

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

OCTOBER 26, 2006

A monthly meeting of the Board of Directors of the Small Business Loan Fund Corporation was held in public session at the offices of the Rhode Island Economic Development Corporation, One West Exchange Street, Providence, Rhode Island on October 26, 2006 at approximately 9:35 a.m.

Present were Board Members: Raymond Fogarty (Chair), Edward Rendine, Maurice Paradis and William Parsons. Absent was Board Member Richard DeMerchant. Also present were: Earl Queenan, Anthony Scolavino, Alicia Pomfret, staff, along with Thomas V. Moses, Legal Counsel and Meredith Holderbaum, of the Senate Fiscal Office.

Mr. Fogarty called the meeting to order at 9:35 a.m.

Adoption of Minutes

The first item to come before the Board was consideration for adoption of the Minutes from the Board Meeting held on September

28, 2006. Mr. Parsons made a motion to approve the Public and Executive Session Minutes and Mr. Rendine seconded the motion, which was unanimously passed.

Executive Minutes

The second item to come before the Board was the consideration of maintaining the Executive Session Minutes of the September 28, 2006 meeting as confidential.

Mr. Parsons made a motion, Mr. Rendine seconded, and the motion passed unanimously.

Cash Position / Portfolio Activity / Delinquency Review

Mr. Scolavino presented the Reports of Cash Position, Portfolio Activity and Delinquency Review as of September 30, 2006. Following Mr. Scolavino's review of these reports, the Board noted that they did not have any questions for Mr. Scolavino.

Request to increase the Micro-Loan Fund set aside by an additional \$250,000, for a total set aside of \$750,000

Messrs. Queenan and Scolavino addressed the Board concerning this request and verbally detailed the status of loans approved, committed and pending applications to be presented. Mr. Scolavino responded to questions posed by Mr. Rendine regarding the performance of the fund's portfolio. Following this, a motion was made by Mr. Rendine, was seconded by Mr. Parsons, and was unanimously adopted to increase the Micro-Loan Fund set aside for an additional \$250,000, for

a total aggregate set aside of \$750,000.

Update on United States Economic Development Administration request for September 20, 2006 and Status of the USEDA appeal

Mr. Queenan verbally updated the Board on the status of the appeal and the SBLFC's request to the USEDA. He reported that the SBLFC is again in compliance by the USEDA's method of calculation as of March 31, 2006. He has received a letter from the USEDA advising the SBLFC to consolidate 4 of the funds into 1 fund for future calculations. Mr. Queenan noted that the SBLFC has been suggesting this to the USEDA for several years now. In light of the compliance, the USEDA has lifted the sequester of the Core, Defense, and Fisheries Funds. The URI loan fund will remain sequestered. Mr. Queenan then reported the loans that have recently paid off. Mr. Scolavino reported that these payoffs will avail \$1,300,000 to the revolving loan fund for lending to new applicants. Mr. Queenan added that staff has been informed by RYLA that the company intends to pay off their loan in the near future.

OTHER BUSINESS

Mr. Queenan requested the Board's consideration of adding RYLA to the Agenda at the Company's request as they are seeking a waiver of a financial covenant violation that their auditor had very recently brought to management's attention. A motion to add RYLA to the agenda was made by Mr. Parsons, was seconded by Mr. Rendine, and was unanimously adopted.

Mr. Queenan explained that a Company Representative had contacted him early this week and informed him that although the Company intends to pay off their loan, their auditor has informed them that they are out of compliance with the SBLFC's required deadline date for the submission of their fiscal year end financial statement. The Company's fiscal year end has been changed from July 31st to December 31st. The auditor has advised the Company to request waivers in connection with the submission deadline and for the change in fiscal year end. Following brief discussion, Mr. Rendine made a motion, Mr. Parsons seconded, and it was unanimously approved:

- 1) To allow the change in the fiscal year end from July 31, to December 31, effective December 31, 2005.**
- 2) To extend the submission requirement for the fiscal year end financial statements for 90 days following December 31, effective December 31, 2005 and annually thereafter.**

OTHER BUSINESS

Mr. Queenan requested the Board's consideration of adding to the agenda for discussion purposes, Narragansett Pellet. A motion was made by Mr. Parsons, was seconded by Mr Rendine, and was unanimously adopted. Mr. Queenan explained that the Bill Cardon of the Company contacted him yesterday to discuss the possibility of the Company submitting an application request for additional

financing from the SBLFC. They are having some additional work performed at the facility for fire code improvements. After discussing the Company's situation further, it was concurred that the Company is eligible to submit another application to the SBLFC.

EXECUTIVE SESSION

At 9:56 a.m. Mr. Parsons made a motion to move the next portion of the meeting into Executive Session pursuant to the Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of RI 1956 (1988 Reenactment), as amended. Mr. Rendine seconded the motion, which passed unanimously.

At this point, Ms. Holderbaum excused herself from the meeting.

Upon a motion made by Mr. Parsons and seconded by Mr. Rendine, the Board unanimously voted to return to Public Session at 10:43 a.m.

Ms. Holderbaum rejoined the meeting.

Executive Session Vote Ratification

The next item to come before the Board was the ratification of voting held during the Executive Session. The following votes were presented for ratification:

On behalf of ROME PACKING COMPANY, INC, to release of the SBLFC's collateral position on the Smithfield building, subject to the conditions outlined in the Executive Session portion of the meeting.

On behalf of AJ MARTIN to approve the loan request for \$250,000, subject to the conditions outlined in the Executive Session portion of the meeting.

On behalf of VICTORY FOODS Loan Request for \$250,000, to table this request.

Mr. Parsons made a motion to ratify each of the aforementioned votes, as voted upon during the Executive Session portion of the meeting. Mr. Paradis seconded the motion, and the motion was passed unanimously.

Upon a motion made by Mr. Parsons, and seconded by Mr. Paradis, the Board unanimously voted to adjourn. The meeting concluded at 10:46 a.m.

Respectfully submitted,

Earl F. Queenan, Jr.

Director of Accounting & Finance