

MINUTES OF

**THE RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING
AUTHORITY**

Meeting #427 – October 7, 2005

PRESENT: Frank R. Benell -- Chairperson

Donald Harris – Member

Robert H. Luneberg -- Member

ABSENT: Frances H. Gammell-Roach -- Vice Chairperson

ALSO PRESENT: Earl F. Queenan, Jr. -- Manager

Alicia A. Pomfret -- Assistant Manager

Anthony J. Scolavino -- Sr. Financial Program Administrator

Claudine Tikoian -- Financial Program Manager

Thomas V. Moses, Esquire -- Legal Counsel

The meeting was held at One West Exchange Street, Providence, and was called to order by Mr. Benell at 8:54 a.m.

Mr. Benell presented the Minutes of the Meeting of September 14,

2005. Following review, Mr. Luneberg made a motion to accept the Public Session Minutes and Executive Session Minutes as presented, and to maintain the confidentiality of the Executive Session Minutes. Mr. Harris seconded, and it was unanimously adopted. A roll call vote was taken:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Mr. Queenan presented the Watch List as of September 30, 2005. He told the Board that he will be meeting later in the day with RHODY TRANSPORTATION. Mr. Scolavino reviewed his memorandum to the Board dated October 6, 2005 regarding Mr. Kobusch's offer in connection with the AKL FLEXO TECH-USA, LP litigation. After discussion of Mr. Kobusch's offer, a motion was made by Mr. Harris, was seconded by Mr. Luneberg, and was unanimously adopted to authorize staff to execute any and all documents in connection with Mr. Kobusch's guarantee. A roll call vote was taken:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

After this, a motion was made by Mr. Harris, was seconded by Mr. Luneberg, and was unanimously approved to accept the Watch List

as submitted. A vote by roll call was held:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Mr. Queenan presented the Portfolio Report as of September 30, 2005.

After review and discussion of the report a motion to accept the report as presented was made by

Mr. Harris, was seconded by Mr. Luneberg and was approved unanimously. A vote by roll call was held:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Mr. Richard Pacheco, Authority external auditor, of Lefkowitz, Garfinkel, Champi & DeRienzo, PC, joined the meeting. He performed a detailed review of the Authority's Financial Statements for the Fiscal Years Ended June 30, 2005 and 2004. He reviewed his communication to the Board and the comment on journal entries. Following discussion, a motion was made by Mr. Luneberg, was seconded by Mr. Harris, and was unanimously approved to accept the Financial Statements as submitted. A vote was held by roll call:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Mr. Pacheco then left the meeting.

Mr. Queenan presented the proposed Meeting Schedule for the Calendar Year 2006.

Mr. Moses suggested changing the meeting date to the first Friday of each month. After discussion, a motion was made by Mr. Harris, was seconded by Mr. Luneberg, and was unanimously approved to change the 2006 Meeting Schedule to the first Friday of each month.

A roll call vote was taken:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Under other business, Mr. Queenan noted that there were no administrative matters to address. He then told the Board that he would like to discuss the concept of a demand term loan credit facility. He explained that projects of late typically need credit lines, but the Authority securitizes the collateral that a bank would require for a line of credit. He asked if anybody had any thoughts on devising a policy. After some discussion, Mr. Moses proposed that if the Small Business Loan Fund Corporation agrees to provide a

demand, term loan, with a maximum term of 5 years not to exceed \$250,000.00, to borrowers that receive loans from third-party lenders (“Unaffiliated Loans”) insured by the Rhode Island Industrial-Recreational Building Authority (“IRBA”). The demand term loan will be used solely to pay principal and interest on the borrower’s Unaffiliated Loan that is insured by IRBA.

SBLFC can determine the amount of the demand term loan in accordance with SBLFC’s customary and usual underwriting procedures. The demand term loan could be provided upon IRBA’s issuance of insurance for a particular borrower’s Unaffiliated Loan. One of the conditions of the provision of the demand term facility to a particular borrower would be that IRBA has executed and delivered a Mortgage Insurance Agreement with regard to the Unaffiliated Loan.

To provide SBLFC with security for the demand term loan, IRBA can enter into an intercreditor agreement with SBLFC. In this side agreement, IRBA would agree to share its collateral for the Unaffiliated Loan with SBLFC on a pari-pasu basis. This means that, for example, if IRBA insures \$1,250,000.00 of an Unaffiliated Loan, and SBLFC provides a \$250,000.00 demand term loan, IRBA would agree to give SBLFC 1/5 ($\$250,000.00/\$1,250,000.00$) of the proceeds realized from IRBA’s collateral, up to the amount of SBLFC’s outstanding indebtedness under the demand term facility.

After this, a motion was made by Mr. Harris, was seconded by Mr.

Luneberg, and was unanimously approved to adopt this policy. A roll call vote was then taken:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

Mr. Queenan discussed CHESTNUT HILL AVIATION. He explained that the Company will be applying to the Small Business Loan Fund Corporation for a Working Capital Loan and to Commerce Bank for a matching Line of Credit for which he is requesting a vote. The Commitment expires on December 30, 2005. Mr. Carp is also asking if the Board would entertain increasing the mortgage insurance based on a new appraisal amount. Mr. Queenan recommended that the Board should not do so. He asked the Board if they would consider the approval of the anticipated working capital loan and line of credit. After further discussion, Mr. Luneberg motioned, Mr. Harris seconded and it was unanimously adopted 1) to deny Mr. Carp's request for an increase in the mortgage insurance, 2) to allow Commerce Bank or any other acceptable lender to provide a \$250,000 line of credit to be secured by a 1st security interest in accounts receivable and inventory and a 3rd position on all business assets of Areroserv Express, Inc., and 3) to allow the SBLFC to provide a working capital term loan in the amount of \$250,000 to be secured by a 2nd leasehold mortgage on real estate located 300 Jenks Hill Rd., Smithfield, a 2nd security lien on accounts receivable and inventory and a 4th position

on all business assets of Aeroserv Express, Inc. A vote was taken by roll call:

Mr. Harris – aye

Mr. Luneberg – aye

Mr. Benell – aye

There being no other business to discuss, Mr. Benell requested a motion to adjourn.

Mr. Luneberg motioned, Mr. Harris seconded, and it was unanimously approved to end the meeting.

The meeting adjourned at 9:55 a.m.

Respectfully submitted,

Alicia A. Pomfret

Assistant Manager & Assistant Secretary