

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

June 27, 2012

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 Wednesday, June 27, 2012, 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. Richard DeMerchant, Mr. Jose Monteiro and Ms. Yahaira Placencia.

The following Director(s) were absent: Mr. William Parsons

Also present were: Sean Esten, Corporation Administrator, Adam Quinlan, Corporation Staff, Stacy Farrell, Corporation Secretary, Susan Morgan, Corporation Administrator, Armeather Gibbs, Managing Director of Urban Finance and Business Development, Christopher Cannata, Corporation Staff, Denise Barge, Corporation Staff and Tom Moses, Esq., Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. **Call to Order.**

Mr. Fogarty called the meeting to order at 9:37 a.m.

2. **Approval of the Minutes of the Meeting held on May 24, 2012**

The first item to come before the Board was approval of the Minutes of the Board meeting held on May 24, 2012. Upon motion duly made by Ms. Placencia and seconded by Mr. Monteiro, 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. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

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

3. Maintain the Executive Minutes of the May 24, 2012 meeting 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 May 24, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia, 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. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

4. Report of Cash Position as of May 31, 2012.

Ms. Morgan asked if there were any questions or comments regarding the Cash Report for the period ended May 31, 2012 (Exhibit A). There being none, there was no further discussion on this report.

5. Delinquency Loan Report as of June 15, 2012

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated June 15, 2012 which includes the notes outlining the discussions of the subcommittee (Exhibit B). He noted that the upcoming agenda items for Recommended Charge Offs and SBLFC Reserve Allocation would further address some of the companies on the Delinquency report. There was no further discussion regarding this report.

6. Appointment of Board member to Delinquency Subcommittee

Mr. Fogarty noted that the Delinquency Subcommittee meets monthly to discuss delinquent borrowers in greater detail and to address next steps with each. He noted that Ms. Leslie Taito and Mr. Richard DeMerchant had been serving on the subcommittee and the departure of Ms. Taito has left a vacancy which should be filled by a current board member. He asked if any other board member would like to serve in her place. Mr. Monteiro volunteered to serve.

Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia the motion to elect Mr. Jose Monteiro to the Delinquency Subcommittee was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

7. Recommended Charge-Offs

Mr. Esten reviewed his memorandum to the Board regarding the current recommended charge-offs for the program (Exhibit C). There was some discussion regarding the charge off rate for the program overall. Mr. Esten indicated that over the life of the program the charge off rate was approximately 4%. Board members asked that staff provide the total dollar amount of charged off loans from 2007 to the present and to also provide a total of outstanding loans at the present time. There was no further discussion regarding the recommended charge offs.

Upon motion duly made by Mr. Monteiro and seconded by Ms. Placencia the motion to approve the recommended charge-offs as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

8. SBLFC Loan Reserve Allocation

Mr. Esten presented his memorandum regarding the recommended SBLFC Loan Reserve Allocation (Exhibit D). After some discussion it was recommended that the matter be tabled for a vote until the next board meeting. This would allow the delinquency subcommittee to meet and review how the reserves are allocated and to establish a policy for future reserves. There was no further discussion regarding this matter.

9. Status discussion of Directors and Officers (D&O) Insurance

Ms. Morgan noted that she was in the process of getting quotes for additional coverage, as well as reviewing any benefit to having SBLFC carry its own policy. She also noted that the current policy which had been in place and covered multiple boards was nearing expiration. She was confident that the quotes could be presented at the July meeting and indicated she would update the board throughout the process. There was no further discussion regarding this matter.

10. Authorization for Chairman to present Mr. Tom Stocker and Ms. Leslie Taito with a Certificate of Appreciation for their service to the SBLFC Board and to the State of Rhode Island.

Mr. Fogarty asked that the Board approve the adoption of the Resolutions (Exhibit E) on behalf of the SBLFC to recognize Mr. Tom Stocker and Ms. Leslie Taito for their dedicated service to the SBLFC and the State of Rhode Island as members of the board.

Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant the motion to adopt the Resolutions as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

11. Other Business

There was no further business to come before the Board.

Executive Session

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Mr. Monteiro and seconded by Ms. Placencia, 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. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

Public session concluded and executive session began at 10:14 a.m.

12. Executive Session Vote Ratification

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

- (a) To deny the request for collateral subordination from DC Enterprises, Inc. d/b/a Village Motors.
- (b) To approve the request for release of funds at a reduced amount of \$50,000 from requested \$100,000, subject to additional information being provided for current balance sheet as outlined in executive session.
- (c) To approve the request of Biomes for a \$26,000 loan
- (d) To table the request for \$250,000 loan from The Audette Group for further information.
- (e) To confirm the loan denials of the following companies:
 - Diversified Global Technologies, LLC.-
\$250,000

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

13. Adjournment

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. Monteiro and seconded by Ms. Placencia, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: Mr. Parsons

The meeting was adjourned at 10:42 a.m.

Respectfully submitted,

/s/ Stacy Farrell
Stacy Farrell, Secretary