

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

January 24, 2013

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 Thursday, January 24, 2013, 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, and Mr. Richard DeMerchant.

The following Director(s) were absent: Ms. Yahaira Placencia and Mr. Jose Monteiro.

Also present were: Sean Esten, Corporation Administrator, Daniel Price, Corporation Administrator, Armeather Gibbs, RIEDC Staff, Stacy Farrell, Corporation Secretary, Christopher Cannata, Corporation Staff, Denise Barge, Corporation Staff, Tom Moses, Esq., Moses & Afonso, Ltd and John Pagliarini, Chief of Staff for RIEDC.

Mr. Fogarty presided over the meeting.

1. **Call to Order.**

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

2. **Approval of the Minutes of the Meeting held on December 13, 2012**

The first item to come before the Board was approval of the Minutes of the Board meeting held on December 13, 2012. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to approve the Public and Executive Session Minutes of the above noted meeting as presented was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

3. Maintain the Executive Minutes of the December 13, 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 December 13, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Parsons, 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 and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

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

Mr. Esten asked if there were any questions or comments regarding the Cash Report for the period ended December 31, 2012 (Exhibit A). The Board and staff then entered into discussion regarding the excess cash which was available to lend. It was suggested that some money be allocated toward marketing of the program. It was also suggested that staff work with the Communications department of the RIEDC to get some success stories out from companies who had recently benefitted from SBLFC financing. There was some discussion about possibly lowering the interest rate for Borrowers. Partnership with banks was also suggested as a way to help companies who could not get bank financing. The Board asked that staff meet to discuss some of these ideas and come back to them with an action plan.

5. Delinquency Loan Report as of January 18, 2013

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated January 18, 2013 (Exhibit B). There being none, Mr. Esten noted that further discussion would take place in Executive Session regarding any legal action to be taken against delinquent Borrowers.

6. Recommended Charge Offs

Mr. Esten noted that the charge off Memo before the Board (Exhibit C) had an additional substantiation Memo which would be addressed in Executive Session. He asked that the Board approve the charge offs as recommended. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to approve the recommended charge offs as presented was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

7. Revised Disaster Relief Policy.

Mr. Moses noted that he met with staff following the previous Board meeting in order to revise the Disaster relief policy. The new policy was presented to the Board (Exhibit D). Mr. Moses noted that revised policy removed the staff approval, and Board ratification. It now stated that the Board has approval authority and staff can only recommend. Additionally staff had requested from the US Economic Development Administration (“EDA”), that the condition of a bank denial letter be waived from these applications in order to expedite the approval process for the Borrowers. EDA has since denied the request; therefore the policy now includes the requirement of a bank denial letter from applicants. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to approve the revised disaster relief policy as presented was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

8. Compliance Audit Request for Proposal

Mr. Esten provided the Board with a draft of a proposed Request for Proposal (“RFP”) relating to a suggested compliance audit of the SBLFC (Exhibit E). He stated that he felt it would be prudent at this time to ask an outside firm to complete a compliance audit of SBLFC which would include the funds received through the State Small Business Credit Initiative (“SSBCI”) and would extend to the partners of this initiative which are BetaSpring and the Slater Technology Fund. He asked for the Board to advise as to whether the proposal should incorporate the EDA funds as well as the SSBCI funds as part of one audit, or if there should be two separate RFP’s to address them separately. The chairman suggested that a subcommittee be formed to review the request and that their recommendation be brought before the Board at the next meeting.

Executive Session

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

Public Session concluded and Executive Session began at 10:18 a.m.

9. 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 Mr. DeMerchant, the following votes were ratified:

- (a) To table the SSBCI allocation discussion and hold a special meeting of the Board to discuss only this topic.
- (b) To approve the request of Breachway Bait and Tackle for a \$15,000 loan under the disaster relief program, subject to conditions outlined in Executive Session.
- (c) To approve the request of Sea Shell Motel for a \$25,000 loan under the disaster relief program, subject to conditions outlined in Executive Session.
- (d) To approve the request of Cluck! LLC for a \$70,000 loan subject to conditions outlined in Executive Session.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

10. Other Business

Mr. Esten indicated to the Board that staff was currently working on revised policy and procedure and that he would like the Boards input throughout the process. He noted that staff would start to bring these policies and procedures before the Board for their review and approval and suggested that a subcommittee be formed to help staff develop them. The Board was willing to do so and asked that this topic be addressed at the next meeting.

Mr. Fogarty also indicated that a special meeting of the Board would take place on February 7, 2013 at 9:30 a.m. to address SSBCI funding and the SBLFC's responsibilities relating to these funds and their responsibilities relating to their partners BetaSpring and the Slater Technology Fund.

1. 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. Parsons and seconded by Mr. DeMerchant, the motion to adjourn the meeting was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Ms. Yahaira Placencia and Mr. Jose Monteiro.

The meeting was adjourned at 12:11 p.m.

Respectfully submitted,

/s/ Stacy Farrell
Stacy Farrell, Secretary