

***PROVIDENCE BUSINESS LOAN FUND, INC.***  
***THURSDAY, FEBRUARY 18, 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 1<sup>st</sup> Floor Conference Room on February 18, 2016. The Board of Directors meeting was called to order at 12:06 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, John (Jack) Bentz, Allyson Cote, Stephen DelSesto, Esq, Donald Gralnek, Daniel Murphy and David Piccerelli.

**MEMBERS ABSENT**

Members not in attendance were Frank Benell, Jr., and Doris Blanchard.

**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; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development Thomas Hoagland, Director and PEDP contract underwriter.

**MEETING MINUTES**

The minutes of the January 14, 2016 Providence Business Loan Fund, Inc. (PBLF) were submitted for review and approval. John Bentz made a motion to approve the meeting minutes. Thomas Hoagland noted that Kathy Cosentino will amend the minutes to change the word “webpage” to “brochure” as being distributed in the Report of the Executive Director section. John Bentz then made a motion to approve the meeting minutes as amended, which was seconded by Daniel Murphy, and it was voted to approve the minutes of the January 14, 2016 PBLF Board of Directors as amended. Motion passed by unanimous vote.

**REPORT OF THE EXECUTIVE DIRECTOR**

Donald Gralnek began by providing a brief overview of the status of the borrowing entity and collateral pledged in connection with the loan to South Providence Development Corporation (SPDC). Mr. Gralnek also presented building expenses that have been incurred by PBLF. PBLF will be paying the expenses of the building and adding the payment of those expenses to our asset. There is a federal loan that is secured by the building that converts to a grant this summer. Mr. Gralnek is looking into the government’s willingness to do so. Questions were raised and responded to.

The next item under the Report of the Executive Director was the PBLF updated Aging Report. Mr. Gralnek asked Mr. Hoagland to present this matter. Mr. Hoagland began by presenting the additional loan write-offs for consideration and action. Mr. Hoagland noted that the write-offs being presented today are in the amount of approximately \$200,000.00. Mr. Hoagland then proceeded to review the loans that are over 120 days delinquent and their current status.

Mr. Gralnek noted that the context of this matter is two-fold. HUD is coming to review processes mid-March. We will get the portfolio polished up and get rid of as much as we can through collections and write-off. By that time, we will have made considerable progress. We will also have some significant matters wrap up, such as the loans to SPDC and Olneyville Housing Corporation (OHC). In addition, we will take action in March regarding the loan to Paragon Mills and make the loan an asset that is valuable to us. Brett Smiley thanked the staff and stated that we have come a long way in cleaning up

the Aging Report and being more transparent about where we stand and in reporting it to this body and to the new advisory committee. There has been really good progress in a year, which he really appreciates. There is more work to be done but there has been great progress. Clearly we are headed in the right direction. It is the kind of thing that we are expecting and hoping to see and we are seeing it, which is great. Mr. Hoagland noted that with the recent payoff of the Bannister House loan, PBLF now has \$2 million available for new loans and is open for business.

Upon a motion made by John Bentz and seconded by Daniel Murphy and Stephen DelSesto, Esq., it was voted to approve the additional loan write-offs. Motion passed by unanimous vote. The loans to be written-off are Fatty McGee's Restaurants, Inc., Italian World Boutique, Proofed Artisan Breads (DJM Wholesale, LLC), Scoreboard Restaurant (Brix, LLC), State f/k/a Bar One (Tomasso Bar & Grill, Inc.) and Sona, LLC.

#### 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. The first loan request presented was Tavolo Wine Bar, LLC, Leonard and Sherri Mello, 295 Atwells Avenue, Providence, Rhode Island, 02903, in the amount of \$120,000.00. Mr. Hoagland presented the loan request. Mr. Hoagland provided a brief overview of the principals and their existing operation. Mr. Hoagland noted that the cash flow from the existing operation will service the debt for both operations and that we are well collateralized. Questions were raised with regard to collateral values stated in the loan memorandum. It was questioned whether a purchase money security interest would be pledged relative to the equipment to be purchased. Mr. Hoagland responded that a first position security interest in the assets was being pledged.

Concern was expressed by the board with regard to the loan proceeds remaining in Providence and obtaining an itemized and descriptive equipment list. Mr. Gralnek stated that legal counsel Mark Ryan will go ahead and specify in the loan documents that the loan proceeds must be used exclusively for and remain in the Providence location, and will add a covenant that the collateral (e.g. furniture, fixtures, equipment and inventory) of the Providence location is restricted from being exchanged with that of the Smithfield location, or with any other older collateral; and add a covenant to require an equipment list being added to the closing documents, which is to be inclusive of serial numbers (if applicable), model numbers and pictures. It was also requested that a covenant be added to ensure that employees from the Smithfield location cannot be transferred to the Providence location and are to be excluded from constituting new hires at the Providence location in order to meet the job creation requirement of the loan. Kathy Cosentino noted that a current payroll for the Borrower is required to be submitted at the time of the closing to document and establish an employment benchmark. In this case, a payroll for the Smithfield location would also need to be submitted to demonstrate that employees were not transferred to the Providence location. Mr. Hoagland added that there may be some transfer of employees but that those that move from Smithfield would be replaced. They are keeping both locations open so there will not be a decrease in employees. He does not think that we will have any difficulty in meeting the job creation requirement.

Upon a motion made by David Piccerelli and seconded by Stephen DelSesto, it was voted to approve the loan application of Tavolo Wine Bar, LLC, in the amount of \$120,000.00. Motion passed by unanimous vote. The loan approval was granted with the above outlined covenants added to the loan documents, as requested by Mr. Gralnek of PBLF legal counsel.

The next loan request that was presented was of Schastea, LLC d/b/a The Elephant Room, Francisco (tony) and Olga Lopez, 300 Broadway, Providence, Rhode Island, 02903, in the amount of \$140,000.00. Mr. Hoagland presented the loan request. Mr. Hoagland provided a brief background on the existing business and noted that the building on Broadway in which it will be located is owned by Sussy DeLeon,

our Economic Development Advisory Committee member, who referred the applicant to us. Mr. Hoagland then reviewed the use of the funds and collateral being pledged. Mr. Hoagland stated that this loan is not as well collateralized but that there is cash flow from the Pawtuxet Village location to service the debt.

Questions relative to the financials and collateral being pledged were raised and answered. Other than the collateral and its lack of strength, it was questioned of Mr. Hoagland whether he was comfortable with the loan, to which Mr. Hoagland responded in the affirmative.

Upon a motion made by John Bentz and seconded by Stephen DelSesto, it was voted to approve the loan request of Shastea, LLC d/b/a The Elephant Room in the amount of \$140,000.00, as presented. Motion passed by unanimous vote.

#### EXISTING LOAN REQUESTS

The next agenda item entertained by the Board of Directors was existing loan requests for consideration and action. There were no matters under this agenda item.

#### EXECUTIVE SESSION

The next agenda item was Executive Session. There were no matters for discussion in Executive Session.

#### MOTION AND VOTE TO SEAL MINUTES OF EXECUTIVE SESSION

Executive Session was not convened and therefore there was not a motion and vote to seal the minutes of Executive Session.

#### REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

Executive Session was not convened and therefore there was no report.

#### OTHER BUSINESS

The next agenda item was Other Business. There were no matters under this agenda item. The board was asked if they had any matters of other business. The suggestion was raised as to whether it would make sense for PBLF to use statutory loan rates tied to a particular index, such as the Wall Street Journal prime rate plus a certain margin, and have a matrix or tiers of rates that it utilizes based upon the strength of the business, the applicants and the collateral being pledged. It was noted that two (2) loans were approved today and that one had stronger collateral yet both loans were given the same interest rate. Mr. Smiley responded that we should do some research on what our options are under the guidelines and also see what the many other entities related to municipalities or government agencies do and also check with Commerce RI and come back with a couple of options and suggestions for the board to discuss and consider. Ms. Cosentino added that HUD and EDA should be consulted in this matter as both of our regulations provide guidance on how the loan rates are to be set and provide restrictions with regard to caps and floors to the rates that may be charged, which differ by funding source.

The question of whether any of the recent applications have not been for restaurants was raised and answered based upon the recent loan approvals. It was noted that we are a hospitality state and that the city is looking to develop the food industry. The funds available for lending was briefly reviewed again.

Mr. Smiley stated that Mayor Elorza gets regular updates on these meetings. The mayor and he are very pleased at the direction all of this is going in and appreciates everyone's time and service.

A motion to adjourn was then made by John Bentz and seconded by Stephen DelSesto, Esq., and the meeting was adjourned at 1:06 P.M.

Approved: March 10, 2016