

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
WEDNESDAY, APRIL 22, 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, 1st Floor, Providence, Rhode Island, on April 22, 2015. The meeting was called to order at 12:08 PM, with Brett Smiley, designee of Mayor Elorza and PEDP Chairman, presiding. A roll call of the members and legal counsel 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, Daniel Baudouin, Allyson Cote, Sussy DeLeon, Stephen DelSesto, John (Jack) Bentz, Adriana Dawson, Mark Feinstein, Gary Glassman, Councilwoman Sabina Matos.

MEMBERS ABSENT

Members not in attendance were Kas DeCarvalho, Juana Horton, 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 Acting Assistant Director and contract underwriter; Daniel A. Murphy, PEDP Loan Committee member; and Nicole Pollock, Mayor's Office, City of Providence.

MEETING MINUTES

The minutes of the March 18, 2015 PEDP Board of Directors meeting and the March 28, 2015 Joint Special PEDP Board of Directors meeting were submitted for review and approval. A motion was made by Joseph Caffey and seconded by Stephen DelSesto, Esq. to approve the minutes of the March 18, 2015 Board of Directors meeting and the March 28, 2015 Joint Special meeting. Motion passed by unanimous vote, without any amendments.

REPORT OF THE CHAIRMAN

Mr. Smiley thanked everyone on behalf of Mayor Elorza for their participation in the March 28, 2015 special meeting. Mayor Elorza was really pleased with how gracious and generous everyone was with their time and with the discussion that ensued. There was nearly flawless attendance on a Saturday that speaks to everyone's intention and motivation to want to do more and better with this organization. Mayor Elorza could not be more sincere in listening to your feedback and taking it seriously. To outline the next steps, we are a week away potentially from having a new Economic Development Director and Executive Director. It is our intention to share the feedback from the retreat with the new Economic Development Director, who will become the Executive Director of this entity. We will then bring the recommendations consolidated from the retreat to the May 2015 meeting for discussion with the new Executive Director for debate and discussion and adoption by the board. There are a few things on today's agenda that we would like to add to the policy discussion as forwarded by staff. We are not going to vote on those today, but will give the board time to consider and go through. The recommendations will be presented at the May meeting for approval. Mr. Smiley expressed how grateful he was for everyone's time and energy. Mayor Elorza left highly motivated and really encouraged by the quality and diversity of the experience and perspective on this board.

Mr. Smiley noted for the record that Sussy DeLeon arrived at the meeting at 12:12 P.M. Mr. Smiley also noted that Dan Murphy, a member of the Loan Committee, was also in attendance for one agenda

item that we will be pulling out of Executive Session into the public session of the agenda for his inclusion in the discussion as he has an additional perspective that we thought was valuable.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Smiley stated that there was no report of the Executive Director today. As previously noted, there is not yet a new Executive Director and that we hope to have a selection in the days or week to come.

NEW BUSINESS

Mr. Smiley first noted that we will be moving agenda item 8.a.ii., WorldBrain, to New Business and re-order the agenda.

The first item under New Business/Existing Loan Requests was the presentation of the proposed revisions of the PEDP Revised Policy and Administrative Guidelines for discussion, which were distributed at today's meeting. There will not be a vote on the revisions today. Thomas Hoagland presented the agenda item. Mr. Hoagland stated that the revisions relate to the discussion at the retreat regarding making PEDP more user-friendly.

A question was raised regarding the last regulations that the board saw. Mr. Smiley responded that according to Kathy Cosentino, the last time the board voted on guidelines was in 2009. Mr. Smiley noted that the revisions are to provide additional flexibility and that none of these changes are and end-round the HUD guidelines. Mr. Smiley continued that we wanted to introduce the revisions to you today. It was questioned where the board should send comments and/or suggestions. Mr. Smiley responded that they should be sent to Kathy Cosentino, who will be the main point of contact, and will get the comments to Stu, Tom and him and to John Garrahy as well if there is a matter of legality.

A discussion followed with regard to PEDP not being able to take the place of conventional debt. It was suggested that the PEDP loan terms mirror those of the SBA. It was questioned whether PEDP requires turn-down letters. Mr. Hoagland responded in the affirmative. Concern was expressed with regard to fraud that banks have seen relative to turn-down letters that are submitted. Mr. MacDonald stated that the HUD language is that we cannot replace bank financing. We are not required to get turn-down letters, but that is the best way to document or we can provide a scrutiny. Mr. Smiley acknowledged that this is our function to be a lender of last resort. It was suggested that the guidelines be more specific regarding what we require regarding turn-down documentation. Mr. MacDonald stated that the reason for the changes to the guidelines is to make it easier for the Borrower and not make it more difficult. Mr. Smiley questioned whether the board wanted more discussion regarding the redlined guidelines or more time to review them. The board expressed that it wanted more time.

A discussion then followed regarding the one-page redlined revisions to the Loan Administration guidelines. Mr. Hoagland continued to present this agenda item. Loan re-allocations go to the Loan Committee and to the Board of Directors. A recent example is that it took two (2) months to reply to a change and that change was really an administrative change. Staff suggests that those changes be approved by the Chair and Executive Director. It was questioned whether extensions fall into that category. Mr. Hoagland responded in the negative. Attorney Garrahy stated that these are instances where the board approves a loan but it is not yet closed and finds in the interim that it needs more working capital than equipment for various reasons and at a minimum that change is a month's wait until the next board meeting. The difficulty is finding that balance, which is fundamentally what we tried to do here. We can clarify the language to apply to loans that are approved but before they are closed.

Support was expressed of the approval being a joint decision and to expanding the authority but limiting it to time (e.g. number of days for late payments) or money or a percentage. It was suggested that the language be changed to “and” to require the approval of both the Chairman and the Executive Director and that the approval also require approval by the Chair of the Loan Committee thereby requiring all three (3) individuals. The process for the approvals was questioned and whether it may be done over the phone. Attorney Garrahy responded that action cannot be done as a board under the Open Meetings Act by phone and that it also cannot take action by e-mail. The down-side to doing this was questioned as well as whether anyone on the board did not think this was a good idea to give flexibility so that Borrowers are not waiting for a meeting.

Mr. Smiley stated that we will take the conversation back internally, get feedback and unveil the changes in May. Mr. Smiley requested that the directors send any thoughts to Kathy Cosentino and she will disseminate them appropriately.

The next matter entertained by the Board of Directors was a motion to move the WorldBrain agenda item from agenda item 8.a.i. under Executive Session to 5.a. under New Business. A motion was made by Stephen DelSesto, Esq. and seconded by John Bentz. The motion was approved by unanimous vote.

The next agenda item under New Business entertained by the Board of Directors was the IIP Loan to WorldBrain and its request for PEDP to execute conversion documents. Mr. Smiley introduced the agenda item. Mr. Hoagland deferred to attorney Garrahy to present this matter. Attorney Garrahy expressed that in taking this matter in open session to note that this is going to come back to us regarding other companies that are going to convert. Therefore the board should talk about it generally and if specifics arise, we will go into Executive Session. Attorney Garrahy noted that the PEDP IIP documents do not require that we enter into documents upon conversion. When companies have converted, we have not signed on to any of the documents that the companies have provided. We were not authorized originally to do so. We are entitled to stock certificates. This company has pushed for the signing of the investor documents. Attorney Garrahy noted that Daniel Murphy, Allyson Cote and Mark Feinstein were asked for their expertise and to look at the documents in advance for discussion purposes. Attorney Garrahy also noted that he is not a securities lawyer. Attorney Garrahy opened the floor to Daniel Murphy, who we asked to participate in the board’s discussion as well as Mark Feinstein and Allyson Cote. Mr. Hoagland noted that no one on staff is competent on conversion also.

Mr. Murphy stated that anything selling under five dollars (\$5.00) he considers to be penny stocks, which is reminiscent of junk bonds, which are high risk, with high rewards. Concern was expressed about: volatility; ability for manipulation; and the pump and dump schemes of stocks, which is not heavily regulated by the SEC. The question is how often is this happening, with the concern being that we cannot protect ourselves if this goes south. Mr. Murphy would rather PEDP have its monies back to relend, but we do not have that luxury. Therefore, we should have someone with expertise to review the documents and to protect PEDP. Mr. Smiley added that we have to look at the cost-benefit analysis of that. If we are unsecured on penny stocks today or in the same position tomorrow, how much do we want to spend for that? It was suggested that we could obtain the cost of doing so at least. It was suggested that if this roundtable does not have the expertise, then prudent minds would seek it.

It was noted that typically with start-ups, their valuations are not always done until they are raising or have raised their SEED round. It was questioned whether the IIP companies have evaluations submitted as it seems like everything the board saw was post-investment. It was questioned how the number of shares PEDP received was arrived at. A discussion followed with regard to whether PEDP

would want Common Stock rather than Preferred Stock since the investment is risky anyway and the return on equity has a higher potential. It was noted that a lot of companies are winding down rather than converting. The positives and negatives of each types of stock were discussed. It was suggested that the city should have the option not to convert and to call the loan in, which may not be good for the city. It was questioned whether there was any other exposure since the investor here is the city and not an individual. It was noted that if we add to the documents that PEDP has the right to call the loan, that will change the relationship significantly since no other investor has that right.

Mr. Smiley asked the board if anyone had knowledge of talent in the greater Providence area that might be able to advise us on this topic. Mr. MacDonald stated that we engage Wildman to do our bonds and suggested attorney Karen Grande for a referral or to handle the matter. Attorney Garrahy stated that he can find out who would be an expert in this area and get prices. It was questioned if the company would not convert if we do not sign. Attorney Garrahy stated that they already completed the conversion and that they want us on level playing field with the other investors. Mr. Hoagland noted that not signing will make it difficult for them to have a second or third fundraiser event.

It was questioned if we are stockholders, which was responded to in the affirmative. The value of the stocks was then questioned. Mr. MacDonald stated that when the company converted, we based the value of the stock on our investment, which was \$54,000.00 and that was the share price that we got the number of shares from based on the capital rates. That is the value of the stock. Mr. Smiley stated that he would work with attorney Garrahy to find guidance on this and to see what that cost would be. A motion was made by Mark Feinstein and seconded by Joseph Caffey to empower PEDP legal counsel and Chairman to use their best judgment to seek outside guidance relative to this matter and if the legal fees are deemed reasonable to engage those services to advise on this topic. Motion passed by unanimous vote. It was questioned whether we can request a list of who else signed the investor documents. Attorney Garrahy responded in the affirmative. Mr. Smiley noted that Mr. Murphy was welcome to stay for the final agenda item, although he did not need to and he wanted to be respectful of his time.

LOAN COMMITTEE RECOMMENDATIONS

Mr. Smiley noted that there were no recommendations of the committee on today's agenda and that there was also no Other Business on today's agenda.

Mr. Smiley noted that there was one member of the public present and recognized Nicole Pollock, the Chief Innovation Officer for the City of Providence, who is working tirelessly on behalf of Mayor Elorza to review and become familiar with the various processes in the city to look for process improvements and efficiencies and other opportunities for innovation. Mr. Smiley stated that he was glad she was here and thanked her for attending.

Daniel Baudouin stated that he was very pleased to see all of the financial reporting at the Saturday retreat and that he would like to see it continue. Mr. Baudouin noted that a new fiscal year will be starting for the city and PEDP and suggested that the board review and approve a budget for the July 1st Fiscal Year. Mr. Smiley stated that he appreciates that suggestion and he will work with the new director to develop that budget for a July 1 Fiscal Year.

Adriana Dawson stated that under Other Business she would like to update the board on her new role with Roger Williams University (RWU) and how that might connect to the work of this board. Ms. Dawson has been with RWU for about a year in the Bristol campus working with the undergraduate population and connecting with meaningful internships and employment. Ms. Dawson's new role is connected to the metro campus in Providence supporting the school of continuing studies and its

strategic outreach in terms of its move to the One Empire building that is slated for next spring. The move will more than double the university's current space. Ms. Dawson will oversee all professional education and workforce development initiatives and will oversee all of the non-credit activity. Given the conversation that we had at the retreat regarding capacity building, workforce development and community development, she will have the opportunity to work with community partners, the city and state to determine unmet needs and to figure out how to build programming modules and partnerships. Mr. Smiley congratulated Ms. Dawson on her new role and looks forward to working with her as a colleague.

The next agenda item entertained by the Board of Directors was a matter for discussion in Executive Session, which was the review of the Walco Electric Company loan. At 12:58 P.M., a motion was then made by Joseph Caffey and seconded by Mark Feinstein 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. Motion passed unanimously by roll call vote.

Open meeting resumed at 1:05 P.M.

A motion was made by Mark Feinstein and seconded by Stephen DelSesto, Esq. to seal the minutes of Executive Session. Motion passed by unanimous vote.

Mr. Smiley reported that no action was taken in Executive Session. Attorney Garrahy stated that a motion was needed relative to Waldman granting the loan to Walco Electric Company on the original approved terms and conditions and authorizing PEDP to enter into an Intercreditor Agreement. The above motion was made by Mark Feinstein and seconded by Stephen DelSesto, Esq. The motion passed by unanimous vote.

Upon a motion made by John Bentz and seconded by Stephen DelSesto, Esq., the meeting adjourned at 1:07 PM.

Approved: May 20, 2015