

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

February 21, 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, February 21, 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. John Pagliarini, and Mr. Richard DeMerchant.

Ms. Yahaira Placencia and Mr. Jose Monteiro joined the meeting while it was in progress.

The following Director(s) were absent: None

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.

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 January 24, 2013

The first item to come before the Board was approval of the Minutes of the Board meeting held on January 24, 2013. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Pagliarini, 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. Pagliarini and Mr. DeMerchant.

The following Directors voted against the foregoing: None

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

Ms. Placencia joined the meeting at this time.

3. Maintain the Executive Minutes of the January 24, 2013 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 January 24, 2013. Upon motion duly made by Mr. Pagliarini and seconded by Mr. DeMerchant, 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. Pagliarini, Ms. Placencia and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Jose Monteiro.

Mr. Monteiro joined the meeting at this time

4. Report of Cash Position as of January 31, 2013.

Staff asked if there were any questions or comments regarding the Cash Report for the period ended January 31, 2013 (Exhibit A). There was some discussion regarding potential applicants and the strength of the current pipeline. Mr. Cannata noted that recent efforts were being made to reach out to individual companies rather than the previous approach of meeting with Banks to discuss the programs. He indicated that he recently met with a few companies that seemed to be good candidates for the program. There was no further discussion regarding this report.

5. Delinquency Loan Report as of February 15, 2013

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated February 15, 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. SBLFC Interest Rate Policy

Mr. Esten provided the Board with a proposed policy regarding the interest rate of the Small Business Loan Fund (Exhibit C). He stated that the reason for this policy being brought before the Board was due to recent discussions that had taken place regarding various credits which were being brought before them and the questions regarding how the rates were being determined. He felt that in the past there had not been any determination by the Board as to the appropriate rate for the types of credits within the SBLFC portfolio. He noted that this policy needed to take into account the economic development aspect of

the program, the fact that the program was self-funding in that staff and administrative costs are funded out of the income the program earns, the higher risk profile since a bank rejection is required under the grant agreements which initially funded the program, and an understanding that the goal of the program should be to entice borrowers to refinance with traditional lenders when these avenues become available to them. He stated that having rates that were lower than banks would not encourage borrowers to refinance which should be a priority for the fund so that it can replenish its capital and use funds to aide businesses who are not yet “bankable”. Mr. Esten’s current recommendation was for the rate range for the program to be Prime +2% to Prime +3% with a standard base of Prime +2.5%. He noted that using the current Prime rate, the new standard rate would be 5.75%. The Board agreed with Mr. Esten’s decision and asked that staff work with the Communications department to help get the rate change information out to the business community. There being no further discussion regarding this policy suggestion, Mr. Fogarty asked for a motion by Board members. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, the motion to approve the recommended rate policy as presented was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

7. March Meeting (Request to Change Meeting Date)

Staff asked that the Board consider moving the March meeting, which was currently scheduled for March 21, 2013, to March 28, 2013. This would allow staff and the subcommittee developed to review the compliance audit proposals ample time to review bids and present their suggestion to the Board at the next meeting. The Board agreed to move the meeting date subject to proper posting of the meeting as required by Rhode Island’s Open Meetings Law.

Executive Session

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

Public Session concluded and Executive Session began at 9:55 a.m.

8. Executive Session Vote Ratification

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

- (a) To confirm the loan denials of the following company:
- Newport Majestic Cruises- \$25,000
 - Two Little Fish, Inc.- \$20,000

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

9. Other Business

There was no further business to come before the Board.

10. 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 Ms. Placencia and seconded by Mr. DeMerchant, the motion to adjourn the meeting was duly adopted.

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

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

The meeting was adjourned at 10:03 a.m.

Respectfully submitted,

/s/ Stacy Farrell
Stacy Farrell, Secretary