

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
WEDNESDAY, OCTOBER 21, 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 October 21, 2015. The meeting was called to order at 12:08 PM, with Brett Smiley, Chairman, presiding. A roll call of the members and legal counsel was conducted. A quorum was present.

MEMBERS IN ATTENDANCE

Members in attendance included Brett Smiley, PEDP Chairman and designee of Mayor Jorge Elorza and Chief Operating Officer, City of Providence, Kas DeCarvalho, Esq. (Treasurer), John (Jack) Bentz, Daniel Baudouin, Sussy DeLeon, Mark Feinstein, Amahl Harik, Dr. Russell Ricci and William Tracey.

MEMBERS ABSENT

Members not in attendance were Juana Horton (Secretary), Allyson Cote, Adriana Dawson, Stephen DelSesto, Esq., Shomari Husband, and Councilwoman Sabina Matos.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Donald Gralnek, Executive Director, Providence Economic Development Partnership (PEDP); Kathy Cosentino and Gail McGowan.

OTHERS IN ATTENDANCE

Others in attendance included Mark T. Ryan, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; Mark Huang, Director of Economic Development, City of Providence; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development; Thomas Hoagland, PEDP Acting Assistant Director and contract underwriter; Marie Vedder, Confidential Assistant to the Director of Economic Development; and Dan McGowan, WPRI-12.

REPORT OF THE CHAIRMAN

Mr. Smiley stated that there are some interesting items on today's agenda that he feels are finally delivering on some of the commitments and conversations we have had previously. We have a presentation from our Director of Economic Development, which will be a regular occurrence; we have firm recommendations in terms of a reorganization; and we have a draft budget to share. We have made a lot of progress and he appreciates everyone's patience as we have gone through a lot of work internally and all the while the changes and considerations were made in the context of running an ongoing enterprise while re-envisioning the future. Mr. Smiley is happy to report on behalf of Mayor Elorza that we have recommendations and actions to take today. Mr. Smiley then welcomed Russell Ricci, our newest member of the board who was an observer at the last meeting. We look forward to his participation and are grateful for his willingness to serve.

REPORT OF THE EXECUTIVE DIRECTOR

Donald Gralnek stated that Thomas Hoagland will be presenting the organizational changes. Mr. Gralnek stated that we continue to make progress with regard to documenting our interest for the IIP loans and today's status report. Mr. Gralnek stated that we have let attorney Joshua Celeste go at his own pace, but that we will get more aggressive and will have a more detailed report next month. Mr. Gralnek provided a brief overview of the IIP loan program and PEDP's debt to equity position.

The organizational changes were then presented by Mr. Hoagland. A handout was distributed to the board at the meeting by Mr. Hoagland. This matter will be on the agenda of the November meeting for approval as attorney Mark Ryan has to complete the necessary documentation. This board will be advisory to the mayor and the Loan Committee/Providence Small Business Loan Fund (PSBLF) will

be primarily responsible for lending. If any of the directors want to serve on the Loan Committee, please let us know. Bonnie Nickerson (Director of the Department of Planning and Development), Mark Huang (Director of Economic Development), Donald Gralnek (Executive Director of PRA and PEDP) will be at the next meeting with Brett and report to the board quarterly. We have preliminarily reviewed this with HUD and we do not expect and objections from HUD, just some technical changes and agreements (Subrecipient Agreements). A brief discussion followed and questions were raised with regard to the new corporate structure and mission.

A presentation was then provided by attorney Mark Ryan, PEDP legal counsel, on PEDP collection efforts. Attorney Ryan stated that the loans have been divided into four categories: 1) active collections; 2) further investigation; 3) non-recoverable; and 4) special cases. All Borrowers have received a first contact and some have received a second contact. The special cases are the larger more complex loans such as the loans to Bannister House, Hi-Hat and Tobey Waste. Collection efforts are moving along pretty well. Mr. Gralnek added that we have a collection relationship with attorney Ryan on a percentage basis. A discussion followed with regard to the status of the portfolio as a whole and the dollar amount considered to be non-collectible as well as the types of Borrowers that are defaulting. Mr. Gralnek asked the board to let him know if anyone wants to move to the Loan Committee. Mr. Hoagland suggested that perhaps we should have at least one (1) board member on a revolving basis. Mr. Gralnek requested that attorney Ryan add this matter to his list for consideration.

A brief discussion followed with regard to PEDP's purpose of higher risk lending versus the public benefit that is derived from its lending of bringing in jobs, economic development and business activity to the city and community. It was questioned what we are now trying to accomplish. Mr. Smiley responded that at the end of the day, there remains the important and vital function of the individual loans that this board makes. With regard to the notion that we are a lender of last resort, there seems to be some misinterpretation to this notion. There are people and businesses in Providence who have had a chance of success because of our support. The funds are made available to us through HUD and we are the local arm of a federal lending program. Lending is a key role of this board. Mr. Smiley does not think that we would entirely give up the business of making some of these loans as it is what the money is here to do. There is and always will be a lending role for some segment of our funds. It is what the federal program is for. We will continue to provide the same type of lending, but have gotten more strategic and have had some bigger conversations on how to do more and key sectors to fund. We are trying to put the appropriate skilled professionals on the committee who can help advise us on underwriting for that smaller segment and then tap the broader wisdom and experience of this group for a broader and more diverse set of requests. A brief discussion followed regarding lending strategy.

The final item of the Report of the Executive Director was the presentation by Sally Brito, Director of Fiscal Operation for the City of Providence Department of Planning and Development, of the draft PEDP budget. Ms. Brito presented the draft budget. Mr. Gralnek requested that the board look over the draft budget and send any questions to him. Mr. Gralnek noted that we will ask for a more formal action in November. A five (5) year historical budget was requested.

REPORT OF THE ECONOMIC DEVELOPMENT DIRECTOR

Mark Huang stated that he would be talking about a few initiatives. He just came back from Asia with Mr. Smiley and can also talk about the international side. Mr. Huang discussed Providence today and innovation in the city. The topics that were discussed were: demographics; food; arts and design, and Providence livability. Mr. Smiley requested that the board take the time to call Mark or meet with him to provide feedback.

Mr. Huang added that we are looking for angles and what separates us such as the I-195 corridor. We are well on our way to becoming the next tech hub. Let's make that happen. Get excited with us. We are looking to tell one unified story. The Asia trip was discussed. Mr. Smiley noted that it is a relationship culture, which takes time. There will not be deliverables after meeting once. In order to grow, we are going to need outside investment. It is going to take going outside of the state to get development dollars to grow. Mr. Huang stated that the vision or question is our core competencies from a global perspective. What sectors or verticals can Providence reinvent and own. One sector discussed was organic natural food or "new food", which is a growth industry. The question is how do we bring venture in and capture some of the food tech industry? Mr. Huang opened up the presentation to questions. Mr. Gralnek thanked Mr. Huang for his presentation.

MEETING MINUTES

The minutes of the September 22, 2015 PEDP Board of Directors meeting were submitted for review and approval. A motion was made by Jack Bentz and seconded by Kas DeCarvalho, to approve the minutes of the September 22, 2015 Board of Directors meeting. Motion passed by unanimous vote, without any amendments.

NEW BUSINESS/EXISTING LOAN REQUESTS FOR CONSIDERATION AND ACTION

The first agenda item of New Business entertained by the Board of Directors was the election of a Vice-Chairman. Mr. Smiley stated that we were deeply saddened by Joe Caffey's passing, who was the Vice-Chairman. In order to keep business moving, we need to nominate a new vice-chair. Mayor Elorza would like to put forward Adriana Dawson to be the new Vice-Chairman. Ms. Dawson is a pre-existing board member who has been a great contributor with a new role at Roger Williams University, which we think is really important, and has the mayor's confidence and support. With the board's support, we would like to nominate her to be the new Vice-Chairman. Upon a motion made by Jack Bentz and seconded by Mark Feinstein, it was voted to elect Adriana Dawson as the new Vice-Chairman. Motion passed by unanimous vote.

Daniel Baudouin left the meeting.

The next agenda items of New Business entertained by the Board of Directors were the requests of Eagle Square Commons and Amos House d/b/a Friendship Café. The request of Eagle Square Commons was for an extension of the loan term. The request of Amos House d/b/a Friendship Café was for a reduction of the loan rate. Mr. Hoagland presented the requests. The loan to Eagle Square Commons was a \$500,000.00 loan made in 2005 that was a ten (10) year loan on a twenty (20) year amortization. The ten years is now up and we would like to renew the loan on the identical terms and interest rate. We are just amortizing the balance of the loan over the next ten (10) years. The only change is a change in collateral. The Borrower pledged his wife's two-thirds ($\frac{2}{3}$) interest in a shopping center in Vermont that included a Shaw's Supermarket, which has since been sold. The Borrower is going to pledge an interest in the Eagle Square Commons complex, which is the site of the project. The principal is a successful developer of shopping centers in the northeast. Eagle Square Commons has been a successful development and continues to do well. The principal submitted a collateral analysis, which is complex and there is a complex structure of entities that own Eagle Square Commons. The loan is now current. The Borrower has caught up on arrearages and generally was good at making payments. Mr. Hoagland believes we are every bit as well protected. The balance of the loan and whether there is enough equity being pledged was questioned. Mr. Hoagland responded that there was sufficient equity or even more being pledged. A motion was made by Jack Bentz and seconded by Mark Feinstein and it was voted to approve the request of Eagle Square Commons for an extension of the loan term as presented for a ten (10) year term at an annual rate of six percent (6%).

The loan to Amos House was a five (5) year loan with a twenty (20) year amortization. The extension of the loan term was approved last month and we learned that the Friendship Café had closed. PEDP received a request to decrease the interest rate. The Borrower requested a zero percent (0%) interest rate and PEDP countered with two percent (2%). The Borrower made every payment on time. We recommend approval to decrease the interest rate from four percent (4%) to two percent (2%). Mr. Smiley noted that the Borrower did the right thing and is a contributor to the neighborhood. It is a non-profit requesting a decrease in the interest rate. It is a Borrower that is still making payments even though the business closed. Questions were raised relative to the term of the decrease in the rate and the balance of the loan. The decreased rate would be for the five (5) year loan term. A motion was made by Jack Bentz and seconded by William Tracey and it was voted to approve the request of Amos House d/b/a Friendship Café for the reduction of the interest rate of the loan as presented. The interest rate will be reduced from four percent (4%) to two percent (2%) for the loan term of five (5) years. Motion passed by unanimous vote.

LOAN COMMITTEE RECOMMENDATIONS FOR CONSIDERATION AND ACTION

The next agenda item entertained by the Board of Directors was the Loan Committee Recommendations for consideration and action from its October 2015 meeting. There was one (1) recommendation for approval, which was of the loan request of LGee Auto Collision, Inc., Antoinette Summerville and Lawrence Green, 94 Oxford Street, Providence, Rhode Island, 02905, in the amount of \$40,000.00. Mr. Gralnek provided an overview of the business and loan recommendation. The principals run a good shop but are under-collateralized. They do not have much business experience. They are not eligible for a bank loan. Our money is not at a high price but there are some conditions for the Borrower to meet. We think it is a good investment in the community. Mr. Hoagland reviewed the conditions of the recommendation for approval, which he indicated are contained in the write-up and which he briefly reviewed. Mr. Hoagland noted that Daniel Murphy of the Loan Committee volunteered to assist in this. We want to ensure that the Borrower has the proper accounting and legal advice and representation and we want to make sure that they understand the conditions of the loan. Mr. Smiley added that there was extensive discussion and a consensus at the Loan Committee that this is the type of loan that we should be making through that committee. After discussing and enumerating the conditions, the committee had comfort in recommending the approval of the loan request. How long the Borrower will have to achieve the six (6) conditions was questioned. It was also questioned whether the Borrower accepting technical assistance is a requirement or an option, whether the Borrower has any assets, and whether the principals have been involved in other businesses. Upon a motion made by William Tracey and seconded by Sussy DeLeon, it was voted to accept the recommendation of the Loan Committee and approve the loan request of LGee Auto Collision, Inc. in the amount of \$40,000.00 subject to the conditions outlined in the loan write-up. Motion passed by unanimous vote. The loan approval is subject to the following conditions: 1) Borrower accept assistance from SBDC; 2) PEDP is satisfied that the Borrowing entity is established and current with its taxes; 3) confirmation is received that the collateral being pledged is owned by the Borrower and is free and clear of any liens; 4) the Borrower establishes a lease, the term of which is at least the length of time of the loan term; 5) a Landlord's Consent and Waiver is agreed to; and 6) the city real estate taxes have been paid by the landlord/owner and are current. In addition, a meeting is to be scheduled with the Borrower, PEDP staff, and Loan Committee member to discuss the financial statements that were submitted to PEDP.

OTHER BUSINESS/PUBLIC COMMENT

There were no matters of other business or public comment.

MOTION AND VOTE TO CONVENE IN EXECUTIVE SESSION

There were no matters for discussion in Executive Session.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

Executive Session was not convened and therefore there was no report.

Upon a motion made by Jack Bentz and seconded by Kas DeCarvalho, the meeting adjourned at 1:46 PM.

Approved: November 18, 2015