

PROVIDENCE BUSINESS LOAN FUND, INC.

THURSDAY, MARCH 12, 2020

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 March 12, 2020. The Board of Directors meeting was called to order at 12:06 P.M., with Theresa Agonia, Vice-Chairperson presiding. Roll call of the members and legal counsel was conducted. A quorum was present.

MEMBERS IN ATTENDANCE

Members in attendance included Theresa Agonia, Deputy Chief of Staff, Office of Mayor Jorge O. Elorza (Vice-Chairperson), Doris Blanchard (Treasurer), Daniel Murphy (Secretary), John (Jack) Bentz, Allyson Cote, Stephen DelSesto, Esq., David Piccerelli and Peter Quattromani.

MEMBERS ABSENT

Members not in attendance were Nicole Pollock, Chief of Staff, Office of Mayor Jorge O. Elorza (Chairperson, Mayor's Elorza's Designee).

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Abbate and Jonathan Hernandez.

OTHERS IN ATTENDANCE

Others in attendance were Stephen A. Izzi, Esq., Moses Ryan Ltd., PBLF legal counsel; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development; Thomas Hoagland, Executive Director, PBLF; Katherine Hypolite, Director of Communications, City of Providence Department of Planning and Development; and Kayleen Lopez, Intern, City of Providence.

MEETING MINUTES

The draft minutes of the January 30, 2020 Providence Business Loan Fund, Inc. (PBLF) Board of Directors meeting were submitted for review and approval. A motion was made by Doris Blanchard and seconded by David Piccerelli for the approval of the minutes of the January 30, 2020 PBLF Board of Directors meeting as presented. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Thomas Hoagland presented the Report of the Executive Director. The agenda item under the Report of the Executive Director for discussion was the Summary Aging Report. Mr. Hoagland stated that the board has the Aging Report. Mr. Hoagland noted that the loan to 121 Washington Street was repaid and that the efforts to clean up the portfolio finally have borne fruit. There is only one (1) outstanding issue, which is the Dr. Karambelas loan. We are waiting for a payout from the receiver so that we may close out this loan. We know the amount that we will be recovering will be \$3,900.00 and the board has already approved the write-off of the balance of the loan. One issue that is under negotiation is Eagle Square. It is not under negotiation by us, but by the bond holders and the city regarding the TIF tax treaty. We are very safe in that loan. It has been paid down from \$500,000 to \$133,000.00 and we have a strong collateral position so it is not a source of principal worry. The other loans are all continuing to make payments and some are falling behind.

A question was raised by the board regarding the payment status of the Los Andes loan due to it having just been levied a major fine against them. Mr. Hoagland responded that they are continuing to make payments. Mr. Hoagland also noted that the restaurants will be particularly sensitive to the coronavirus situation and we may need to negotiate some payment deferrals. We do have a significant number of restaurants in our portfolio. Two (2) more are on our docket today. The situation will not be limited to just restaurants. The board noted the remarkable job that staff has done in cleaning up the portfolio, decreasing the over thirty (30) day past due accounts from over \$1 million to \$60,000 in a short period of time. Mr. Hoagland thanked the board and noted that he has had a lot of help.

Ms. Agonia questioned legal counsel Stephen Izzi regarding Mr. Hoagland's point relative to COVID-19 and asked whether in the future we could suspend interest on the loan for a month and whether there is the flexibility to do so. Mr. Hoagland responded in the affirmative noting that PBLF has waived fees in the past. Mr. Agonia stated that the board could discuss this further at the next meeting. Ms. Agonia noted the Mayor Elorza will be making some announcements on COVID-19 later today and perhaps after that, once we see who will be impacted by that, we could take a look at that. Mr. Hoagland added that the waiver of interest would not be a blanket one but would be done on a case by case basis. Mr. Hoagland stated that if the board was comfortable with Nicole Pollock, Theresa Agonia and him or two (2) out of the (3) being in agreement, they would grant such approvals and report them to the board at the next meeting.

Mr. Hoagland stated that as part of his report, Sally Brito, Director of Fiscal Operations, City of Providence, Department of Planning and Development, has prepared PBLF financials that he would like for her to present to the board. It was stated that a motion and vote would need to be taken to add this discussion topic to the meeting agenda under the Report of the Executive Director. A motion was then made by Peter Quattromani and seconded by Stephen DelSesto, Esq. and Allyson Cote to add the discussion of the PBLF financial statements to the agenda. A Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the period ending on December 31, 2019 were distributed to the Board of Directors at the meeting. Ms. Brito stated that she would start by presenting the Income Statement because the Balance Sheet is just the cash balances to lend. PBLF is ahead in total revenues because we received payment on an old loan that had been written off in 2012 that we were not expecting. PBLF is behind in origination and loan fees from what was budgeted since we have not made the amount in new loans that was projected in the budget. PBLF is right on target with expenditures. PBLF is behind on legal expenses, however we are working with attorney Stephen Izzi now and we will get that paid and up to date. Ms. Brito explained the Due to Other Funds line item and that it is a transfer to other funds that is required since the Section 108 loan is repaid and we have to transfer the 108 loan repayments to the city's CDGB funds. Ms. Brito noted that there is a little over \$2 million to lend out and opened up the discussion to questions.

The board questioned whether there were any marketing announcements. Mr. Hoagland responded that there were some discussions last month about micro-lending and exploring that type of lending but that we haven't made any new marketing decisions. We will bring a proposal back to the board regarding micro-lending, but before we put that into effect, we have to amend our agreements with HUD and EDA to include micro-lending because it is not in our Action Plan. It is not something that will happen in a short period of time. A discussion followed with regard to the type or types of lending PBLF would want to engage in, the amount of work and energy involved in diversifying, staff capacity and the importance of finding a balance of staff and resources.

NEW LOAN REQUESTS / PROGRAMS – FOR CONSIDERATION AND ACTION

The next agenda item entertained by the Board of Directors was New Loan Requests/Programs for Consideration and Action. The first agenda item entertained by the Board of Directors was the loan request of Avenue N East, Inc., Nick and Tracy Rabar, 959 Hope Street, Providence, Rhode Island, 02906, in the amount of \$60,000.00. Mr. Hoagland presented the request. Mr. Hoagland provided a brief overview of the principals and their existing successful restaurant operation in Rumford, Rhode Island as well as a brief background to the Providence restaurant space. The PBLF loan funds will be used for acquisition of inventory and furnishings. Questions of the board regarding the business concept, ownership of the buildings, the business financials, and the status of the Providence building being up to code as well as all appropriate permits being obtained were raised and answered. A discussion followed with regard to the Balance Sheet, compensation to the principals, the principals' equity injection and the possibility of cost overruns and/or additional funds being required to complete the project either in

rehabilitation costs or in marketing expenses. The board indicated that it would rather the Borrower receive additional funds and have a cushion. Mr. Hoagland indicated that he was comfortable with a higher loan amount. A discussion followed with regard to the job creation requirement being met and the fact that the job creation would be documented more easily if the Borrower receives the higher loan amount initially since a lot of jobs will be created in the beginning as opposed to later modifying the loan amount.

A motion was then made by Dan Murphy to approve the loan request of Avenue N East, Inc., with a maximum loan amount of \$100,000.00 and allow the Borrower to determine his total cash injection. The loan approval is modified from the Borrower's loan request of \$60,000.00. The motion was seconded by John Bentz. A question was asked of attorney Izzi as to whether the loan request needs to be amended if the Borrower comes back to us and accepts the higher loan amount. Mr. Hoagland responded in the affirmative, stating that if a higher loan amount is taken by the Borrower, Mr. Hoagland will take the loan request back to the board at its next meeting for approval. David Piccerelli and Stephen DelSesto, Esq. stated that they would abstain from the vote in connection with this loan request. Ms. Agonia questioned whether with two (2) abstentions, the motion still passes. Attorney Izzi responded in the affirmative. Motion passed by vote.

The next agenda item entertained by the Board of Directors was the loan request of UMelt, LLC, Anthony Mardenly, 129 Weybosset Street, Providence, Rhode Island, 02903, in the amount of \$25,000.00. Mr. Hoagland presented the request. Mr. Hoagland provided the board a brief background on the principal and his other business interest. The board questioned whether Mr. Mardenly was involved in the second location on Thayer Street. Mr. Hoagland responded in the negative and a discussion followed with regard to the Thayer Street location and its impact on this location's revenues and expenses. Mr. Hoagland noted that this looks like a good opportunity for them. A discussion followed with regard to collateral being pledged as well as additional funding pending from the Community Investment Corporation (CIC) that PBLF is co-lending with to complete the project. The CIC funding has not yet been approved. Mr. Hoagland noted that since a number of things have not been negotiated, he has recommended a conditional approval in connection with this loan request. Mr. Hoagland noted that collateral-wise, PBLF can take all of the assets but that the liquidation value of the assets is less than minimal. Mr. Mardenly is getting a buyout of the Cumberland location and Mr. Hoagland has asked for a pledge of that as well. The buyout payments are \$1,000.00 per month for a total of \$200,000.00, which will be over 200 months. In addition, the Seller is taking back a Note in the amount of \$30,000.00 of the total purchase price of \$130,000.00 and PBLF has requested that the Note be subordinated to PBLF. Mr. Hoagland noted that this is a subject to approval, which would be subject to the above conditions. Ms. Agonia questioned whether the board had any questions; there were none.

A motion was then made by John Bentz and seconded by David Piccerelli to approve the loan request of UMelt, LLC, in the amount of \$25,000.00, as recommended by Mr. Hoagland. The board added that the approval is subject to the four (4) conditions Mr. Hoagland outlined. Doris Blanchard stated that she would abstain from the vote in connection with this loan request. Motion passed by vote. Mr. Hoagland noted that he has information on CIC if anyone was interested in reviewing.

EXISTING LOAN REQUESTS – FOR CONSIDERATION AND ACTION

The next item entertained by the Board of Directors was Existing Loan Requests for Consideration and Action. There were no matters for discussion under this agenda item.

NEW BUSINESS / OTHER BUSINESS – FOR CONSIDERATION AND ACTION

The next agenda item entertained by the Board of Directors was New Business/Other Business for Consideration and Action. There were no matters for discussion under this agenda item.

EXECUTIVE SESSION

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

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

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

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.

The board questioned whether it would be discussing the micro-loans. Mr. Hoagland responded in the negative as we really do not have a plan to discuss yet. Ms. Brito stated that the handout prepared Jonathan Hernandez was included in the meeting packages. Mr. Hoagland asked Mr. Hernandez provide a presentation to the board. Mr. Hernandez stated that the handout was the information that the board asked for at the last meeting and shows the different regulations for the two (2) loan programs. The main difference between the RLF and Microenterprise lending is that the Microenterprise can be LMC so if the owner is of low-to-moderate income, there will not be a need for job creation. Questions of the board regarding whether the two types of funding are collateralized the same way and whether there is any specific purpose for the funds or the use of the funds were raised and answered.

A motion to adjourn was made by Allyson Cote and seconded by Doris Blanchard and the meeting was adjourned at 12:39 P.M.