorrow and hopefully in three (3) months, he will pay this loan off. The motion to enter into Executive Session was seconded by John Bentz and a roll call vote was conducted. Mr. Marrocco was asked to leave the meeting. Executive Session was entered into at 12:41 P.M.

At 12:52 P.M. open session of the meeting resumed. A motion to seal the minutes of Executive Session was made by John Bentz and seconded by Joseph Caffey. The motion was approved by unanimous vote.

Mr. Smiley stated that no action was recommended in Executive Session, therefore there is no vote to take. The board then returned to agenda item 6.a.ii.

A motion was made by John Bentz and seconded by Juana Horton and Joseph Caffey to approve the Borrower's requests. The subordination by PEDP of its collateral interest in 134 and 139 Atwells Avenue is for new funds to be advanced by Rockland Trust in the amount of \$250,000.00. The subordination by PEDP of its collateral interest in 57-63 DePasquale Avenue is for new funds to be advanced by Rockland Trust in the amount of \$150,000.00. The approval of the Borrower's requests are subject to the following conditions: 1) late fees will not be waived but the late fees, arrearages and interest will be deferred to the maturity of the loan; 2) the loan maturity will not be extended from the current maturity date of September 1, 2017; 3) a provision will be added to the Loan Agreement to prohibit the Borrower, GfM Realty, LLC, from any capital distributions for the remaining term of the PEDP loan; and 4) all modifications are subject to Rockland Trust actually closing the loan with the Borrower. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was Other Business/Public Comment. Mr. Smiley stated that he should have done this earlier and extended his sincere apologies. Mr. Smiley requested that the new members of the board to introduce themselves and provide a brief background about themselves. New PEDP Board of Directors Sussy DeLeon and Stephen DelSesto, Esq., introduced themselves and provided their professional backgrounds. Mr. Smiley welcomed them to the board and appreciates their service. Mr. Smiley then asked for any public comment. Mr. Marrocco thanked the board for its actions and left the meeting.

Upon a motion made by Joseph Caffey and seconded by John Bentz, the meeting adjourned at 12:57 PM.