

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

November 17, 2011

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 November 17, 2011, scheduled for 9:30 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, Mr. William Parsons, Ms. Leslie Taito and Mr. Thomas Stocker.

The following Director(s) were absent: Mr. Richard DeMerchant

Also present were: Sean Esten, Corporation Administrator, Steve Noack, Corporation Administrator, Stacy Farrell, Corporation Staff, Susan Morgan, Corporation Administrator, Earl F. Queenan, Managing Director of Financial Services, Tim Cole, RIEDC Staff, and Tom Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. **Call to Order.**

Mr. Fogarty called the meeting to order at 9:32 a.m.

2. **Approval of the Minutes of the Meeting Held on October 27, 2011.**

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 October 27, 2011. Upon motion duly made by Mr. Parsons and seconded by Ms. Taito, the motion to approve the Public Session Minutes and the Executive Session Minutes of the above noted meeting as presented was duly adopted.

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

The following Directors voted against the foregoing: None.

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

3. Maintain the Executive Minutes of October 27, 2011 as 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 October 27, 2011. Upon motion duly made by Mr. Parsons and seconded by Ms. Taito, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

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

The following Directors voted against the foregoing: None.

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

4. Report of Cash Position as of October 31, 2011.

Mr. Queenan asked if there were any questions or comments regarding the Cash Report for the period ended October 31, 2011 (Exhibit A). Mr. Esten noted that further reports would be affected by the foreclosure of the properties related to the guarantors of TS Enterprises, Inc. f/k/a Red Farm Studio Company. There was no further discussion on this report.

5. Delinquency Loan Report as of November 10, 2011.

Mr. Queenan reviewed the Loan Delinquency report dated November 10, 2011 (Exhibit B) with the board. There was a question from counsel regarding the Nationwide Diesel delinquency. Mr. Esten stated that counsel for the borrower did not provide the materials requested to allow staff to submit a formal request for additional funding. He further noted that the borrower is currently seeking to exit his current lease and consolidate operations from two facilities to one facility which is located in North Smithfield. Mr. Stocker asked for a status on Cleanscape. Mr. Noack indicated that there was a potential buyer for the facility which was held by SBLFC as collateral. If this should occur, there would be substantial recuperation of the outstanding balance. Mr. Queenan gave an update regarding Pawtucket Asphalt. He stated the borrower came to the offices of the EDC to discuss their current situation and indicated that they were currently in a Forebearance Agreement with BankRI which was scheduled to term out at the end of the year. There was very little liquidity for the business. Once their Forebearance Agreement was renegotiated the company would like to discuss its payment options with SBLFC. Mr. Queenan indicated that each company that had been asked to attend a meeting with staff had done so, other than Ada's Creations and Solid Rock Properties LLC (The Liberty Elm). Should they continue to be unresponsive, demand will be made. There was no further discussion regarding this report.

6. Approval of the Regular Meeting Schedule of the Corporation for 2012

There being no discussion regarding the proposed schedule, a motion was made by Mr. Stocker and seconded by Mr. Parsons to approve the Regular Meeting schedule of the Corporation for 2012 (Exhibit C) as presented.

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

The following Directors voted against the foregoing: None.

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

7. Review and Approval of the Rules and Regulations of SSBCI funds

Mr. Esten and Mr. Queenan reviewed the proposed Rules & Regulations for the SBLFC allocation under the State Small Business Credit Initiative (Exhibit D). Mr. Queenan explained that the total funding received by the state was \$13.1 million. Currently the money is being held by the Department of Administration. He further noted that all funding would flow through the SBLFC. The funds were to be allocated as follows: \$1.7 million to the SBLFC, \$9 million to Slater, and \$2 million to BetaSpring, with the remainder to be used for administration of the funds. Mr. Esten advised the board that the rules and regulations before them were taken from the application submitted to the US Treasury for the funds. He further advised that the rules and regulations mirror those in place for the current SBLFC program except in that the requirement of a bank rejection would not be necessary as the objective of these funds is to achieve 10 to 1 leverage. It was anticipated that these funds would yield approximately 12 additional loans to small businesses in Rhode Island through the SBLFC. After review, board members asked that the 9th bullet point on page one which stated “*Loans will have a minimum interest rate of 6.5% and a maximum term of seven years*” be removed as it was contradictory to the interest rate range provided on the second page.

There being no further discussion a motion was made by Mr. Parsons and seconded by Mr. Stocker to approve the Rules and Regulations subject to the above mentioned revision.

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

The following Directors voted against the foregoing: None.

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

8. Review and Approval of Resolutions with BetaSpring and Slater

Mr. Queenan indicated that the resolution with Slater was not prepared for review at this time. It would most likely be necessary to hold an emergency meeting prior to the regularly scheduled December SBLFC Board meeting in order to review this resolution once it was complete. He advised the Board that the SBLFC would be acting as a conduit to BetaSpring and Slater for the funding that would be available through the SSBCI

program and reviewed the proposed Resolution with BetaSpring (Exhibit E). The funds that would be available to BetaSpring would be in the amount of approximately \$2 million. BetaSpring would then make investments in Rhode Island business with the funds and would be required to leverage the funds 10 to 1 over a 5 year period. Board members expressed concerns regarding possible non-performance by the entity and questioned if SBLFC would have any recourse should this happen. Mr. Queenan stated that the overall funding to all entities, SBLFC, BetaSpring, and Slater was to be done in three tranches from the Department of Administration in the amount of approximately \$4 million each time. He noted that 80% of the funds would have to be devoted to actual projects prior to requesting additionally funding. BetaSpring and Slater would be required to provide quarterly reports of their status. Should any entity not perform with their funds the SBLFC would have the ability, through its Resolutions with the other entities, to remove funds from that partner and move them any of the other entities that was performing as agreed. Mr. Moses stated that the exhibits which were noted in the Resolutions were not complete at this time. If the Board was to approve the resolution it should do so subject to the final the Resolution containing all applicable exhibits being brought before the board when available.

There being no further discussion a motion was made by Mr. Parsons and seconded by Ms. Taito to approve the Resolution with BetaSpring, with the contingency that when available the exhibits noted within it would be available for review by the board members.

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

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. DeMerchant,

9. Executive Session

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Ms. Taito and seconded by Mr. Stocker, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

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

The following Directors voted against the foregoing: None.

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

Public session concluded and executive session began at 10:22 a.m.

10. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. Parsons and seconded by Ms. Taito, the following votes were ratified:

- (a) To deny the request for a \$150,000 loan by Sakonnet Vineyards, LP
- (b) To approve the request for a \$250,000 loan by National Marker, Inc.
- (c) To approve the request for a \$300,000 loan by SD Concepts.

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

The following Directors voted against the foregoing: None.

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

11. Other Business

Mr. Queenan briefed the board regarding a possible combination of the current Minority Investment Development Corporation (MIDC) and the Urban Revitalization Fund (TURF). Both entities have not been lending. The merged entity would be brought under the direction of the SBLFC in order to be used for urban outreach. The programs currently have approximately \$1.2 million in lending capacity in addition to an outstanding loan portfolio totaling approximately \$400,000. Mr. Queenan anticipated the process to accomplish this merger would take place within the next thirty days.

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 Mr. Parsons and seconded by Ms. Taito, the motion to adjourn the meeting was duly adopted.

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

The following Directors voted against the foregoing: None.

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

The meeting was adjourned at 10:56 a.m.

Respectfully submitted,

/s/ Sean Esten
Sean W. Esten, Administrator

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