

PROVIDENCE BUSINESS LOAN FUND, INC.
THURSDAY, JUNE 9, 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 June 9, 2016. The Board of Directors meeting was called to order at 12:06 P.M, with Donald Gralnek, Vice-Chairman, presiding. Roll call of the members and legal counsel was conducted. A quorum was present.

MEMBERS IN ATTENDANCE

Members in attendance included Donald Gralnek (Vice-Chairman), Daniel Murphy (Secretary), Frank Benell, Jr., Allyson Cote and David Piccerelli.

MEMBERS ABSENT

Members not in attendance were Brett Smiley, Chairman, John (Jack) Bentz, Doris Blanchard (Treasurer), and Stephen DelSesto, Esq.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Cosentino, Arthur Speaks and Gail McGowan.

OTHERS IN ATTENDANCE

Others in attendance were Stephen Izzi, Esq., Moses Afonso Ryan Ltd. (for Mark Ryan, Esq.), PEDP legal counsel; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development, and Thomas Hoagland, Director and PBLF contract underwriter.

MEETING MINUTES

The minutes of the May 12, 2016 Providence Business Loan Fund, Inc. (PBLF) were submitted for review and approval. Thomas Hoagland noted that on page 5 of the meeting package the minutes reflect that Doris Blanchard used the term EDC and we were referring to SBDC. Mr. Hoagland would like to clarify that it is SBDC. Upon a motion made by Frank Benell and seconded by Daniel Murphy, it was voted to approve the minutes of the May 12, 2016 PBLF Board of Directors as amended. The minutes will be amended to change all references to EDC from EDC to SPDC relative to the discussion of the loan to Jamel MEP, LLC and agenda item. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

The first agenda item under the Report of the Executive Director entertained by the Board of Directors was the review of draft PBLF Budget for FY 2017 for consideration and action. Mr. Gralnek noted that the draft budget was distributed to the board at today's meeting. Sally Brito, Director of Fiscal Operations presented a brief overview of the draft budget. Ms. Brito provided brief explanations of the funding sources and discretionary income. Questions were raised relative what was utilized for loan volume and Ms. Brito provided an explanation of the assumptions and projections that were utilized. Mr. Hoagland responded that he hopes that the loan volume will exceed the projection but affirmed that we should meet the projection. Mr. Gralnek noted that we will await feedback from Brett Smiley and will take this matter back to the July meeting. Mr. Gralnek thanked Ms. Brito for the presentation of the budget. No vote was taken in connection with this agenda item.

The next agenda item under the Report of the Executive Director entertained by the Board of Directors was the approval of a change to the registered service agent for PBLF from John Garrahy, Esq. to Donald Gralnek for consideration and action. Upon a motion made by David Piccerelli and seconded by Frank Benell, it was voted to approve the change to the registered service agent for PBLF from John Garrahy, Esq. to Donald Gralnek. Motion passed by unanimous vote.

The next agenda item under the Report of the Executive Director entertained by the Board of Directors was the proposals for legal services for consideration and action. Mr. Gralnek presented this agenda item. Mr. Gralnek noted to the board that we put out a Request for Proposals (RFP) for legal services three (3) weeks ago that was advertised in the Providence Journal and on our website. We received comments from HUD relative to the RFP, which we incorporated into the RFP document. We opened bids yesterday at 2:00 P.M. We received two (2) responses, which were from Moses Afonso Ryan Ltd. and Shechtman Halperin Savage, LLP. Both are fine firms. The proposal required a response in terms of the number of categories that we need legal services in and asked for a billing proposal. There were four (4) categories of legal services in the RFP. The proposals came back the same, both in terms of the hourly rate and the structure of the proposals. Mr. Gralnek's opinion is that they are two good firms and two similar proposals. Once the portfolio is cleaned up, we will just have legal services for loan closings. For the loan closings there is a set procedure with "x" dollars billed at closing paid by the Borrower and the balance is accumulated and paid quarterly by PBLF so that the lawyer gets paid fairly and the fees are not such that the Borrower does not feel that they cannot do business with us. Mr. Gralnek recommended that we approve both firms that submitted proposals for legal services as legal counsel and leave it up to Mr. Gralnek and Mr. Hoagland to decide workloads. A motion was then made by Frank Benell and seconded by Allyson Cote to approve PBLF retaining to (2) firms in accordance with Mr. Gralnek's above recommendation. Mr. Gralnek stated that he will report back to the board on workloads monthly. Motion passed by unanimous vote.

The next agenda item under the Report of the Executive Director entertained by the Board of Directors was the Summary Aging Report. Thomas Hoagland presented the agenda item. Mr. Hoagland reported that the number has come down and asked for any questions on past due loans. The board questioned if there was any new information on the larger ones. Mr. Hoagland provided an update relative to the loans to Mi Sueno and attorney Stephen Izzi provided an update relative to the loan to M.H. Stallman Company. Questions relative to this loan were also raised and answered. Mr. Hoagland then added a brief update relative to the loan to Tobey Waste and Recycling. Mr. Gralnek requested that attorney Izzi provide the back history to this loan, which Mr. Izzi provided to the board.

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. There were no matters under this agenda item.

EXISTING LOAN REQUESTS

The next agenda item entertained by the Board of Directors was existing loan requests for consideration and action. The first matter was from Los Andes, LLC, Edwardo, Cesin and Omar Curi, 903 Chalkstone Avenue, Providence, Rhode Island, 02909, for a loan update from staff and a request for additional financing in the amount of \$70,000.00, increasing the loan approval from \$160,000.00 (consisting of \$145,000.00 plus a ten percent (10%) contingency) to \$230,000.00. The original loan request was in the amount of \$210,000.00 and modified by the board (as outlined above). Mr. Hoagland presented the request. Mr. Hoagland noted that in last month's meeting minutes, the board held up part of the financing until he had detailed information of what some of the costs will be for the renovations. Mr. Hoagland reported that he also had to take into account that it is likely that the Davis-Bacon Act will apply, so they will have to use the appropriate wage rates that we have to negotiate. He has the detailed bids if any of the members wants to see them. The dishwashing equipment is being leased, so it is not of the loan proposal. An updated breakdown of the project costs was distributed in the meeting packages. Mr. Hoagland stated that he is coming back and asking that we increase the \$210,000.00 loan amount that was approved last time and increase it to \$230,000.00. The board noted that \$210,000.00 was not approved by the board. Mr. Hoagland stated that \$210,000.00 was approved but was limited to \$160,000.00 to be disbursed until specific bids could be obtained and brought back to the board.

The board noted that it previously had concern with the working capital portion of the loan proposal and what specifically its use would be for. Mr. Hoagland responded that the working capital was removed from the loan amount. The board expressed that it was curious that the loan amount that was originally requested was \$210,000.00 with \$65,000.00 for working capital that was removed from the loan and that the request is now \$230,000.00. It was questioned how the request was so materially incorrect by \$60,000.00 on the patio portion. Mr. Hoagland responded that he would take the hit for that because we had substituted working capital because we did not have specific bids so we were estimating. A discussion followed with regard to the loan numbers and the fact that the whole scope of the project has now changed. Mr. Hoagland affirmed that the whole project and scope of the patio and patio concept has now completely changed. The board cited the original loan proposal from the April 2016 meeting and reviewed the original use of funds enumerated in the Loan Memorandum.

The board questioned whether the Borrower is still looking to utilize its Amish bid and whether there is any way to encourage Borrowers to outsource bids to Rhode Island companies. It was noted that the Amish construction is all custom built furniture. It was questioned whether the Borrower has bids for all of the work now, to which Mr. Hoagland responded in the affirmative. It was also questioned whether the Borrower has all of their zoning approvals, to which Mr. Hoagland responded in the affirmative. Mr. Hoagland noted that there is a title issue on a portion of the land under the patio that the principals are resolving now. Mr. Hoagland also noted that PBLF has expressed that the title issue has to be resolved before we close and that we will not advance any funds until the title issue is resolved. Mr. Hoagland stated that if the Borrower decided not to do the patio, he would come back to the board. The board noted that was the same contingency as the last approval and questioned whether the vote today would be to just increase the loan, to which it was responded in the affirmative. It was questioned if with the vote today, the project total, meaning the total of the outstanding balance of the existing PBLF loan to Los Andes and the approval of this new loan request, will be \$480,000.00, to which it was responded in the affirmative. Kathy Cosentino noted that the approval last time was subject to zoning approvals and that the title issue is new, so the board may want to make the loan approval contingent upon its resolution.

Mr. Hoagland questioned the board as to whether we could consider the kitchen approval so that if the title issue is not resolved the kitchen project could proceed. The board noted that the original loan approval (in the amount of \$160,000.00) already did so. Ms. Cosentino noted that the last approval was in the amount of \$145,000.00 plus the contingency, which brought the loan amount up to the \$160,000.00 that was approved. The board then noted that the Borrower has enough of an approval already to proceed with the kitchen. Mr. Hoagland agreed. Mr. Gralnek stated that the motion relative to this matter would then be to increase the loan amount to \$230,000.00, the funds for the kitchen would be unconditioned and the funds for the patio would be conditioned upon the title issue being resolved. Mr. Gralnek also stated that we would report back on this matter in July. Mr. Hoagland added that he is fairly confident that the title issue will be resolved as it is owned by one of the brothers of the principal. A motion was then made by David Piccerelli and seconded by Frank Benell and it was voted to approve the increase in the loan amount of Los Andes, LLC to \$230,000.00, from the \$160,000.00 previously approved at the April 2016 meeting. Mr. Gralnek noted that the vote was approved, the loan has been increased, the kitchen can proceed without regard to the title issue and that the patio is tied to the title issue. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the request of Jamel MEP, LLC d/b/a Ramaraya Cafeteria, Manual Peguero, 1005-1007 Broad Street, Providence, Rhode Island, 02905. The request was a third request for additional funds in an amount to be determined, increasing the loan from the original amount of \$150,000.00 (and modified to \$250,000.00). Mr. Gralnek noted that this matter

will be taken in Executive Session and as such we would move to agenda item 7, Motion and Vote to Convene in Executive Session, if there were no other business.

OTHER BUSINESS

The next agenda item was Other Business. There were no matters under this agenda item.

EXECUTIVE SESSION

The next agenda item was Executive Session. A motion to convene into Executive Session was made by Frank Benell and seconded by David Piccerelli. Motion passed by unanimous vote. Executive Session was entered into at 12.51 P.M.

At 1:09 P.M., the board reconvened in public session, with Donald Gralnek, Vice-Chairman, presiding. The motion was made by David Piccerelli and seconded by Allyson Cote to exit Executive Session and to seal the minutes of Executive Session. Motion passed by unanimous roll call vote.

MOTION AND VOTE TO SEAL MINUTES OF EXECUTIVE SESSION

A motion to seal the minutes of Executive Session was made by David Piccerelli and Allyson Cote above and it was voted to seal the minutes of Executive Session. Motion passed by unanimous roll call vote.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

Donald Gralnek reported that during Executive Session there was a discussion with respect to a current Borrower. There was no decision made with respect to any enforcement action to be taken in connection with this matter.

A motion to adjourn was then made by Daniel Murphy and seconded by David Piccerelli and the meeting was adjourned at 1:10 P.M.

Approved: July 12, 2016