

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

August 22, 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, August 22, 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. Richard DeMerchant, Mr. John Pagliarini, Mr. Jose Monteiro, and Ms. Yahaira Placencia.

The following Director was absent: Mr. Raymond Fogarty

Also present were: Stacy Farrell, Corporation Secretary, Sean Esten, Corporation Administrator, Mr. Daniel Price, Corporation Administrator, Ms. Denise Barge, Corporation Staff, Mr. Christopher Cannata Corporation Staff, Mr. Tom Carlotto, Secretary of the Rhode Island Economic Development Corporation, Mr. Marcel Valois, Executive Director of the Rhode Island Economic Development Corporation, and Tom Moses, Esq., Moses Afonso Ryan Ltd.

Mr. DeMerchant presided over the meeting.

1. **Call to Order.**

Mr. DeMerchant called the meeting to order at 9:36 a.m.

2. **Approval of the Minutes of the Meeting held on July 25, 2013**

The first item to come before the Board was approval of the Minutes of the Board meeting held on July 25, 2013. Upon motion duly made by Mr. Monteiro 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, Mr. Monteiro and Ms. Placencia

The following Directors voted against the foregoing: None

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

3. Maintain the Executive Minutes of the July 25, 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 July 25, 2013. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, 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, Mr. Monteiro and Ms. Placencia

The following Directors voted against the foregoing: None

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

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

Staff asked if there were any questions or comments regarding the Cash Report for the period ended July 31, 2013 (Exhibit A). There was some discussion as to the amount of excess cash available to lend. Marketing was questioned and it was noted that this was a topic for further discussion on the agenda. There was no further discussion regarding this report.

5. Delinquency Loan Report as of August 19, 2013

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated August 19, 2013 (Exhibit B). Staff noted that Providence Specialty Products had made a payment since the date of the report. Mr. Esten noted that further discussion would take place in Executive Session regarding any legal action to be taken against delinquent Borrowers.

6. To Discuss Marketing of the Small Business Loan Fund

Mr. Christopher Cannata, Manager of Client Services for the Rhode Island Economic Development Corporation, addressed the Board. He indicated that Client Services noticed an increase of activity from businesses that had banking relationships which they had outgrown, meaning the banks' lending policies were making it difficult to borrower additional capital. Mr. Cannata felt these clients would be a great fit for SBLFC as the program allows for participation with lenders. There was some further discussion regarding collateral materials for marketing efforts as well as the use of emails to get the word out. Mr. Marcel Valois, Executive Director of the Rhode Island Economic Development Corporation, assured the Board that marketing efforts were taking place within the agency and asked that he be allowed to address the Board at their next meeting regarding this topic.

7. Loan Loss Reserve Allocation for Fiscal Year 2014

Mr. Esten presented the Board with a Memorandum outlining the recommended loan loss reserve for fiscal year 2014 (Exhibit C). He noted that in the past the fund reserved a percentage of the fund balance as a reserve, however, the new accounting firm which was conducting a financial audit of the fund asked that troubled loans also be accounted for individually for reserve. Mr. Esten indicated that there could be further discussion in Executive Session regarding these companies. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, the motion to accept the loan loss reserve allocation as presented was duly adopted.

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

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

8. Other Business

There were no other items to come before the Board in Public Session.

Executive Session

Mr. DeMerchant suggested that the Board move into Executive Session. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, 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. Monteiro and Ms. Placencia

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

Public Session concluded and Executive Session began at 9:51 a.m.

9. Executive Session Vote Ratification

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

- (a) To approve the request from Schulz Boat for a \$300,000 loan, subject to the conditions as outlined in Executive Session.

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

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

(b) To approve the request from Bucket Brewery for a \$25,000 loan subject to the conditions as outlined in Executive Session.

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

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

(c) To approve the request from Olneyville Housing Authority for a \$700,000 Brownfields loan subject to the conditions as outlined in Executive Session.

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

The following Directors voted against the foregoing: None
The following Directors recused themselves from voting: Mr. Monteiro
The following Directors were absent for the vote: Mr. Fogarty

(d) To approve the request for collateral subordination from National Marker Company.

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

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

(e) To approve the request for collateral subordination from Pilgrim Screw Corporation.

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

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

(f) To approve the request for collateral subordination from Atlantic Footcare.

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

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

(g) To confirm the loan denials of the following companies:

- Plaza & Sons Trucking - \$50,000

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

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

10. Adjournment

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

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

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

The meeting was adjourned at 11:32 a.m.

Respectfully submitted,

/s/ Stacy Farrell
Stacy Farrell, Secretary