

PROVIDENCE BUSINESS LOAN FUND, INC.
TUESDAY, JULY 12, 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 July 12, 2016 (rescheduled from Thursday, July 14, 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, (Chairman), Donald Gralnek (Vice-Chairman), Doris Blanchard (Treasurer), Daniel Murphy (Secretary), and David Piccerelli.

MEMBERS ABSENT

Members not in attendance were Frank Benell, Jr., John (Jack) Bentz, Allyson Cote and Stephen DelSesto, Esq.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Cosentino.

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, and Thomas Hoagland, Director and PBLF contract underwriter.

MEETING MINUTES

The minutes of the June 9, 2016 Providence Business Loan Fund, Inc. (PBLF) were submitted for review and approval. Thomas Hoagland noted that on page 3 of 4 of the minutes, in the second paragraph it states that it was questioned by the board that the project costs for Los Andes were in the amount of \$480,000.00 and that his response to that question was yes. Mr. Hoagland stated that he was at a loss because he is sure that he had said yes but he is not sure where the \$480,000.00 came from for Los Andes. The project cost is the \$230,000.00 that we are funding. Mr. Hoagland requested that we strike that entire sentence from the minutes. David Piccerelli questioned whether this portion of the minutes was from the meeting recording. Kathy Cosentino responded that it was from the meeting recording as well as from her meeting notes. Mr. Piccerelli stated that he thought that it was him that had posed the question. Ms. Cosentino confirmed that Mr. Piccerelli had asked the question. Mr. Piccerelli then clarified that the question related to the total of the two (2) loans that would then be provided by PBLF should the second loan under consideration at that meeting be approved by the board. Mr. Hoagland then requested that it just be clarified in the minutes that the total of the two (2) PBLF loans is \$480,000.00 and not the project costs. Upon a motion made by Doris Blanchard and seconded David Piccerelli, it was voted to approve the minutes of the June 9, 2016 PBLF Board of Directors as amended. The minutes will be amended to change the June 9, 2016 minutes to reflect that the amount of PBLF funding to Los Andes is in the total amount of \$480,000.00, which is the total of both loans. 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 review and approval. A copy of the draft budget was distributed to the directors at the meeting. Sally Brito, Director of Fiscal Operations presented the agenda item. Ms. Brito reviewed the 4 sources of money that we have. We are not lending under the Industrial or 108 funds. Therefore, we are basically looking at the Commercial account. Ms. Brito reviewed the income and expenses for the Commercial funds. Ms. Brito then opened up the floor to questions. It was questioned if we have \$1.6 million available to lend. Ms. Brito responded in the affirmative.

Mr. Smiley noted that the budget may seem like a simple thing, but it is actually a great accomplishment and pretty dramatic strides from where we were a year ago that we are reviewing and hopefully will have an approved budget. There has been a lot of work from our team to get this to this point and that he really appreciates it. Upon a motion made by David Piccerelli and seconded by Doris Blanchard, it was voted to approve the Draft PBLF Budget for FY2017. 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 distributed an update on the collection loans we discussed. Mr. Hoagland noted that Mr. Gralnek will be discussing the loans to SPDC, Cleanscape and Tobey Waste later on the agenda. Mr. Hoagland opened up the floor to any questions and noted that there is not a lot of new information. There will be a hearing on Monday for Stallman and we will know more next week.

Mr. Gralnek proceeded to review the collection report with legal counsel Mark Ryan. The status of the collection of each loan in the report was briefly stated. What happens to a business when we are foreclosing on a property was questioned as was whether it is a parallel process and whether we shut the business down. Attorney Ryan responded that most businesses have shut down by the time we are foreclosing. Attorney Ryan noted that with the new administration, there is a seriousness that the Borrowers have to pay. Reasonable discussion by the Borrowers with staff is fine, but then we have to be aggressive. Mr. Gralnek would expect the \$1.6 million in the budget to increase significantly upon the conclusion of the collection efforts.

Mr. Gralnek stated that HUD is looking at the future direction of the fund and that HUD is concerned with three (3) things. The first is that the available amount of money we have in HUD funds is not in excess of demands. The second is that administrative costs are measured in relationship to the size of our loan volume. Therefore a higher loan volume justifies higher administrative costs. We can either decrease the loan staff of PBLF or shift expenses to the city, which is not likely to happen. We need to generate more loan activity. If we increase the loan volume, we will get money back and some interest.

Mr. Gralnek asked that Mr. Hoagland review the loan pipeline. Mr. Hoagland stated that there were five (5) inquiries this week that should lead to loan prospects of \$800,000.00, \$300,000.00 and other smaller amounts. Mr. Hoagland hopes to have at least two (2) of those loans prepared for the board at the August meeting. He suspects some of our outreach is beginning to generate some inquiries. There have been some other discussions that are preliminary. Mr. Hoagland thinks that if we can get some momentum going, and we will be talking about a marketing plan, he is optimistic that we are creating a flow. It should be recognized that there will not be three (3) loans a month, but that there may be five (5) loans one month and then we may go two months without any loans.

The board noted that if we loan out \$1.6 million in the next six (6) months, we will have nothing left thereafter until we have built the funds back up. Mr. Hoagland responded that the collection efforts plus the loan repayments should fund the new loans, plus we have the ability to request 108 funds. The board noted that it would take a year to build back up to the same net cash flow with the income and expenses stated in the budget.

Mr. Smiley stated that he shares that concern. On the city side, they share the board's concern because practically and politically, if we are setting the expectation that you can get a loan here and then there is not any funds to lend, it is a problem for us. We need to continue to refine our messaging and make sure that there are the appropriate restrictions being applied as a notation to it all. HUD wants to see us

marketing ourselves more and if we were to seek additional funds from HUD, we need to address it. HUD wants to see us marketing ourselves to the community.

Mr. Smiley noted that before we put a advertising plan, it would be a meaningful data point to see whether this \$800,000.00 loan comes together within the next sixty (60) before deciding how much to fund the marking plan. If the loan does go forward, some smart, detailed marketing to loan officers and such would be appropriate and less so mass marketing. If the loan does not go forward, mass marketing would make sense and it may make sense to print the marketing for thirty (30) days. Mr. Gralnek noted that we also need to take longer to review the loan requests. We are overcoming prejudices that were created four to five years ago. With regard to the marketing plan, we need to be able to support the demand side effectively as well.

NEW LOAN REQUESTS / PROGRAMS

There were no matters under this agenda item.

EXISTING LOAN REQUESTS

The agenda item under Existing Loan Requests for Consideration and Action entertained by the Board of Directors was the request from staff relative to the loans to South Providence Development Corporation (SPDC)/Urban League, Cleanscape, Inc. (a/k/a Ecotope Environmental Services, Ltd.) and Tobey Waste and Recycling (Fusion Steel, LLC), 17 Gordon Avenue, Providence, Rhode Island, to: 1) institute legal foreclosure proceedings against the property; 2) authorize Donald Gralnek to negotiate a deed-in-lieu of foreclosure with the Urban League and include our claims for Cleanscape and Tobey Waste and Recycling loans as well as the loan to SPDC; and 3) take action to list the property for sale and to negotiate a purchase and sale agreement for the property with all proposed contacts subject to Board of Directors review and approval.

Mr. Gralnek presented the agenda item. Mr. Gralnek provided a status view of the collection and collateral protection actions being taken by PBLF with respect to the loans to M.H. Stallman Company; SPDC and the property located at 17 Gordon Avenue, Providence, Rhode Island, that is pledged as collateral for the SPDC loan; and Cleanscape and Tobey Waste and Recycling. Mr. Gralnek expects the Stallman matter to finalize in August and PBLF to be paid out by year end. Mr. Gralnek expects that we will get paid out by the end of August on the SPDC/Gordon Avenue matter on a principal basis and perhaps not fees. With respect to the Tobey Waste matter, PBLF will split the sale proceeds of the building with the state 60(PBLF)/40 (CommerceRI).

Mr. Gralnek stated that the action today is to pursue a deed-in-lieu of foreclosure and to institute foreclosure action. Mr. Gralnek asked legal counsel Ryan if separate votes were need or if he reviewed all three actions and one (1) vote would be taken, whether that was okay. Attorney Ryan responded in the affirmative. The three (3) actions are as follows: 1) institute foreclosure action, which he will institute next week; 2) authorize Donald Gralnek to negotiate a deed-in-lieu for the property; and 3) authorize Donald Gralnek to sell the property. Mr. Gralnek stated that he will bring the matter back to the board once we have title to the property. The board expressed that for agenda item #5.a.2., it would like to change authorization to negotiate the deed-in-lieu of foreclosure from Donald Gralnek to “the Executive Director or Donald Gralnek”.

A motion was then made relative to the loans to South Providence Development Corporation (SPDC)/Urban League, Cleanscape, Inc. (a/k/a Ecotope Environmental Services, Ltd.) and Tobey Waste and Recycling (Fusion Steel, LLC), with the amendment to agenda item 5.a.2. striking “Donald Gralnek” and adding “the Executive Director or Donald Gralnek” granting authorization in agenda items 5.a.1, 5.a.2. and 5.a.3. Mr. Gralnek questioned legal counsel as to whether the language of the motion was adequate. Attorney Ryan responded in the affirmative, adding as long as the motion was written out

in the minutes. More specifically, those agenda items for approval are to: 1) institute legal foreclosure proceedings against the property; 2) negotiate a deed-in-lieu of foreclosure with the Urban League and include our claims for the Cleanscape and Tobey Waste and Recycling loans as well as the loan to SPDC; and 3) take action to list the property for sale and to negotiate a purchase and sale agreement for the property with all the proposed contracts subject to PBLF Board of Directors review and approval. The motion was made by Doris Blanchard and seconded by David Piccerelli and the motion approved by unanimous vote.

OTHER BUSINESS

The next agenda item was Other Business. Mr. Hoagland stated that he had a matter of other business pertaining to the loan to Walco Electric. The Borrower are increasing its line of credit by \$100,000.00. We have a co-lending position with Washington Trust. We are in second position. The Borrower and Washington Trust are asking us for approval to do so. Mr. Hoagland stated that we do not need a vote and that he is just reporting that we are approving the increase to the line of credit. Kathy Cosentino noted that we may need a vote because the loan documents require it under the Loan Agreement. Mr. Smiley stated that the matter was not on the agenda and therefore the board could not vote on it today. Mr. Smiley stated that if the matter needs a vote, we will bring it back next month for a vote.

The next agenda item entertained by the Board of Directors was the Presentation of a Marketing Plan Recommendation from the City of Providence Communication Department. Mr. Hoagland presented the agenda item. Mr. Hoagland stated that there would not be a vote today and asked the board to review the recommendation. We are going to go ahead with social media through a program with the Met School at no cost to us. It was questioned if this is an in-house effort. Mr. Hoagland responded in the affirmative. What the costs associated with the recommendation are for was questioned. Mr. Hoagland responded that if we do a direct mailing, the costs are to buy a list. It was suggested that Mr. Hoagland talk to Mark Haywood at the SBA to get their list. Mr. Hoagland stated we also need to discuss if we spend any money on a sell kit.

Mr. Smiley stated that we should bring this matter back to the next meeting with any updates. We can also review the loan pipeline at that time and decide how much to fund a marketing plan.

It was suggested that a \$20,000.00 budget could be reduced down to \$5,000.00 with online apps and internet ads. Mr. Hoagland also suggested that we could do some press work and get some positive press through press releases. The board suggested that Los Andes be utilized since they are a great success story if they would promote us through an op-ed or video. It was suggested that a thirty (30) second video be utilized that can be shared through social media. It was also suggested that it be an app that would be in both English and in Spanish. Mr. Smiley asked that Mr. Hoagland get in touch with the communications office who can draft an op-ed and to also get in touch with the Borrower. Doris Blanchard noted that the state already has a video for Los Andes that highlights the business on the RI Commerce website. It was uploaded to their website when they launched the website and its Latino page.

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.

A motion to adjourn was then made by Doris Blanchard and seconded by Daniel Murphy and the meeting was adjourned at 12:59 P.M.

Approved: August 11, 2016