

PROVIDENCE BUSINESS LOAN FUND, INC.
THURSDAY, MAY 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 May 12, 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 Brett Smiley, Chairman, Donald Gralnek (Vice-Chairman), Doris Blanchard (Treasurer), Daniel Murphy (Secretary), John (Jack) Bentz, Allyson Cote and David Piccerelli.

MEMBERS ABSENT

Members not in attendance were Frank Benell, Jr. 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 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 April 14, 2016 Providence Business Loan Fund, Inc. (PBLF) were submitted for review and approval. Upon a motion made by John Bentz and seconded by David Piccerelli, it was voted to approve the minutes of the April 14, 2016 PBLF Board of Directors as presented. Motion passed by unanimous vote.

REPORT OF THE EXECUTIVE DIRECTOR

Donald Gralnek reported that we have been asked by our HUD representative to put the contract for legal services out to bid again. A copy of the draft Request for Proposals (RFP) was circulated to the directors only and legal counsel was not provided a copy. The RFP will be submitted to HUD for their review. Mr. Gralnek requested that the directors look over the RFP in the next couple of days and he welcomed any suggestions. Any action today will be subject to comments. We will get the final document to the directors so that we can get the RFP out on the street before the next meeting. Mr. Gralnek has not precluded individuals but has a strong preference for a law firm. We have followed the previous form for the RFP. Questions relative to the timeline were raised. Mr. Gralnek requested comments by Monday, May 16, 2016, noting that we cannot proceed without approval from HUD. We will advertise next week and two (2) weeks will be provided for responses. Whether the timeline was sufficient time was questioned. Mr. Gralnek responded that pushing back the response time could be a comment. Mr. Gralnek then stated that the response date will be pushed back to June 8, 2016 for presentation at the next meeting on June 9, 2016. It was questioned whether that was sufficient time for staff to go through the proposals. Mr. Gralnek responded in the affirmative. A motion was then made by David Piccerelli and seconded by Jack Bentz to circulate the RFP as presented with the caveat of HUD approval with the comments of the board incorporated and submitted by May 16, 2016. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors under the Report of the Executive Director was the Summary Aging Report. Thomas Hoagland presented the report noting that it has a little bit of a different format. Mr. Hoagland is glad to report that the late loans are decreased down to eight

percent (8%). This is a little higher than we want but is getting better. The loans that are 120 plus days delinquent are in collections. Questions were then raised and answered relative to the report. It was questioned whether this will be the format of the report going forward. Kathy Cosentino responded that the new format of the report was in response to the board's request at the last meeting for origination dates to be included in the report so that legacy issues are known. Since we currently do not have programming capability to customize reports, the report has been sorted by loan group, with the first loan group being a new loan group that was created that represents loans approved since January 2016 by the PBLF Board of Directors as well as any PEDP loans that had not commenced its loan repayment at July 1, 2015, which was the parameters of our current HUD review/audit. Ms. Cosentino added that so long as this format is acceptable to the board, it will be the format going forward until programming capability is restored. It was questioned when that is expected. Ms. Cosentino responded that it is being budgeted for the next fiscal year beginning on July 1, 2016. If preferred, the Aging Report could be printed in the original output format and a companion report could be provided that is a Portfolio Report and would include the loan origination date being requested. Ms. Cosentino indicated that the only other possibility would be that she could export the report each month to another program and then manually select the data that is public for presentation to the board. The report format, however, would not look the same as the output format would be more like a spreadsheet. The board indicated that this would not be necessary. It was then requested that the last payment date and last month's past due amount be added to the report once we once again have the capability to customize the reports.

The next agenda item entertained by the Board of Directors under the Report of the Executive Director was Jamel MEP, LLC, an update and review of the loan for consideration and action. Mr. Hoagland presented the agenda item. Two hundred and fifty thousand dollars (\$250,000.00) has been committed and two hundred thirty-nine thousand dollars (\$239,000.00) has been disbursed. Mr. Hoagland stated that he and Mr. Gralnek are there twice a week for the last month. A problem area is that the company for the exhaust and fire suppression system started and is unwilling to come back. Mr. Hoagland does not know the reason for the dispute. The equipment has been purchased and partially installed. We are trying to resolve it. It is one of the reasons that held things up. Mr. Gralnek and he concluded that the remaining twelve thousand dollars (\$12,000.00) is not going to be adequate to finish the project. Mr. Hoagland wants to ensure that the amount needed is correct and accurate. He brought in SBDC do an analysis of the total costs to complete and a timeframe. The concern is that we are going to have to make a decision before the next meeting regarding whether to lend more funds or not. Based upon the appraisal on the building, Mr. Hoagland thinks that we are adequately collateralized, especially with the improvements. We have a first position on the building and the lot. It was questioned what the request is and whether it is for an open checkbook. Mr. Hoagland responded that it is not an open checkbook and that it is fifty thousand dollars (\$50,000.00) maximum.

At 12:25 P.M. Brett Smiley, Chairman, arrived at the meeting.

Mr. Gralnek provided the board with an overview of the project, issues and timeline. Mr. Gralnek also provided an overview of the loan and its modifications. The last modification required a two-to-one match and he has gone to hard money lenders for his match, which seems counter-productive to Mr. Gralnek. We need to get an outside advisor regarding what is needed to complete the project. Mr. Gralnek stated that the steps that we need to take are 1) bringing an independent advisor in; and 2) give him some running room. The building was a PRA building that was sold to Manny Peguero that was vacant for twenty (20) plus years and is going to be a major impact on the street.

Questions relative to the request and project were then raised and answered. The use of the additional fifty thousand dollars (\$50,000.00) was questioned. Mr. Hoagland responded that it will be for the completion of the kitchen, inventory, liquor licenses and licenses. The reason for the increases was

questioned. Mr. Hoagland responded that it was discovered that the Davis-Bacon Act applied to the project after it was previously thought that it did not. Questions regarding staffing and job creation, the size of the building and seating capacity and the date that the state SBDC intervention is starting were also questioned. Mr. Hoagland responded that the intervention is starting this Monday.

Mr. Hoagland requested authorization between this meeting and the next meeting for an additional twenty-five thousand dollars (\$25,000.00) and he will come back with hard numbers next month. A question was also raised relative to suppliers and business credit and their status. A motion was made by John Bentz to authorize up to twenty-five thousand dollars (\$25,000.00) to hopefully facilitate the completion of the project and get the business operational. Mr. Hoagland added that of the twenty-five thousand dollars (\$25,000.00) that he is required to invest, he has invested seventeen thousand dollars (\$17,000.00). Mr. Hoagland also requested that we suspend the requirement that he invest the eight thousand dollar (\$8,000.00) balance. Mr. Bentz added the above request as an amendment to his motion. Doris Blanchard requested that the motion add the condition that he has to agree to assistance by SBDC. Mr. Bentz accepted the second amendment to his motion. The motion was then seconded by David Piccerelli and Allyson Cote. Motion passed by unanimous vote. The approval authorized an additional twenty-five thousand dollars (\$25,000.00) to the existing loan to Jamel MEP, LLC and also suspended the requirement that the funds to be invested by the Borrower in the remaining amount of eight thousand dollars (\$8,000.00). The approval of the additional funds is conditioned upon the Borrower agreeing to assistance by SBDC.

The next agenda item entertained by the Board of Directors under the Report of the Executive Director was the review of the proposal of Next Street for approval for consideration and action. Mr. Gralnek presented the request. He and others in the building met with Next Street. The company is a financial consultancy operating out of Boston. They have familiarity with our kinds of programs and undertook a big program similar to ours successfully in New York. Mr. Gralnek contacted them to get a proposal to get some assistance regarding marketing our program and getting loan volume up. Mr. Gralnek held off advising Next Street in order to give a formal presentation to the board today for authorization. Mr. Gralnek added that they are better equipped than any other consultancy around that he knows of to provide us with help regarding targeting who we should be marketing and looking at what we are offering in terms of collateral material for some suggestions regarding improving outreach, which was the thought behind him employing them. They would be making recommendations regarding generating interest in the program. They are going to be doing work with the state in a similar capacity and we would be able to double-up and get more value for our money.

Mr. Gralnek noted that although the agenda indicates that this matter is for approval, we are not taking this to the board for action. It is for background only and we may come back later. Mr. Gralnek opened up the matter for discussion of the concept. A brief discussion followed with regard to marketing the program and doing so through social media. It was questioned why we would be pausing on this matter. Mr. Smiley responded that we are pausing because it is not exactly what we need. The proposal as written could be refined, which we will work on. He would rather be doing marketing and advertising with the funds. This matter is on hold and no action was required relative to this agenda item.

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 loan request for review and approval was the representation of the loan to Tavolo Wine Bar, LLC, Leonard and Sherri Mello, 295 Atwells Avenue, Providence, Rhode Island, 02903, in the amount of \$120,000.00, which was approved at the February 18, 2016 meeting. Mr. Hoagland presented the agenda item. The collateral originally pledged for the

loan was a first position on both locations. There is a Seller Note that we were aware of but we were not aware that it is secured by the Smithfield assets. Therefore, the collateral analysis that he gave the board was overstated. The note holder is not willing to subordinate its position. Mr. Hoagland stated that we are revising the collateral analysis and that we are still well collateralized per the Loan Memorandum. Questions were raised and answered with regard to the note holder, how the collateral value was arrived at and whether we legally have to approve a change in collateral position. A motion was then made by John Bentz and seconded by Daniel Murphy and it was voted to approve the change in collateral position on the loan approval to Tavolo Wine Bar, LLC as presented. Motion passed by unanimous vote. The PBLF collateral position on the Smithfield assets will now be modified to a second position collateral interest.

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.

OTHER BUSINESS

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

At 1:10 P.M. Daniel Murphy left the meeting.

EXECUTIVE SESSION

The next agenda item was Executive Session. Attorney Mark Ryan stated that executive Session would be entered into pursuant to R.I.G.L. 42-46-5(a)(2) to discuss potential litigation involving PBLF. A motion to convene into Executive Session was made by John Bentz and seconded by David Piccerelli, as read by attorney Ryan. Motion passed by unanimous vote. Executive Session was entered into at 12.58 P.M.

At 1:10 P.M., the board reconvened in public session, with Brett Smiley presiding. The motion was made by Jack Bentz and seconded by Allyson Cote to exit 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 John Bentz and seconded by Doris Blanchard and it was voted to seal the minutes of Executive Session. Motion passed by unanimous vote.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

A motion was made by David Piccerelli and seconded by John Bentz to approve the vote taken in Executive Session. Motion passed by unanimous vote.

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

Approved: June 9, 2016