

PROVIDENCE BUSINESS LOAN FUND, INC.
THURSDAY, JANUARY 14, 2016
BOARD OF DIRECTORS MEETING MINUTES

A meeting of the Providence Business Loan Fund, Inc. (PBLF) Board of Directors was held at the office of the Department of Planning and Development, 444 Westminster Street, Providence, Rhode Island, in the 1st Floor Conference Room on January 14, 2016. The Board of Directors meeting was called to order at 12:12 P.M, with Brett Smiley, Chairman, presiding. Roll call of the members and legal counsel was conducted. A quorum was present.

MEMBERS IN ATTENDANCE

Members in attendance included Brett Smiley, Frank Benell, John (Jack) Bentz, Doris Blanchard, Allyson Cote, Donald Gralnek and David Piccerelli.

MEMBERS ABSENT

Members not in attendance were Stephen DelSesto, Esq. and Daniel Murphy.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Cosentino and Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance were Mark T. Ryan, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; Thomas Hoagland, Acting Assistant Director and PEDP contract underwriter; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development.

MEETING MINUTES

The minutes of the December 10, 2015 Providence Economic Development Partnership, Inc. (PEDP) Loan Committee meeting and the December 16, 2015 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by Frank Benell and seconded by John Bentz, it was voted to approve the minutes of the December 10, 2015 PEDP Loan Committee meeting with the amendment of adding David Piccerelli under the "Others in Attendance" section of the minutes. A new motion was made by John Bentz and seconded by David Piccerelli and it was voted to approve the minutes of the December 10, 2015 meeting as amended. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Today is the first meeting under the new name and authorities. Attorney Mark Ryan will take us through if there are any items of housekeeping to address. Thomas Hoagland will lead us through pending loans, updates and approvals.

A copy of the new brochure was distributed to the board, which will be translated into Spanish and any other requested languages. It is the first PR piece we have put out, in keeping with our outreach program. The ground we are trying to cover is to be accessible to the middle market. We think there is a competitive advantage for us at the \$50,000.00 level. Mr. Gralnek provided a brief review of the requirements and terms of the loan program.

Donald Gralnek provided a brief review of the portfolio to the board by reading a loan analysis prepared by Sally Brito. Mr. Gralnek did not make copies but he will have a loan analysis report available to the board at next month's (February) meeting. The intent is to decrease the default rate to less than ten percent (10%) as we want our metrics to read as if we were a commercial lender.

Mr. Smiley indicated that we return to agenda item #2 and asked for a motion to approve the December 16, 2015 PEDP Board of Directors meeting minutes. Upon a motion made by John Bentz and seconded by Frank Benell, it was voted to approve the minutes of the December 16, 2015 PEDP Board of Directors meeting as presented. Motion passed by unanimous vote.

The next matter presented was the report of additional actions necessary in connection with the loan to Naga Food Products relative to the previous approval granted by the PEDP Board of Directors on February 23, 2013. Kathy Cosentino presented a review of the actions. The additional actions and modifications to the approved actions were as a result of the period of time that transpired between the approval date of those certain loan modifications and PEDP's receipt of the requisite documentation to institute those modifications. The delay was due to a foreclosure mediation and first mortgage reinstatement that was in process that needed to be resolved before going forward with the modification approvals.

Attorney Mark Ryan noted that he drafted a shorter motion than what is outlined on the meeting agenda and read the motion into the record. The motion read as follows: to approve the additional actions on the Naga Food Products loan, taken relative to previous approval granted by the PEDP Board of Directors on February 23, 2013, as presented. Upon a motion made by John Bentz and seconded by David Piccerelli, it was voted to approve the additional actions taken in connection with Naga Food Products as read by attorney Mark Ryan. Motion passed by unanimous vote.

Ms. Cosentino requested an additional separate motion to move the arrearage on the loan that existed at the time of the original approval to the end of the loan term also be voted on. Ms. Cosentino explained that this piece of the loan modification was not voted upon by the board as part of the original approval. The vote was necessary in order for those modifications to be made to the Borrower's loan account. The original loan modification request was for both relief and to re-write the then loan arrearage to a balloon payment at the end of the loan term. Upon a motion made by David Piccerelli and seconded by Doris Blanchard, it was voted to approve moving the arrearage at the original approval date to the end of the loan term relative to the Naga Food Products loan. Motion passed by unanimous vote.

The additional actions relative to the Naga Food Products loan were as follows: 1) waiver and removal of late fees that have assessed since the approval date of February 23, 2013 and PEDP's receipt of the requisite documentation on August 7, 2015; 2) waiver and removal of the loan payments that have come due during the above period (see #1); 3) loan arrearage outstanding at the time of the approval (February 2013) moved to the end of the loan term as a balloon payment; and 4) interest that accrued since the approval date through July 31, 2015 shall also be held in suspense (in addition to interest that had accrued at the time of the approval) and forgiven should twenty-four (24) on-time payments be made by the Borrower, in accordance with the loan modification previously granted.

MOTION AND VOTE TO APPOINT OFFICERS AND SENIOR MANAGEMENT

The next agenda item entertained by the Board of Directors was the election of officers and senior management. Mr. Smiley stated that we do have a recommended slate for consideration. We are recommending the following individuals: Donald Gralnek as Vice-Chairman; Daniel Murphy as Secretary; Doris Blanchard as Treasurer; and Thomas Hoagland as Director. Attorney Mark Ryan noted that Mr. Hoagland is being put forth as the title of director and not as a director of the Board of Directors. It is a staff director.

A motion was made by John Bentz and seconded by Frank Benell to appoint the board officers of Vice-Chairman, Secretary and Treasurer as presented above. Motion passed by unanimous vote

A second motion was made by John Bentz and seconded by Allyson Cote and it was voted to appoint Mr. Hoagland as a staff director. Motion passed by unanimous vote.

NEW LOAN REQUESTS / PROGRAMS

The first agenda item entertained by the Board of Directors under New Loan Requests / Programs was the review of loans/programs for approval. Mr. Smiley noted that there were no matters under this agenda item.

The next agenda item entertained by the Board of Directors was the review of pending loans. Mr. Hoagland presented this agenda item. Mr. Hoagland provided a status update relative to the loan approvals to LGEE Auto Collision II, LLC; DiCenzo, Inc. and Reymond's Brother Tailor Shop & Laundromat, LLC relative to collateral issues and loan closing status. Mr. Hoagland hopes to have a couple of new items next month.

EXISTING LOAN REQUESTS

The next agenda item entertained by the Board of Directors was PBLF loan write-offs and the presentation of collection effort closure letters from legal counsel and an additional IIP loan that has wound down for a vote to approve the write-off of the loans. Attorney Ryan stated that there were no new closure letters since the last meeting and proceeded to provide an overview and status of the matters that have been referred to legal counsel for collection.

Mr. Hoagland referred the directors to page 17 of the meeting package which contains a letter from PBLF legal counsel regarding the write-off recommendations with no further collection action relative to those loans as well as the one (1) additional IIP loan for write-off.

Mr. Smiley stated that to editorialize for a moment, we have all seen some of the public scrutiny with the long-term accumulation of bad debt. It is our hope and intention that this becomes a regular part of our responsibility and course of business that we stay on top of these so we do not find ourselves in the position of writing off one million dollars of bad debt. As we determine that they are uncollectible, we stay on top of it and it becomes a regular function of the responsibilities of this board. While he is not pleased that we have failing loans, he is pleased that we are staying on top of it and have turned a new leaf in terms of how we treat, address and reconcile the bad loans on our books.

Upon a motion made by David Piccerelli and seconded by John Bentz, it was voted to approve the write-off of the three (3) loans and once (1) IIP loan as presented on page 17 of the meeting packages. Motion passed by unanimous vote.

The loans to be written-off are Italian Oven, Veritas Painting, Inc. and Vincent N. Hunte d/b/a Vincent's Kitchen. The IIP loan to be written-off is Pennant Co.

The next agenda item entertained by the Board of Directors was the request of staff to waive the late fees in the amount of \$188.31 [\$179.34] and other modification to the collateral position in connection with the loan to Eagle Square Commons, New England Expedition Providence I, LLP. A review of the loan status was also to be provided. Donald Gralnek presented the matter and first provided a brief history of the project, the developer, the PEDP loan, and PEDP's collateral interest. The loan is to be extended and substitute new collateral pledged. The request today is for the board to provide authorization for Mr. Gralnek to sign the guaranty once the collateral is established, which we do not have today. Questions relative to collateral were raised and answered.

Attorney Mark Ryan stated that the vote would be to authorize the Executive Director to approve a change in the collateral position of the PBLF with respect to the PBLF's \$500,000.00 loan to New England Expedition-Providence I, LP, such collateral to be satisfactory to the Executive Director in his sole and absolute discretion. The motion was made by John Bentz. It was requested that it be added to the motion that the Executive Director report back to the board regarding what that collateral is that is

pledged. Upon a motion made by John Bentz and seconded by David Piccerelli, it was voted to authorize the Executive Director to approve a change in collateral position of PBLF as outlined above. The Executive Director is to report to the board regarding the collateral pledged. Motion passed by unanimous vote.

Upon a second motion made by Jack Bentz and seconded by Frank Benell, it was voted to approve the waiver of late fees, in the amount of \$188.31 [\$179.34] with respect to the PBLF'S \$500,000.00 loan to New England Expedition-Providence, I, LP. Motion passed by unanimous vote.

It was questioned whether the board could set limits on what can be waived without a board vote. It was responded that this was already voted on by the board and would be located and provided to the board.

The next agenda item entertained by the Board of Directors was the consideration and vote of further extending the loan terms of the remaining active IIP loans. The current terms were extended to and matured on December 31, 2015. Mr. Hoagland presented the agenda item. Mr. Hoagland stated that he will prepare for the next meeting a report on the IIP portfolio. Last year the board extended all the IIP loan terms to the common maturity date of December 31, 2015. Mr. Hoagland will get information on updated financial reports on all active IIP Borrowers and report next month. He will recommend December 31, 2016 as a further extension.

Mr. Smiley noted that iterations of this board have previously discussed that this is a pilot program where we decided to partner with Betaspring to provide small loans and take an interest with the open understanding that most of these would fail and that it is the nature of the business. This board at that that time was entirely comfortable with that reality. There have been some great successes, of note is board member Allyson Cote's and her partner's company.

Questions were raised and answered. Mr. Hoagland provided a status of the IIP portfolio and a brief overview of the terms of the IIP loan program. Resources that are available to the companies was questioned. Mr. Smiley responded that Mr. Hoagland will obtain the response to that question.

Upon a motion made by Allyson Cote and seconded by David Piccerelli, it was voted to extend all active IIP loans to December 31, 2016 (loan maturity date). Motion passed by unanimous vote.

OTHER BUSINESS

The next agenda item was Other Business. The first item of Other Business was the vote to approve the annual meeting calendar for 2016. Ms. Cosentino presented the annual meeting schedule. Upon a motion made by Frank Benell and seconded by John Bentz, it was voted to approve the annual meeting calendar for 2016.

The next agenda item entertained by the Board of Directors was the review of the loan status of the loan to Community Works RI for the Broad Street Revitalization LP project. Mr. Gralnek presented the request. Mr. Gralnek provided a brief overview of the original project as well as the original and current collateral. The assets have been taken over by One Builders f/k/a Olneyville Housing Corporation. The PEDP loan service exceeds the commercial rent, with which they are not comfortable and want the payment reduced. An appraisal was recently completed by Andolfo and two (2) values were given depending on whether all four (4) of the commercial units are rented or only three (3). The values came in at \$325,000.00 and \$250,000.00 respectively. Mr. Gralnek will present a recommendation next month to write-down the loan. There will not be a HUD payback on this loan. We are comfortable that the National Objective was met and therefore we do not need HUD approval to write down the loan. This was a good business decision on their part since the loan payment was based upon a collateral value of \$900,000.00.

It was questioned whether OHC was the same one as on the Aging Report. A little bit of history on the loans listed on the Aging Report was requested. Mr. Hoagland responded that he can share the expanded Loan Aging Report with the director requesting the information. The shorter version is used for the meetings because it does not contain confidential information.

EXECUTIVE SESSION

The next agenda item was Executive Session. At 1:06 P.M., a motion was made by Frank Benell and seconded by Doris Blanchard, and it was voted to convene into Executive Session pursuant to Rhode Island General Law §42-46-5(a)2 to discuss potential litigation involving PBLF. Motion passed by unanimous vote.

At 1:13 P.M. a motion was made by John Bentz and seconded by Allyson Cote to reconvene in public session. Motion passed by unanimous vote.

MOTION AND VOTE TO SEAL MINUTES OF EXECUTIVE SESSION

A motion was made by John Bentz to seal the minutes of Executive Session.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

Attorney Mark Ryan reported that there were two (2) votes taken in Executive Session and pursuant to Rhode Island General Laws §42-46-4(b) that the votes taken in closed session not be disclosed for the period of time during which its disclosure would jeopardize any strategy, negotiation, or investigation undertaken pursuant to executive discussions conducted under §42-26-5(a). Upon a motion made by David Piccerelli and seconded by Doris Blanchard, it was voted to approve the motion as read by attorney Mark Ryan. Motion passed by unanimous vote.

A motion to adjourn was then made by David Piccerelli and seconded by Doris Blanchard and Frank Benell, and the meeting was adjourned at 1:14 P.M.

Approved: February 18, 2016