

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

THURSDAY, JULY 9, 2015

DRAFT LOAN COMMITTEE MEETING MINUTES

A meeting of the Providence Economic Development Partnership, Inc. (PEDP) Loan Committee was held at the office of the Department of Planning and Development, 444 Westminster Street, Providence, Rhode Island, in the 1st Floor Conference Room on July 9, 2015. The Loan Committee meeting was called to order at 12:07 P.M, with Brett Smiley, Chairman, presiding. Roll call of the members and legal counsel was conducted. A quorum was present.

MEMBERS IN ATTENDANCE

Members of the Loan Committee in attendance included Brett Smiley, Frank Benell, Doris Blanchard, Donald Gralnek and Daniel Murphy.

MEMBERS ABSENT

Members not in attendance were Renee Bailey and Carmen Diaz-Jusino.

STAFF MEMBERS IN ATTENDANCE

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

OTHERS IN ATTENDANCE

Others in attendance were John J. Garrahy, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; and Thomas Hoagland, Acting Assistant Director and PEDP contract underwriter.

MEETING MINUTES

The minutes of the March 12, 2015 PEDP Loan Committee meeting and March 28, 2015 Joint Special meeting were submitted for review and approval. Upon a motion made by Donald Gralnek and seconded by Frank Benell and Doris Blanchard, it was voted to approve the minutes of the March 12, 2015 meeting and March 28, 2015 Joint Special Meeting. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Brett Smiley first stated that he will also be announcing at the next PEDP full board meeting that a member of this committee and the Executive Director of the Providence Redevelopment Agency (PRA), Donald Gralnek, will be the new Executive Director of PEDP. He has done a great job in expanding the reach and productivity of our redevelopment authority and has a great working relationship with the staff here in the building. Mayor Elorza and he have great confidence that he will continue to do great work on behalf of PEDP. In addition to working through some of the past issues with HUD, Mr. Gralnek will also work to get PEDP to a place of lending more and getting resources out to where they need to be to increase economic activity here in the city. Mr. Gralnek will remain on the Loan Committee as well as have a role on the full board in his capacity as Executive Director.

Mr. Gralnek gave a brief report. Mr. Gralnek stated that PEDP has a good staff. There are some issues to clean up. On a go forward basis, he hopes to lend more to those that need it and qualify.

NEW LOAN REQUESTS / PROGRAMS

The first agenda item entertained by the Loan Committee under New Loan Requests / Programs was the review of loans/programs for approval. The first loan request entertained by the Loan Committee was the request of Jamel, MEP, LLC d/b/a Ramaraya Cafeteria, Manuel Peguero, 1005-1007 Broad Street, Providence, Rhode Island, 02907, for an increase in its existing loan from PEDP from \$150,000.00 to \$200,000.00. Thomas Hoagland presented the request. The existing loan was approved last fall and was later modified to exclude construction. Subsequent to the modification, a determination was made that the project does require compliance with the Davis-Bacon Act. The principal is doing the work himself and with his son, but there are sub-contractors for the plumbing, electrical and fire-suppression system. This determination has brought the project to a halt. We are almost there regarding documentation for work that was already done. The increase in the loan is being requested because it has 1) increased the project costs; 2) delayed the process; and 3) the adjacent parking lot was not acquired from PRA when

the principal bought the building. The lot is being offered by PRA for \$18,000.00. The acquisition of the lot materially impacts our collateral position because 1) the building is worth more with the lot; and 2) it was included in the appraisal value. Questions were raised by the committee regarding how long the business has been closed and its impact on the financial projections submitted. The business has been closed since August 2014.

At 12:15 P.M., Daniel Murphy arrived at the meeting.

It was requested that based upon the new loan request, that updated financials be submitted to PEDP. Additional questions were also asked and answered. It was questioned whether the lot included in the appraisal was the same lot now being acquired. Mr. Gralnek responded that it was and that the principal just assumed the lot went with the building and it did not. The principal currently has a lease with PRA for the lot. It was questioned whether the modified loan would be refinanced at the same/original loan term and whether staff believes the Borrower will have the ability to repay the loan. Mr. Hoagland responded in the affirmative, however the payments will not begin until the project is complete. Staff indicated that payments on the current loan have already commenced in June 2015 due to the six (6) month disbursement period having ended. It was questioned if the Borrower has been making payments, to which it was responded in the negative.

Mr. Hoagland stated that he would then amend the loan request to include no loan payments until six (6) months after the second approval or December 31, 2015, whichever occurred first. Mr. Gralnek stated that there were two (2) salient facts here: 1) the appraisal has room in it; and 2) it is in PEDP best interest for the restaurant to have parking. The benefits to PEDP are clear. Mr. Gralnek stated that due to the matter involving PRA, he will recuse himself from the vote on this matter. It seems to him that this is a well conceived effort on Tom's part to make sure that we are rational in terms of our use of our own capital here and that we assist Manny because he is trying hard to finish the project.

The committee was asked if there was a motion to recommend the approval of the increase in the loan to Jamel MEP, LLC d/b/a Ramaraya Cafeteria from \$150,000.00 to \$200,000.00 and defer the loan payments until the project was complete. Attorney John Garrahy stated that for it to be clear, the committee should define what it means by complete and suggested that the committee use a date instead. It was suggested that the committee recommendation would be to suspend the loan payments through December 31, 2015. A motion was then made by Frank Benell and seconded by Doris Blanchard and it was voted to approve the increase in the loan from \$150,000.00 to \$200,000.00 and suspend the loan payments through December 31, 2015. Donald Gralnek recused himself from the vote in connection with this matter. Motion passed by vote.

The next agenda item entertained by the Loan Committee was the Report of loans/grants/programs/actions approved/taken by the Board of Directors. Mr. Smiley introduced the agenda item and Mr. Smiley and Thomas Hoagland presented the actions of the Board of Directors.

The PEDP Board of Directors reviewed the PEDP loan to Walco Electric in Executive Session and approval was granted by the Board of Directors of the loan on the original approved terms and conditions and authorization was granted for PEDP to enter into an Intercreditor Agreement. Mr. Hoagland reported this matter.

The PEDP Board of Directors reviewed a request of WorldBrain for PEDP to execute conversion documents. The Board of Directors empowered the PEDP legal counsel and Chairman to seek outside counsel regarding this matter and if the legal fees are deemed reasonable, to engage legal services for this matter. Mr. Smiley presented this matter and stated that PEDP is beginning to see entities that have converted. PEDP was asked to sign a document that was beyond our and legal counsel's expertise. We sought outside legal counsel and the recommendation by counsel was to sign the documents. Attorney

Garrahy stated that this matter also relates to agenda item 4.b.vi., which was a general discussion relative to the IIP Program. A memorandum was distributed to the Board of Directors from attorney Joshua Celeste of Duffy & Sweeney, Ltd. relative to the review of documents relating to the IIP loan to WorldBrain, Inc. Approval was granted by the board for PEDP to enter into investment documents submitted to PEDP. In addition, staff suggested that legal counsel review the five (5) other IIP loans that have converted to see if PEDP needs to have similar documentation in place.

The PEDP Board of Directors considered requests of Pisaturo Real Estate, LLC d/b/a Irving for both its first and second loans for 1) reduced loan payments; and 2) the waiver of late fees on both loans. Mr. Hoagland presented the board action. The Board of Directors approved the staff recommendation to defer the current past due balances to balloon payments at the maturity of each loan with no changes being made to the monthly payments, maturity dates or the interest rates.

The PEDP Board of Directors considered a request from Vicmar Communications, Inc. for PEDP to subordinate its mortgage position to senior debt. Mr. Smiley presented the board action. The Board of Directors approved authorizing staff to negotiate a Forbearance Agreement and Subordination Agreement, with the Chairman having approval authority. The approval authorization is for staff to work with the Borrower regarding only a refinance of existing debt in order for payment of the real estate taxes. Documentation is still pending from the Borrower, therefore this matter is still pending.

The PEDP Board of Directors considered the proposed PEDP Revised Policy and Administrative Guidelines for approval. Approval of the revised policy guidelines was granted by the board. The revised Administrative Guidelines were originally tabled by the board and then later approved at the subsequent meeting. Mr. Smiley presented these board actions. As a partial output from the joint special meeting, there were proposed changes to the loan guidelines. The most important of which is the ability of the Executive Director, Chairman, and Vice-Chair to make limited loan modifications to the loan terms. So long as it does not change the terms or conditions of the loan or our security interest in the loan, minor modifications can be made to be a little more Borrower-friendly. One conversation that took place was that this change was originally to give authority only the Executive Director and Chairman and since both are city employees, we wanted to have some citizen involvement and a third-party, who was named to be the Vice-Chairman.

The PEDP Board of Directors reviewed recommendations for loan collection write-offs. Mr. Smiley presented the board actions in connection with this matter. The following authorizations were granted by the Board of Directors: 1) to write-off the loans for which collection is exhausted and of IIP loans that have wound down; 2) for staff to work with HUD regarding a policy relative to loan write-offs; and 3) for staff to work with the agencies that the city uses for collection of the loans for which enhanced collection is recommended.

EXISTING LOAN REQUESTS

The next agenda item entertained by the Loan Committee was the report of an update relative to the loan approval granted to Cromwell Ventures, LLC. Mr. Smiley stated that there is no action to take today relative to this matter it is just to provide an update to the committee. Mr. Hoagland presented the agenda item. A brief overview of the project was provided. It is a project that the PRA is in support of and for which the PEDP has approved a loan. The Borrower has indicated that it is revising its budget and may not need as much funding from PEDP. The Borrower has also since spoken with Don and may not need the PEDP funds at all. Mr. Gralnek stated that as a result of the price of utilizing our funds due to the Davis-Bacon Act, they have found other funds at a better price. Mr. Smiley indicated that the project is before the city council tonight for a Tax Stabilization Agreement (TSA).

The next agenda item entertained by the Loan Committee was the request of Dolphin Measurement Systems for interest-only payments for a period of nine (9) months. Mr. Hoagland presented the request. The business is an affiliate of Ellis Waldman and Walco Electric. The company has developed a process that measures widths of steel during the cutting process. It is a process that does not exist. No Walco funds have been invested in Dolphin Measurement Systems. Mr. Waldman is investing in the company himself. PEDP previously approved payment moratoriums that have since expired. The Borrower has made payments since, but there has been a lag at times. The principal is very optimistic and thinks they have solved their technical issues. Mr. Hoagland stated that PEDP is very well protected in collateral and guarantees. Mr. Gralnek stated that this is exactly what PEDP should be supporting.

Questions of the committee were then asked with regard to whether PEDP is in receipt of an updated appraisal. Mr. Hoagland responded that we will have an updated appraisal upon the finalization of the Washington Trust refinancing.

A motion was made by Frank Benell and seconded by Donald Gralnek to recommend approval of interest-only payments for a period of nine (9) months for the period of July 2015 through March 2016. The recommendation for approval is contingent upon the submission of an updated appraisal on the real estate. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was Other Business and the report on program marketing and outreach. The report was provided by Arthur Speaks. Mr. Speaks stated that he was asked to prepare a marketing plan for PEDP. Mr. Speaks has identified fifteen (15) banks and approximately twenty-five (25) community development corporations and technical assistance providers that are operating in the city and state. Some of the successes of PEDP have also been identified. PEDP is experiencing a perception problem due to the HUD review/audit in 2012. Since that time, the perception is that we are no longer making loans due to the program having been shut down for the period of a year or that the process is too long. Media outlets have also been identified. Mr. Speaks stated that we need to partner with other organizations that do the same thing that we are doing. We need to refer applicants to technical assistance to ready them to apply for a loan. We need to identify lending sectors. We also need to get loan customers assistance for financial literacy.

Mr. Gralnek stated that Arthur agreed to take the lead in terms of generating and re-starting our business development efforts. At the moment, the PEDP pipeline is barren. Mr. Speaks is going to redo our brochure, which will be translated into Spanish and other languages that make sense. Mr. Speaks will go out to generate leads with Gail McGowan. He will also market the program to intermediaries to let them know what we offer and to make PEDP more relevant to their programs. Pretty soon HUD will say that PEDP is spending money and not making any loans. There is an issue of keeping the funds. Mr. Speaks will be reporting monthly.

Mr. Speaks suggested that there be a website update and a monthly or quarterly newsletter to highlight success stories. Mr. Smiley stated that he appreciates the updates and looks forward to future updates. All the pieces are starting to come together of reinvigorating PEDP. The amount budgeted to marketing was questioned as it is costly and time consuming. Mr. Gralnek responded that not much is budgeted and that we are utilizing staff time to produce the brochure in-house as well as to conduct outreach. We will see if we can also utilize media of other existing organizations. Mr. Gralnek requested some of Daniel Murphy's time to meet with staff relative to his expertise regarding marketing and outreach. Mr. Smiley added that Mayor Elorza and his budget for 2016 includes funding for a whole new website. There will be a total overhaul of all the city websites, which is good timing as PEDP is part of the city. Mr. Gralnek thanked Mr. Speaks.

The next agenda item entertained by the Loan Committee was any matters of Other Business. Ms. Blanchard informed the board that she is now at CommerceRI as a client service advisor. Mr. Smiley extended congratulations to Ms. Blanchard.

The next agenda item was Executive Session. Mr. Smiley noted that there were no matters for Executive Session.

A motion to adjourn was then made by Frank Benell and seconded by Donald Gralnek, and the meeting was adjourned at 12:56 P.M.