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Executive Committee Meeting

October 13, 2020

Directly following LCLGRP Board Meeting

Videoconference (per Executive Order 202.1)

AGENDA

1. Approval of May 28, 2020 minutes
2. SlickFin Brewing Company application

Chairman Dave O'Brien: I'll open Executive Committee meeting.

Director Beth Gilles: At 1:54pm.

Chairman Dave O'Brien: And we have what?

Director Beth Gilles: Let's do a roll call really quickly.

Dave O'Brien, Chairman: here.

Christy Wilt, Vice Chair: here.

Al Nolette, Treasurer: at your service.

Beth Hunt, Secretary: here.

Charlie Harrington, not present.

*Also present: Beth Gilles, LCLGRP

Andrea Palmer, LCLGRP

Carrie Yakush, LCLGRP

Okay, Chairman.

Chairman Dave O'Brien: Okay, what do we got on schedule?

Director Beth Gilles: Approval of the May 28, 2020 minutes.

Chairman Dave O'Brien: Need a motion to approve the minutes.

Beth Hunt: I'll move, Beth.

Chairman Dave O'Brien: Beth moves it. Al seconded. All in favor.





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Multiple people: Aye.

Chairman Dave O'Brien: Carried.

Director Beth Gilles: The SlickFin Brewing Company application. So, any loans that are over \$100,000 have to go to the Executive Committee for approval. And so I've asked Andrea, she's just going to give kind of a brief overview of what the loan was about. I did send you guys the application and our underwriting memo. And then we'll talk about the approvals and see what the Executive Committee wants to do. So Andrea, why do you go ahead.

Andrea Palmer: Sure. Kris March is the owner of SlickFin Brewing Company over in Fort Edward. He opened in late 2018. Has done quite well since then. He now wants to purchase the property; he's been leasing it for a while. He would like to gain control of the property. It's mixed use commercial on the bottom with a rental unit on the top. The rental unit is not part of this discussion at all whatsoever. The property appraised at \$140,000. At the purchase contract is for \$115,000. Mr. March is also requesting some funds to upgrade brewing equipment. The loan committee approved him at the purchase of the property at \$115,000 with 10% owner equity. They also approved him up to \$50,000 on the purchase of brewing equipment, also to present owner equity on that. This will bring the total amount to \$153,500 which is a point of conversation we should discuss.

Director Beth Gilles: Are you raising your hand Al.

Al Nolette: Yes. So for me, I would only be comfortable at \$150,000. Because our Bylaws and our RLF plan everything that we have speaks to nothing over \$150,000. And I know that, you know, there's some things have been done in the past, but whatever, I'm not sure that the past is an excuse that we should be using for the future. We have a lot of eyes on us and if our rules says \$150,000 we should really cap at \$150,000. I understand it's two separate names, two separate purchases, but we all know it's one borrower. So I would be more comfortable and \$50,000 for the equipment and \$100,000 for the property. And that's, I could support that.

Andrea Palmer: I think that's very fair. I would ask that perhaps we bring the equipment down to \$46,500. So, because there's more wiggle room with the equipment, because if there's no purchase contract with that yet.





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Al Nolette: Yup, whichever way you get there, as long as we don't...

Andrea Palmer: You make very, very good points and I do not disagree.

Al Nolette: I hate to go backwards, that's all.

Chairman Dave O'Brien: Have you had a chance to look at the RLF plan to verify that, Beth?

Director Beth Gilles: It did not. I don't know if it says specifically, we will only ever go up to \$150,000. I think it's per loan. But I understand Al's concern especially with that just because we did it in the past doesn't mean we should keep doing it moving forward. And really, we're squabbling over \$3500.

Chairman Dave O'Brien: Well, no. It's only \$3500 this time, but I think we need to clarify this. Because there may be situations that come up that may indicate larger loans may be required. So, can we just check this out to verify, please?

Al Nolette: I want to look at the language in our loan, our loan document as well. Because if Dave says, per loan, I'm even uncomfortable with that. I mean, I thought it was \$150,000 per borrower. I don't want to borrower out there with three loans at \$150,000. That creates another problem for us. We've seen that was Brand and other loans like that.

Chairman Dave O'Brien: Well, let's forget Mr. Brand, because, in my opinion, he shouldn't have gotten a single one of those loans, neither should have what's his name, Cooper, gotten the size loans he did.

Al Nolette: I'm not sure Mr. Burndt should have either.

Chairman Dave O'Brien: Well, I agree with you. But that doesn't preclude the fact that someone may come in that has sterling credit and sterling background for some reason, the bank won't give it to them. And we're his option. So I don't want to, I don't ever want to put a hard and fast rule that this will never happen. Because there could be someone out there that doesn't. I mean, we've done loans to other companies who are multiple over \$150,000, I believe, and we haven't gotten hurt. So, you





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know, I think the past with some of these loan approvals were made were for, that they weren't following the letter of the law or the letter of our process, period. So I'd like to check it out.

Al Nolette: It'll be interesting to see what our language says, because if it says no more than \$150,000, then we got to stick to that. Or we have to change the language. One or the other.

Chairman Dave O'Brien: Well, I just like to clarify to make sure we have the right language. I mean, if, ah, I'm trying to think of something else.

Director Beth Gilles: We also, and we're talking about loans over \$150,000. We have to manage our risk. You know what I mean? Which is why we only give loans to \$150,000. So if it does go south, it doesn't tank our entire revolving loan fund. So I believe in here there is language that the Executive Committee, I don't even want to say it because I'm not positive it's in here. And I meant to check before this meeting. But I guess that's kind of moving forward. For this specific loan, I think that, I don't think it's going to tank the loan if we do the \$103,500 for the building purchase and then up to, what was it, \$46,500 for the equipment.

Al Nolette: I would make a motion of those numbers.

Andrea Palmer: For the record, I'd like to state Kris March has created an LLC, Phase Line Properties for the purchase of the property. And I also want to state for the record, he has some blanket liens on some equipment with Washington County LDC. We will be doing a purchase security agreement which is a particular type of lien for one piece of equipment which will protect us with all other blanket liens that are out there. And there are several.

Chairman Dave O'Brien: I have a motion on it. Do I have a second?

Christy Wilt: I'll second.

Chairman Dave O'Brien: Second by Christy. Any further discussion? All in favor?

Multiple people: Aye.





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Chairman Dave O'Brien: Carried.

Director Beth Gilles: I do have one more thing. Al and I were talking last week about the Regional Planning Board Treasurer's Report and I was looking at the due to due funds between the revolving loan funds that were kind of leftover from the previous accounting. And there were two left. RLF2 owed RLF4 \$23,041. We hadn't moved that money because at the time RLF2, up until this point has not been strong enough to be able to pay off that debt RLF4. But it is now, so I did move that money and Al is going to book it. So at the end of this fiscal year that due to due from is gone. The other one is the due from operating to RLF2 for \$29,175.48. So to make this more complicated, we provide reports to EDA every six months that calculates how much cash should be in each revolving loan fund. And at this point, RLF2 has the amount of cash in it that it should be. So in our conversation, Al and I thought that that was potentially a misclassification, just a clerical error that is not really due to RLF2, that's probably due to RLF1, because RLF1 is the only fund at this point that is still below the level it should be in terms of cash from all of that RLF cash moving that had gone on previously. And so I guess there's kind of two avenues we could take. We could either reclassify it to be owed to RLF1, or we could just write it off and not require the operating fund to pay back that revolving loan fund. And so I guess I wanted to ask the executive committee's opinion on what direction you'd like to take. And Al please hop in if I missed anything.

Chairman Dave O'Brien: I have a question. Do we know why the delta in RLF fund 1 exists?

Al Nolette: So the problem, Dave, is I only rebuilt back as far as 2018. These are all things that were on the books well before then. And none of the stuff that SEFCO produced to me was helpful in tracking down the genesis of this, this dollar amount. There was some weird back and forth monies. I use weird, loosely. The former Executive Director moved money around as needed, and it didn't always, I don't think it always made it on the books appropriately, I'm to try to be polite and kind here. I only went back as far as 2018. But I think that if I had the bank statements and stuff and sat down for a couple months, I might be able to get to the genesis of this. But my fear is, as Beth said, with 1 still being short of the money it's supposed to have, and 2 being fine and 4 being fine, the chances that this money was actually due to 2 is almost zero. So it's either misclassified and due to 1, or it was never really a loan and shouldn't be on the books at all. And it was just something that never, that the former ED never got the SEFCO to get the accounting side of it done. Even though the money may





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have been, they may have borrowed money to make payroll in 1 and paid it back and the entry just never hit SEFCO's books. Those kinds of things I did run across rebuilding 2018. I have examples of that happening. So, is it possible? Yeah, it's possible. That that money is not even, the debt might actually not even be a legitimate loan. If it is a legitimate loan, I don't believe it's due 2 if anything, it's possibly due to 1. But I have conversations, whether it's even a legitimate loan.

Chairman Dave O'Brien: Well personally, I just get the loan out of there and I mean to go back years and years and years to figure out what happened in such a murky period of time, I think we're past that. I just rather make sure it stays and it's taken out of 2 because 2 is whole. And just if it comes up in the future, it comes up in the future.

Al Nolette: So the two options in front of you are, it's money that really is due to 1 instead of 2. Or it's not a legitimate loan, it just needs to be written off in its entirety. Those are basically the two options we're looking for you to consider. And the third part of that conversation would be: Do you want to take this to the full board in January? Or do you want to make a decision at this level?

Chairman Dave O'Brien: I can do at this level.
I go with option two.

Al Nolette: Which is writing off the loan?

Chairman Dave O'Brien: Yeah.

Al Nolette: It strengthens the operating fund. I mean that's not a bad course of action.

Chairman Dave O'Brien: Any other thoughts?
Alright I'll take a motion for one or the other.

Al Nolette: I'm not comfortable making the motion because I presented it, Dave.

Chairman Dave O'Brien: Okay. Can I get a motion for option two?
Christy Wilt: I'll make the motion for option 2.

Chairman Dave O'Brien: Motion by Christy. Do I have a second? Beth's (Hunt) iPhone said second.





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Beth Hunt: Sorry, I keep muting and unmute.

Chairman Dave O'Brien: Okay, all in favor?

Multiple people: Aye.

Chairman Dave O'Brien: Carried. I would bring it up the full board meeting though.

Director Beth Gilles: You do want it brought up at the full board meeting?

Chairman Dave O'Brien: Just let them know what happened.

Director Beth Gilles: Okay.

Chairman Dave O'Brien: Okay, thank you. Anything else?

Al Nolette: The good news about it being acted on today is that it'll be off the books for year end because we don't meet again as a full board till January, so...

Chairman Dave O'Brien: Okay. Thank you.

Al Nolette: No, thank you.

Director Beth Gilles: Okay, that's it for me.

Chairman Dave O'Brien: Okay, adjourned. Thank you all.

Director Beth Gilles: Motion? Or?

Chairman Dave O'Brien: No, just adjourned.

Meeting adjourned at 2:10pm.

Respectfully submitted, Carrie Yakush, Senior Account Clerk, LCLGRP

