

PROVIDENCE BUSINESS LOAN FUND, INC.
THURSDAY, SEPTEMBER 15, 2016
DRAFT 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 September 15, 2016. The Board of Directors meeting was called to order at 12:05 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), Doris Blanchard (Treasurer), Daniel Murphy (Secretary), John (Jack) Bentz, Stephen DelSesto, Esq. and David Piccerelli.

MEMBERS ABSENT

Members not in attendance were Frank Benell, Jr., Allyson Cote.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Cosentino and Ronald DiOrio.

OTHERS IN ATTENDANCE

Others in attendance were Thomas V. Moses, Esq. and Stephen A. Izzi, Esq. on behalf of 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 August 11, 2016 Providence Business Loan Fund, Inc. (PBLF) were submitted for review and approval. It was noted that the agenda item on today's meeting agenda states the minutes are of the July 12, 2016 meeting. It was confirmed that the minutes are of the August 11, 2016 meeting as indicated in the meeting minutes.

Mr. Hoagland noted that on page 4 of the minutes, the first paragraph reads that the notice area for a liquor license is a 200 mile radius and should read a 200 foot radius. The minutes will be amended to reflect the above change.

At 12:06 P.M. Stephen DelSesto, Esq. arrived at the meeting.

Upon a motion made by John Bentz and seconded Doris Blanchard, it was voted to approve the minutes of the August 11, 2016 PBLF Board of Directors as amended. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Gralnek stated that the next meeting is on October 13, 2016.

The Aging Report is in the meeting packages. We have made good progress in terms of cleansing the Aging Report. He hopes October will show many further reductions. Several items are on the Executive Session agenda today to deal with this also.

Mr. Gralnek stated that he is just reporting on agenda item 3.a., Waldorf Capital Management, LLC. The board previously approved \$10,000.00 (March 2016 meeting) for Waldorf to report on its analysis of Paragon Mills. Waldorf Capital Management has now submitted a final bill, which Mr. Gralnek has approved.

Thomas Hoagland stated that the board also received a collection action report and that he received letters today from attorney Stephen Izzi on Cactus Grille and Jennifer Rose. We have determined that there is a slight possibility of further recovery on these loans but it is unlikely. Mr. Hoagland recommends the approval of writing those loans off and treating any further recovery as a recovery.

Kathy Cosentino noted that the matter would need to be placed on a meeting agenda for an approval. Mr. Gralnek noted that he will place this matter on the agenda for the October 2016 meeting. The direction will be to propose that this be accomplished on the Aging Report with direction to our counsel to collect as much as you can.

NEW LOAN REQUESTS / PROGRAMS

The first agenda item entertained by the Board of Directors under New Loan Requests was the loan request of Las Delicias Bakery, Maritza Parada, 966 Atwells Avenue, Providence, Rhode Island, 02909, in the amount of \$50,000.00. Mr. Hoagland presented the loan request.

Daniel Murphy and Doris Blanchard indicated that they are both working with the applicant and referred her to PBLF and may need to recuse themselves from voting on this loan request. Attorney Thomas Moses, PBLF legal counsel, questioned whether either director had a financial relationship with the applicant. Both responded in the negative. PBLF legal counsel questioned whether either director received any compensation. Both responded in the negative. Attorney Moses and Attorney Stephen Izzi both stated that neither director had a conflict. The board noted that this is a great example of the board making referrals such as this loan. It also noted that Los Andes, which is also on today's agenda, is also a tremendous example of what we are trying to accomplish and that we should have some press and public relations regarding this loan.

Upon a motion made by John Bentz and seconded by David Piccerelli, it was voted to approve the loan request of Las Delicias Bakery in the amount of \$50,000.00, as recommended and presented. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the re-presentation of the loan request of Raymond's Brothers Tailor Shop and Laundromat, LLC, Ruben Ogando and Alba Baez, 210-217 Cranston Street, Providence, Rhode Island, 02907, in the amount of \$49,000.00. Mr. Hoagland presented the loan request. The board previously approved \$45,000.00 in December 2015 but the seller was unwilling to subordinate her lien to PBLF and the loan never closed. The proposal is now to move the tailor shop across the street and use the tailor shop space to expand the Laundromat. We are very adequately collateralized here. The financials included in the package show that they are profitable.

The discussion was opened up to questions. A question was raised relative to the Balance Sheet and whether the projections include the financing being provided from both sources in the amount of \$100,000.00 and \$49,000.00. Mr. Hoagland responded in the affirmative. It was noted that current and long term liabilities do not add up to \$149,000.00 and that requires a lot of pay back. It was also noted that there are indications of a loan out there. Mr. Hoagland responded that there is an existing loan, which is being repaid by Community Investment Corporation (CIC). This financing pays out the seller.

Upon a motion made by David Piccerelli and seconded by Stephen DelSesto, Esq., it was voted to approve the loan request of Raymond's Brothers Tailor Shop and Laundromat, LLC in the amount of \$49,000.00 as presented. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the re-presentation of the loan request of Los Andes, LLC, Cesin Curi, Omar Curi and Edwardo Curi, 903 Chalkstone Avenue, Providence, Rhode Island, 02908, to increase the approved loan amount to \$280,000.00. A loan in the amount of \$160,000.00 (consisting of \$145,000.00 plus a ten percent (10%) contingency) was approved at the April 2016 meeting. The loan approval was subsequently increased to \$230,000.00 at the June 2016 meeting. The Borrower's original loan request was in the amount of \$210,000.00. Mr. Hoagland presented the loan request. The Borrower did not realize that the glass that was in the specifications of the bid for the patio enclosure was not for insulated glass and it needs to be operational for twelve (12) months of the

year, the cost for which is substantial. The Borrower has asked that the loan approval be increased to \$280,000.00. There are draft year-end financials for last year and seven (7) month results for the current year in the meeting packages, which show continued growth and a continued profitable operation.

We have not closed the loan yet and nothing has been disbursed. The title and zoning issues that were being resolved have now been resolved. It was questioned whether there is documentation in the file regarding the zoning matter being resolved. Mr. Hoagland responded that we will verify that at closing and that the verification is part of the closing documentation. Kathy Cosentino added that any time the board approves a loan subject to certain conditions we have to have documentation to demonstrate that those conditions were met, so there should be documentation in the file by the time of the closing.

The board noted that philosophically it has a problem with this request as it seems that the total scope has changed from what was originally presented. In the first six (6) months of this year, the business is already running at one hundred percent (100%) net profit of what it did last year and therefore should be able to use some of their capital. It was noted that if we look at the prior loan that we just approved to Raymond's Brothers Tailor Shop, they were looking for less money from us, but their total project includes their own capital. Mr. Hoagland responded that the total costs are going to be in excess of the \$280,000.00 and that we are not funding the whole project. It was questioned why we are changing the scope. The total cost of this project was also questioned. Mr. Gralnek questioned whether the board's point was that we should be encouraging them to invest their own funds. The board responded in the affirmative. The board also noted that it feels a little bit awkward with this since they keep changing the scope of the project. Mr. Hoagland responded that valid points were being made. Mr. Gralnek questioned Mr. Hoagland whether it was safe to say that this is the last loan we are making to them. Mr. Hoagland responded in the affirmative and confirmed that he has communicated that to them. Mr. Gralnek questioned Mr. Hoagland whether this was clear to him in terms of communicating it. Mr. Hoagland responded in the affirmative.

The board reiterated that it would want to know the total scope of the project. Mr. Hoagland responded that he has verified the revised bids. The board suggested that the increased loan amount be approved subject to 1) full disclosure from the Borrower on the total of what they are putting in and PBLF receiving grand total project scope numbers; and 2) a contractor managing the project. Mr. Gralnek noted that we also have the requirement that the work is done to code and by qualified contractors. Mr. Hoagland added that we also monitor the construction. Mr. Gralnek stated that if acceptable to the board, the condition of the loan would be that they have professional advice with respect to the management of the construction. The board added that a condition of the loan also be that the Borrower receives final zoning approval.

Upon a motion made by John Bentz and seconded by Doris Blanchard, it was voted to approve the increased loan amount of \$280,000.00 to Los Andes, LLC as requested. The increased loan approval is subject to 1) the Borrower having professional advice with respect to the management of the construction and 2) documentation to evidence zoning compliance and final zoning approval. Motion passed by unanimous vote. The board also requested submission of total project scope numbers by the Borrower.

Mr. Hoagland next introduced Ronald DiOrio, new PBLF staff member and provided a brief overview of the job functions that Mr. DiOrio will be responsible for. Mr. Gralnek welcomed Mr. DiOrio.

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 loan to Mi Sueno, Inc., Jesus Titan, 1070 Broad Street, Providence, Rhode Island, 02905, for approval of the Executive Director entering into

negotiations with the Borrower for the restructure of the outstanding two (2) loans consistent with terms set forth in this presentation and authorizing the Executive Director to execute loan documents consistent with the terms set forth in the presentation. Mr. Gralnek presented the agenda item. There is a foreclosure hearing at the end of the month. We are working hard to restructure these loans. If restructured, the loans would become a current loan. Mr. Hoagland added that the Borrower has been making double payments for the months of June, July and he was unsure of August. Ms. Cosentino confirmed that double payments were also made in the month of August. Mr. Hoagland has not seen the appraisal yet, but the Borrower's attorney has said that the appraisal is in the amount of \$490,000.00. This means that we do have decent equity in our \$166,000.00 loan balance, which will be reduced by the initial payment of \$12,500.00. We will then rewrite the note on a five (5) year note on a ten (10) year amortization at six percent (6%). Mr. Hoagland stated that we will be re-confirming our first position mortgage at that time, we will be getting clean title and will require title insurance. Mr. Gralnek added that it is in our interest to have a performing loan rather than foreclosing.

Upon a motion made by David Piccerelli and seconded by Stephen DelSesto, Esq. and Doris Blanchard, it was voted to approve the authorization of the Executive Director entering into negotiations with the Borrower for the restructure of the outstanding two (2) loans consistent with terms set forth in this presentation and authorizing the Executive Director to execute loan documents consistent with the terms set forth in the presentation. Motion passed by unanimous vote. Mr. Gralnek stated that he will report back to the board in October and that the expectation is that the loan will be closed.

The next agenda item entertained by the Board of Directors was the request of staff relative to the loan to South Providence Development Corporation (SPDC), 17 Gordon Avenue, Providence, Rhode Island, 02905, for approval of authorizing the Executive Director to accept an offer to purchase the property, subject to certain minimum conditions and report any actions to the board. The foreclosure was completed on August 30, 2016. Mr. Gralnek presented the agenda item. At the board's approval, we completed the foreclosure and the loan fund now owns the property. We spent a fair amount of money protecting the asset. The property was vandalized, some wires and plumbing were removed, and there will be some expenses on part of the purchaser. Mr. Gralnek asked whether Mr. Hoagland or attorney Stephen Izzi had any comments regarding this matter.

Attorney Izzi stated that the property is an asset that is in the fund's portfolio now and that it is just a matter of converting it from real estate to cash and getting the best price possible. The SPDC loan balance is in the amount of \$334,800.00 in principal and the Cleanscape loan that is guaranteed by SPDC, is in the amount of \$58,000.00 in principal. There is approximately \$450,000.00 due and owing in principal and interest plus approximately \$50,000.00 in expenses for maintenance and legal fees, which bring it up to \$450,000.00.

Mr. Gralnek added that the intent is to have the property sold by the October meeting. The board questioned whether there is an appraisal of the property. Mr. Gralnek responded that it is difficult because of the condition of the building. The appraisal is in the amount of \$1.1 million assuming the repairs to bring the building into use. The board questioned whether Mr. Gralnek needs an amount for the approval. Mr. Gralnek requested a minimum of \$200,000.00. It was questioned if at that amount it would be at a net potential loss of \$200,000.00. Mr. Gralnek responded that he will probably not accept \$200,000.00. Mr. Gralnek was asked whether \$250,000.00 would be acceptable for a minimum. Mr. Gralnek responded in the affirmative. The board questioned whether any advertising of the location is being done. Mr. Gralnek responded that he has been pursuing those that have contacted him before to express an interest in the property first. If those do not materialize, he will hire a real estate broker.

The board suggested that Mr. Gralnek seek a South Providence organization in need of a building and allow it to purchase the building for \$250,000.00 and they would then utilize the trades to absorb the

costs of the rehabilitation of the property. Mr. Gralnek responded that this was another approach that he will consider if ones that he is using right now do not pan out. Mr. Gralnek expects to sell the property for \$400,000.00.

Upon a motion made by David Piccerelli and seconded by John Bentz, it was voted to authorize the Executive Director a suitable proxy to sell the property located at 17 Gordon Avenue for not less than \$250,000.00. Motion passed by unanimous vote.

NEW BUSINESS / OTHER BUSINESS

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

EXECUTIVE SESSION

The next agenda item entertained by the Board of Directors was Executive Session. At 12:42 P.M. a motion made by David Piccerelli and seconded by John Bentz and it was voted to convene into Executive Session pursuant to Rhode Island General Law 42-46-5(a)(7) and 42-46-5(a)(2) to discuss the investment of public funds as may be necessary for review of loan applicants and to discuss potential litigation involving PBLF. Motion passed unanimously by roll call vote.

Open meeting was resumed at 1:05 P.M.

MOTION AND VOTE TO SEAL MINUTES OF EXECUTIVE SESSION

A motion was made by Stephen DelSesto, Esq. and seconded by David Piccerelli, and it was voted to seal the minutes of Executive Session. Motion passed by unanimous vote.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

The next agenda item entertained by the Board of Directors was the Report on Action Taken in Executive Session. Mr. Gralnek stated that there was discussion and action taken in Executive Session.

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.