

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
THURSDAY, DECEMBER 10, 2015
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 December 10, 2015. The Loan Committee meeting was called to order at 12:14 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.

OTHERS IN ATTENDANCE

Others in attendance were Mark T. Ryan, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; Thomas Hoagland, Acting Assistant Director and PEDP contract underwriter; Gina Costa, City of Providence; and David Piccerelli.

MEETING MINUTES

The minutes of the October 15, 2015 PEDP Loan Committee meeting were submitted for review and approval. Upon a motion made by Frank Benell and seconded by Doris Blanchard, it was voted to approve the minutes of the October 15, 2015 meeting. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Donald Gralnek first asked Thomas Hoagland to introduce our new pending member of the committee, David Piccerelli. Mr. Hoagland provided the introduction. Mr. Piccerelli's appointment by Mayor Elorza is in process and he will be voting next time. Mr. Smiley stated that we appreciate his attendance today and thanked Mr. Piccerelli for his willingness to serve. Mr. Smiley asked the committee members for introductions for Mr. Piccerelli's purposes. Mr. Smiley also introduced Sally Brito, the fiscal advisor for Planning and Development, PEDP, and PRA.

The first agenda item under the Report of the Executive Director was the report of additional actions to be taken relative to the previous approval granted by the PEDP Board of Directors on February 23, 2013 in connection with the PEDP loan to Naga Food Products. Kathy Cosentino presented the report. Due to the period of time that has passed since the above approval of certain loan modifications and the completion of the Borrower's federal foreclosure mediation and reinstatement of its first mortgage, the February 23, 2013 approval must be modified as well as additional loan modifications made. Donald Gralnek asked that this matter be calendared for modification at the January 2016 meeting with the reconstituted Board of Directors. No action was taken in connection with this matter.

The next agenda item under the Report of the Executive Director was an update relative to the Social Enterprise Greenhouse (SEG) Loan Fund. Thomas Hoagland presented the agenda item. There is the possibility of PEDP co-lending with SEG with those that qualify under the HUD regulations. There is a SEG brochure included in the meeting package. The loans will come before the board on a case by case basis. We have set aside funds for this. It was questioned when this is expected to take place. Mr. Hoagland responded that it is hard to say, but thought perhaps over the next couple of months. He is not sure what the current pipeline is and they would have to meet the HUD guidelines. It was also questioned whether SEG will have their own in-house loan committee review. Mr. Hoagland responded in the affirmative.

The next agenda item under the Report of the Executive Director was the PEDP Aging Report. Mr. Gralnek presented the agenda item. There are seven (7) items that Tom and he are working on and a couple of loans will be extended. The loans that are past due are less than twenty percent (20%) of the loan portfolio. This reflects our efforts to clean up the portfolio. If we were to back out the loan extensions, our portfolio would look like a regular commercial lending portfolio.

The next agenda item under the Report of the Executive Director was the presentation by Mark Ryan, Esq, PEDP legal counsel, of organizational changes. Attorney Ryan stated that the reorganization will be voted on at the December 16, 2015 meeting. There will be a name change, the Loan Committee will be eliminated, the current Board of Directors will resign and be appointed to a new board and the by-laws are being changed. The current PEDP Board of Directors will move over to the Advisory Committee. The current Loan Committee and some of the current board members will remain and become the Providence Business Loan Fund (PBLF) and will no longer have economic development activity. It was questioned if the terms will reset. Attorney Ryan responded that for the Board of Directors, those that stay will have the same term. The Board of Directors will resign and move over to the Advisory Committee. There will be the same Chairman and Executive Director for both. Mr. Smiley thanked attorney Ryan for providing the summary of the reorganization.

The next agenda item under the Report of the Executive Director was the meeting schedule for 2016. Mr. Gralnek stated that we will vote on the schedule in January 2016 and asked that the members keep the January 2016 meeting date in their calendars. Mr. Gralnek added that he and Arthur Speaks are working on new business. He is talking with other organizations to do joint lending. Mr. Hoagland added that with the re-branding we hope to let the community know that we are open for business and have money to lend.

NEW LOAN REQUESTS / PROGRAMS

The first agenda item entertained by the Loan Committee under New Loan Requests / Programs was the loan request of Jamel MEP, LLC d/b/a Ramaraya Cafeteria, Manuel Peguero, 1005-1007 Broad Street, Providence, Rhode Island, 02905. The request is a second request for additional loan funds in the amount of \$50,000.00 increasing the loan from the original amount of \$150,000.00 to \$250,000.00. Mr. Gralnek requested that Mr. Hoagland present the loan request. Mr. Hoagland stated that this loan was approved a year ago and has been back at least twice. Mr. Hoagland provided a brief history of the business and overview of the project. The reason for the first loan increase was partly our fault with regard to the Davis-Bacon Act (the "Act") and construction. We thought the project was not subject to the Act because he was doing the work himself but it is subject to the Act and he had to re-negotiate his contracts. We increased the loan from \$150,000.00 to \$200,000.00 and the Borrower bought the parking lot that he thought he already bought, which was a misunderstanding. The PRA is now going to agree to take a Note back in the amount of \$18,000.00, which is the purchase price of the lot, and PEDP will share a first position mortgage on the lot to the extent of the \$18,000.00. For this \$50,000.00 loan increase, the Borrower has to raise one dollar (\$1) for every two dollars (\$2) of PEDP, which would be an additional \$25,000.00 that the principal must raise. If he raises \$5,000.00, we will make available a \$10,000.00 amount. We hope to have the project completed. The space just has to be totally fit out for the restaurant and we hope that it will open in January or early February.

At 12:38 P.M. Daniel Murphy arrived at the meeting.

It was questioned how the Borrower will demonstrate the \$1 for every \$2 of PEDP funds. Mr. Hoagland responded that it will be deposited into an account. Questions with regard to the value of the property, the collateral coverage for the loan, the source of the value of the property that was utilized to evaluate collateral, and the source and amounts of all project funds were raised and answered. It was questioned

whether the Borrower keeps estimating the budget incorrectly or was our original loan never sufficient. Mr. Hoagland responded that our original loan was insufficient. It was questioned whether we knew that it was not sufficient at the time that the loan was made. Mr. Hoagland responded that he was unable to answer that question because it was before his time. It was questioned whether we have seen budgets and whether we are confident this will complete the project. Mr. Hoagland responded that he has been through the budgets three (3) times. The principal's other assets and cash flow were questioned and answered. It was questioned whether we have projections that could be provided to the committee. Mr. Hoagland responded in the affirmative, that he has monthly projections. Mr. Gralnek requested that Mr. Hoagland have the Borrower provide projections to us monthly and circulate those to the board. Mr. Gralnek stated to the committee that Mr. Hoagland would provide the projections before the next meeting.

Upon a motion made by Donald Gralnek and seconded by Doris Blanchard and Daniel Murphy, it was voted to recommend approval of the request of Jamel MEP, LLC d/b/a Ramaraya Cafeteria for a second loan modification in the amount of \$50,000.00, increasing the loan from the original amount of \$150,000.00 to \$250,000.00. Borrower is to submit monthly projections that are to be distributed to the board. The Borrower is also to raise an additional \$25,000.00 in funds in order to receive the additional PEDP loan funds. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the loan request of DiCenzo, Inc., Rudolph A. DiCenzo, III and Rudolph A. DiCenzo, Jr., 61 Cumberland Street, Providence, Rhode Island, 02908, in the amount of \$45,000.00. Mr. Hoagland presented the loan request and began by providing a brief history of the business and the principals. The PEDP funds will be utilized to refurbish existing equipment. The business is a start-up of an old business. PEDP will be in first position on all of the equipment. It is a low overhead business that they operate out of the father's house. The business will add two (2) to (3) people to its payroll immediately. Mr. Gralnek added that Mr. Hoagland ran the two (2) new loans by HUD. Mr. Hoagland stated that the response from HUD was positive and this is the kind of lending we should be doing. It was questioned whether the father or the son will be considered to be the new hires. Mr. Hoagland responded that technically they could be but that we are not doing that and that the business will have to hire one (1) to one and one-half (1.5) full-time equivalent new positions. How old the equipment is that they are going to refurbish was questioned and concern was expressed over the age of the equipment. The loan fund disbursement process was briefly discussed, which will ensure that the loan funds goes to what was intended.

Upon a motion made by Daniel Murphy and seconded by Donald Gralnek and Frank Benell, it was voted to recommend approval of the loan request of DiCenzo, Inc. in the amount of \$45,000.00 as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the loan request of Reymond's Brother Tailor Shop and Laundromat, LLC, Ruben Ogando and Alba Baez, 211-213 Cranston Street, Providence, Rhode Island, 02907, in the amount of \$45,000.00.

At 12:58 P.M. Mr. Smiley left the meeting. Before leaving, Mr. Smiley noted that there was still a quorum present and wished everyone happy holidays. Mr. Smiley appreciates everyone's support and patience through a fair amount of transition as we continue to evolve and implement the plan. It has been a year in the making to make this more highly functioning and more accountable and hopefully a better use of this board's time. Mr. Smiley looks forward to everyone's support as we reconstitute the board in the next couple of weeks. Mr. Smiley will see everyone in January and thanked Mr. Piccerelli again for his willingness to serve.

Mr. Hoagland presented the loan request and began by providing an overview of the project and a brief history of the business. Mr. Hoagland saw the tax returns of the previous owner and the business was profitable. He is happy to recommend approval of the loan request. The business will be creating two (2) to three (3) new jobs in addition to the principals. Upon a motion made by Daniel Murphy and seconded by Doris Blanchard, it was voted to recommend approval of the loan request of Reymond's Brother Tailor Shop and Laundromat, LLC in the amount of \$45,000.00 as presented. Motion passed by unanimous vote.

EXISTING LOAN REQUESTS

The next agenda item entertained by the Loan Committee was the request of staff for the approval of a name change of the Borrower LGee Auto Collision, Inc. Mr. Hoagland presented the request. The business formed a new corporation since the loan request was presented and the Borrower's new name will be LGEE Auto Collision II, LLC. Attorney Mark Ryan stated that we just have to ensure that all of the assets and equipment of the business have transferred to the new corporation. Upon a motion made by Doris Blanchard and seconded by Daniel Murphy and Frank Benell, it was voted to recommend approval the name change of the Borrower. Confirmation is to be obtained that the assets and equipment of the business have transferred to the new corporate entity. Motion passed by unanimous vote.

The next agenda item entertained by the Loan Committee was the request of Kurator, Inc. for the approval of the write-off of the IIP loan to the Borrower. Mr. Hoagland presented the request. Mr. Hoagland began by providing a brief overview of the IIP Program and the status of the IIP portfolio. Six (6) of the companies that have received the IIP loans have converted. This company is one more that has wound down and ceased operations. Fourteen (14) of the loans were previously written off in the amount of approximately \$700,000.00. Seven (7) or eight (8) of the companies are still operating. The success of the program in relation to the industry standard was briefly discussed. Upon a motion made by Daniel Murphy and seconded by Frank Benell, it was voted to recommend approval of the write-off of the IIP loan to Kurator, Inc. Motion passed by unanimous vote.

OTHER BUSINESS

The next agenda item was Other Business. There were no matters of Other Business.

EXECUTIVE SESSION

The next agenda item was Executive Session. There were no matters for Executive Session.

A motion to adjourn was then made by Doris Blanchard and seconded by Frank Benell, and the meeting was adjourned at 1:12 P.M.

Approved: January 14, 2016