

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

October 21, 2010

PUBLIC SESSION

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on October 21, 2010 at approximately 9:40 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty (Chair), Mr. Thomas Stocker and Mr. Richard DeMerchant. Ms. Leslie Taito arrived at 10:10 a.m. and participated in the remainder of the meeting. Mr. William Parsons was present at the start of the meeting but had to leave at 10:15 a.m. and did not return.

The following Director(s) were absent: NONE.

Also present were: J. Michael Saul, Deputy Director of the RIEDC, Sean W. Esten, Corporation Administrator, Steve Nowak, Corporation Administrator, Susan Morgan, Director of Accounting, Jeanine Lucia, Corporation staff, Paul Harley, Moses & Afonso, Ltd. and Thomas V. Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. **Call to Order.**

Mr. Fogarty called the meeting to order at 9:40 a.m.

2. **Approval of the Minutes of the Meeting Held on August 25, 2010.**

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on August 25, 2010. Upon motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to approve the Public Session Minutes and the Executive Session Minutes of the meeting held on August 25, 2010 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. Parsons, Mr. Stocker and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

3. Maintain the Executive Minutes of August 25, 2010 Confidential.

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on August 25, 2010. Upon motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on August 25, 2010 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. Parsons, Mr. Stocker and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

4. Report of Cash Position as of September 30, 2010.

Mr. Esten presented the report of Cash Position as of September 30, 2010. Mr. Esten reported that since that have been no recent loans, the cash position has improved. Mr. Moses asked about leveraging the cash portfolio and both Mr. Saul and Mr. Parsons noted that such activity would require legislative action and compliance with certain EDA restrictions and limitations. Mr. DeMerchant inquired as to whether the Corporation in general is prohibited from selling the portfolio. Mr. Esten stated that the Corporation could sell chargeoffs but faces limitations for other activity. Mr. Saul provided further information regarding the same.

5. Report of Portfolio Activity, Delinquency Loans and Loan Forbearances as of September 30, 2010.

Mr. Esten presented the report of Portfolio Activity, Loan Delinquency Report and Loan Forbearance Report as of September 30, 2010.

6. Discussion of Status of Job Reporting and Tracking as well as Pipeline Database.

Mr. Esten provided a brief summary of the current status of job tracking and the pipeline database. Thereafter, Mr. Esten introduced Ms. Lucia who presented a detailed status update regarding the same.

Following Ms. Lucia's presentation, the Board discussed the job tracking report and open issues related to the same. Mr. Stocker inquired as what steps were being taken to track down any missing information. Mr. Esten provided a summary of the Corporation's efforts to obtain status reports from the assorted borrowers.

Mr. Saul next provided a detailed report on his suggestions to improve the reporting and compliance process. In particular, Mr. Saul recommended that applicants be required to report under the loan documents with any failure to comply being treated as an event of default with related penalties.

The Board next discussed in detail the preferred contents of the monthly job tracking reports. Mr. Moses and Mr. Fogarty each offered suggestions regarding the same. Mr. Stocker added that the Board must receive this information and that the compliance provisions must be strengthened. Mr. Fogarty next raised concerns about verification of the reports and the Board discussed several options to ensure the accuracy of the reports. Mr. Saul recommended that the loan documents include a verification process with penalties for failure to comply. Mr. Parsons offered that he was concerned about the process and default rate. Thereafter, the Board discussed acceptable penalty rates and options for enforcement of the same.

Mr. Parsons recommended that Mr. Esten discuss the reports with the staff and determine what is needed. Ms. Taito and Mr. Stocker each added that they would be assisting in the process. Mr. Moses offered that this information is critical and needs to be completed as soon as possible to determine the status of the portfolio.

7. Other Business.

The staff confirmed that there were no other matters to be discussed during this portion of the public meeting.

8. Executive Session

Mr. Fogarty asked the Board if there was a need to move into executive session and the Board confirmed there were no matters requiring executive session.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Ms. Taito and seconded by Mr. Stocker, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Parsons.

The meeting was adjourned at 10:36 a.m.

Respectfully submitted,

/s/ Sean W. Esten
Sean W. Esten, Administrator

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