Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

December 15, 2020 11:00 am

Zoom (per Executive Order 202.1, extended by 202.78)

For log in information, please contact Beth Gilles at beth.gilles@lclgrpb.org

AGENDA

1. Welcome
2. Approval of minutes from May 15, 2020, August 21, 2020, September 21, 2020 and November 12, 2020 meeting
3. Loan Applications for COVID-19 Small Business Recovery Loan Program
   - Adirondack Cider Company/Thomas Frey
   - Fun World Arcade/Sean Culligan & Erin Coon
4. 2021 Interest Rates
5. North Country Club Restaurant/Michael Finnegan foreclosure
6. 2021 Meeting dates
   - January 8, 2021 at 10:00 am
   - April 9, 2021 at 10:00 am
   - July 9, 2021 at 10:00 am
   - October 8, 2021 at 10:00 am
7. Other
8. Adjourn

Beth Gilles: Okay, welcome everybody to the loan administrative committee meeting on December 15. It's 11:05am. And I'll open up the meeting with just a quick roll call.

Chris Hay: Here.
Harry both: I'm here.
Carol Calabrese: Here.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Chad Richards: Here.
Patty Waldron:
Christy Wilt: Here.
Marc Monahan: Here.

And also present are Beth Gilles, Jamie White, Carrie Yakush and Dave O'Brien from the Regional Planning Board. So the first order of business is approval of a slate of minutes. So we have May 15th, 2020, August 21st, 2020, September 21st, 2020, and November 12th, 2020. Does anybody have any changes or corrections to any of those minutes?
If not, can I get a motion to approve all four sets of minutes?

Marc Monahan: I'll make a motion.

Beth Gilles: Motion by Mark, can I have a second?

Harry Booth: Second.

Beth Gilles: Second by Harry. Any opposed? I'm sorry, all those in favor?

Multiple people: Aye.

Beth Gilles: Opposed? Hearing none, motion passes. Okay, so we're gonna move on to the loan applications.
So these are the first ones that we are doing through our COVID-19 Small Business Recovery Loan Program, which is the grant funding we got through the CARES Act from the EDA this summer. Just a couple of pointers. So this is set at 1.9% interest rate. The terms are up to seven years. And that's something that the committee decides when we talk about the terms if they want to approve the loans. There has to be corporate and personal guarantees. We require collateral on this. Three EDA regulations are waived. The one, there's no bank turn down letter. They waived the requirements on how low that we could take the interest rate. And they waive the requirements on the private investment leveraged. So they don't have to be putting any of their own money in to get these. We are looking for retaining jobs. And obviously there has to be some kind of economic injury as a result of the COVID-19 pandemic. So with that, I'm going to turn it over to Jamie and she will introduce the first loan. And then…

Marc Monahan: Before you get in any specific, just in general, when we're looking at these, are we really, I mean, I know it's hard with pandemic related numbers. But when we're referencing

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

past year's numbers, the loan request should probably be supported through historical figures, correct?

Beth Gilles: Yeah, they do have to show, there has to be a historical repayment ability.

Marc Monahan: Okay, just want to make sure we're on the same page because we've got one of these relief things too, that's obviously a totally different underwriting process than normal.

Jamie White: Hopefully not too different. I'd like to try and keep it as much as I can to regular underwriting, if that's possible. I think that we just need to take the project under consideration with the COVID impact. Does that make sense?

Marc Monahan: All good here.

Jamie White: Okay, so, so I'll just start. Our first loan request is Tom Frey. Who is the owner of Elfs Farm in Plattsburgh, doing business as the Adirondacks Cider House. He did purchase this property in 2005. It was an abandoned strip hotel, motel. And over the years, he's developed three or four different income streams through the bar/restaurant, through winery, and then through cidery. He did have a fire in 2011 and came back from that; rebuilt and started some pretty unique winery tour tourism. And I was pretty impressed he has signage on the Northway, which I thought was very difficult to get so you can find his place very easily. I did go up into a site visit and was able to see the operation. He had a couple of pretty interesting new projects he was working on. He received a grant through ANCA and was starting to do some fresh cider as well as hard cider but was not able to follow through with that as COVID hit him. He, the machinery is purchased in waiting. So he has that on opportunity, he will be starting to do some fresh cider as well. The project is basically, during the pandemic, his real source of income was his outdoor seating. That way he was allowed to have people sit six feet apart. They could still have a drink, eat. And hopefully, they enjoyed some music. But that's what he liked to build on, because that was his main source of income during this last spring. And he has a, would like to expand the outdoor seating. Put in more covered seating, so he can be open in the rain. Put in an area where he can have music. He has added, would like to add, a pizza woodfired oven and some barbecue area outside as well. So he's anticipating that spring is still going to be under the restrictions, and really like to be able to accommodate that and still operate.
So he's looking for $80,626. That was, you know, documented with quotes. He has kept his chef employed throughout this whole thing by he and a chef being outside working. So they've been out clearing the area, they built a gift shop. And so doing a lot of the prep work with his existing staff. So, I was pretty impressed with how he has kind of approached this project.

Lake Champlain - Lake George Regional Planning Board
THE COUNTIES OF CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Beth Gilles: I also should have noted too, in my intro, that for working capital for economic injury, but it's also for equipment purchase and physical infrastructure upgrades related to COVID, whether it's pieces of equipment to do better cleaning, or expansion of outdoor seating, or new ventilation systems or things like that. So that's how this project is fitting into the program. So does anybody have any questions before we let Tom in? Anything you want to discuss beforehand?

Marc Monahan: On the Excel spreadsheet, your tax spread? Was he not operating any revenue in 2018? Not showing any sales in the column and it shows a significant loss in comparison to other years.

Jamie White: I'm just gonna bring that up.

Marc Monahan: On the tax and financial summary tab on the bottom.

Jamie White: I think that will be a question for Tom. I apologize.

Marc Monahan: And then one other thing, I noticed that it was done on the other spreadsheet as well. See we're adding back rent and I'm curious as to why would you be adding back rent for…

Jamie White: Adding back rent because he is, the signer is paying the rent to Elfs Farm, which is my understanding through talking to a couple of different people, the accountant, was that this is really a way of reducing taxes for the, for the business itself, because, and I put it back in because it's going to the same…

Marc Monahan: So he's paying himself, he's paying himself.

Jamie White: Yeah.

Marc Monahan: Okay.

Beth Gilles: Anything else before we let Tom in?
Hi Tom. Welcome. This is the Lake Champlain Lake George Regional Planning Board loan committee. And we're just gonna kind of give you maybe five, seven minutes to introduce yourself and your business and you can tell us what's been going on since COVID hit for you and your businesses and what you're looking to do.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Tom Frey: Okay, sounds pretty good. I'm Tom Frey. I'm a farmer from Plattsburgh, originally from Long Island. Formerly an insurance broker and financial advisor, retired and decided to get my hands on the earth. We grow grapes, cold climate grapes, and we make wine and hard cider. A few years ago, we seen some trends going on with lowering blood alcohol limits and people to .05. Andrew Cuomo attempted, and Salt Lake, Utah did succeed with I,t we decided to introduce food. And also as a way to expand outdoor seating. So we put a kitchen in about three, four years ago and we have a mostly gluten free menu that caters to people with some dietary issues, along with our hard ciders, which are naturally gluten free. We used to run a lot of festivals as a way of reaching out. My kids had moved here, and they weren't from Plattsburgh. And one of the things they said was dad, there's nothing going on up here that wants us to, to make us stay. So we started a wine festival, Adirondack Coast Wine Festival, in conjunction with the Chamber of Commerce because they were renaming the area Adirondack Coast. We also started the Plattsburgh Brew Fest. And we ran those for several years, bumped up the top line our balance sheet, our P&L. But really didn't do that much for the bottom line other than taking up a lot of time. So we brought food in and we stepped away from all the outside activities and we concentrated on just growing the business at the farm. Our top line took a drop from about a buck 60 to about a buck 20. But the profit, the bottom line moved up a little bit. That was until this year, 2020, which is wonderful for everybody, isn't it? We did about a quarter of the sales. I think we're going to come in around 45 grand this year. And that's only because we started putting in outdoor seating a year ago. We did not open until the third week of July this year because of COVID. July, we made a few dollars. August, we did pretty well. September was 79% above last year. And that was, 95% of it is from outdoor seating. We have a patio. We have built a porch that has x number of tables. And then we decided to close Small Business Saturday but with the for the winter sale and uptake in COVID. And my daughter-in-law who is front of the house, which is a term in service industry. She's pregnant, she's due January 12th so we decided to shut down. We will, and our plan is to open up St. Patty's Day. And run through Veterans Day with Small Business Saturday next year. What I see going on, Canadian borders closed. They don't have those tourists. I'm down in Fort Lauderdale right now. I apologize if it's cold up and nasty up there. No, no slight intended. It is 74 degrees right now. But one of the big stories is 99% of snowbirds have not come down to Florida. 99% of Canadian visitors have not come down which is going to hit the tourist industry hard down here. We have the same thing up in Plattsburgh, Lake George, Adirondack region. A big portion of the money comes from Canadian tourists. We didn't have any of that this year. I expect the borders, I think the borders, after the vaccines hit, the border will be open next spring. I'm hoping. I think next spring and summer, early, will mirror this year a little bit, people would be a little timid coming out. I think, and you see what's going on in New York City, they've closed, Cuomo has closed all the restaurants again, totally. I think outdoor seating is going to be the thing next year and the

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

following year. People are gonna want to get out after this COVID thing passes in a couple of years. And they're going to want to experience real outdoor dining, not sitting in a greenhouse like some of the restaurants are doing in the city. And I say it's gonna pass. If you looked at, or seen a documentary, I think it's Netflix or Amazon on the 1918 pandemic or have read any of the things that went on. Pretty similar to what we're going on right now. They mask, they quarantine. A little rougher than this one, a third of the world's population was killed. This is about 2 to 4% depending on what numbers. But what was interesting, and I didn't realize it, is out of the pandemic, the 1918 Spanish Flu, which actually originated in the marine base in the United States, it came back three times, was the roaring 20's. And out of the roaring 20's, because everybody had pent up, they were waiting, they had to get out and party and spend their money. But also came a lot of industrial revolution incentives and efficiencies. And it was a boom time during the 20's up until the stock market crashing in 29-30. So for our region, Plattsburgh, the greater Adirondack region, I expect all that pent up consumer spending is going to blow up late summer, fall of next year and follow through for at least the next year. So I see some good times coming out of the misery of this thing, COVID. That's kind of our story in a nutshell. A long nutshell. Questions?

Beth Gilles: Okay, great. Thanks. Yeah. Does anyone have any questions for Tom on his application?

Jamie White: Tom, Mr. Monahan did ask a question. I had spread your tax returns from 2017, 2018 and 2019 for comparison. And 2018 showed a very substantial loss. Could you explain that a little bit?

Tom Frey: Yeah. 2018 was when we started, what I call Cap X. We dropped the Brew Fest. So we lost the gross revenue. And we also started, we built the kitchen out. And we also started building outside seating. So we threw a lot of money into those capital developments.

Chris Hay: Tom, I just want to build on that. This is Chris Hay from Dannemora Federal Credit Union. What we're looking at doesn't, we don't have the tax returns per se, but it shows that you had no revenue in 2018. I understand your revenues would have dropped because you didn't have the Brew Fest. But were you guys open and operating and selling, selling wine?

Tom Frey: Something's wrong if it shows no revenue? Yeah. We, I don't have the numbers in front of me. But 2018 should have been about 110, 115 grand, 2018 yeah.

Chris Hay: Okay.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Tom Frey: Yeah, something's wrong. Something's wrong if you're not showing revenue. Should have been, I think 2017 it's, I don't have in front of me, should have been about 150. And then we stopped. I think Chris, that was the last year we did the Brew Fest, and that dropped about $30 - $35,000 off of the top number.

Chris Hay: Yeah, I think we're showing 17 at 185. And then it'd be like you said maybe 110 for 18. And then 19 was 121 122?

Tom Frey: It should have come back up. As we got the kitchen going, word started getting out. We don't spend any money on food or kitchen advertising. It's something I took from an old friend of mine. It's called putting it in into the center of the plate. So we do a balance, for the locals, we put a lot of food on the plate. For the visitors, we put gourmet food on the plate. So we do a nice balance. So most restaurants, cafes work at about a 30 to 35% food cost, we probably are closer to 40 to 45%. But we don't spend that money anymore on print advertising or radio advertising. We used to spend about 15-20 grand a year on advertising. It's all now, targeted Facebook advertising, word of mouth.

Beth Gilles: On the tax returns, shows a gross income of $93,274 and total expenses of $163,086 getting that negative $69,812, that you guys are seeing on the spread.

Tom Frey: Which year, Beth, I'm sorry.

Beth Gilles: 2018

Tom Frey: Yeah, 2018. So 2018, we're just finishing building out the kitchen. We did get a small grant from the town of Plattsburgh, which helped us with some of it. But we built that out. We also put a high tunnel in our upper vineyard field, we have a separate 14 acre field. We put a high tunnel in there that costs 20 some odd thousand, so we can start growing vegetables in a full farm to table movement. We built the porch outside the winery and we also put some other infrastructure, an outside the bathroom, so we could cater to the outdoor people.

Marc Monahan: Hey, Tom, good morning. I think see that cash is pretty tight heading into the winter season. Are you pretty much covering your debt that you're carrying out of your personal funds right now?

Tom Frey: Yes. Yeah, we, Diane and I, Diane just retired, my wife. She was a director of nursing at a nursing home in St. Albin's (inaudible) got out before, she stayed seven months too long,

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

but she got out at the end of October. So we're now enjoying her retirement. But she was a part of it, and also cash saved up from past life. But yeah, we're carrying it.

Beth Gilles: Anybody else?

Tom Frey: So the plan and what I'm looking for the funds is really, we started doing weddings a couple of years ago, we put up a couple of weddings. Weddings will punch down some nice numbers. We want to put this patio in. That's covered, should be, it'll be 20 by 20. With a covering, it'll not hit our real estate taxes. But it will have rain and some wind deflection, it'll have a fireplace, and also an outdoor cooking area, a woodfired pizza oven. No one else is doing it out here. One of the hottest trends in the restaurant world, if you watch any of the foodie shows, chefs from Australia to New York to LA are doing what used to be called barbecue, but it's now wood fired cooking. So we're going to put a wood fire pit out there. And we'll keep our staff and the customers outside, cooking and serving food and the 20 by 20 should pick us up about 28 more tables or not tables, seating, on a 400 square foot patio. Along with that, and if it ever comes back, where we're placing it, if you go to the pictures, is a 150 long foot field by about 70 feet, 60 feet, and we will be able to have concerts there. We used to have some kind of music outside, but this is stepping it up to a larger, table, music and outdoor seating equals revenue, which is what we're looking to do.

Beth Gilles: Okay, sounds good. If nobody else has any other questions for Tom, we're gonna let him go. And then we can discuss and then Tom, we'll get a hold of you this afternoon to let you know what the committee decides.

Tom Frey: Thank you very much, Beth. It was a pleasure speaking with all of you. And I hope you look favorably on our request. Appreciate it very much.

Beth Gilles: Great, thanks so much.

Tom Frey: Have a nice day up there. Bye bye.

Beth Gilles: Okay, so I just emailed everybody the corporate tax returns. We were trying not to send you massive email documents. But I think maybe moving forward, we should just send those along with the spreadsheet so you can see them.

Jamie: I see what, I pulled the numbers off the 1065 for the farm itself. And it looks like there was more than one on here. I'm looking at the at the tax returns as well. So I apologize for that.

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Chad Richards: It's the same number at the end of the day, I think.

Beth Gilles: Right. And I think it was explained with capital improvements, and a little bit of shifting and what they were doing in terms of operations. So does anyone want to kick off the conversation? Good, bad? What do you think?

Marc Monahan: I think it's a pretty basic request. You know, he does have a little bit of debt that he's carrying from Key for the business already, so just from a historical standpoint, he really probably not covered historical but given the use of the funds and the ability to increase the revenue and shift some focus, you know, I'm not, I'm not necessarily opposed to what he's trying to do and sounds like he's got some financial backing from his personal income and savings.

Chris Hay: I think the other factor is it looks like according to the application, all of his business assets, machinery and equipment, etc., wine tanks, are all unencumbered, so at least there'll be some moderately solid collateral to grab.

Beth Gilles: Yeah, collateral's important for these loans as well, you know, so it's good to know that he's got some stuff.

Chad Richards: Do we see a credit report on Tom by any chance? Did we pull credit report?

Beth Gilles: We did.

Jamie White: Yep, we did.

Chad Richards: I missed it. What was the credit score?

Beth Gilles: I'm gonna have to go grab the physical file, I think. Unless you have a scanned copy, Jamie?

Jamie White: I do, but I just got to find it.

Marc Monahan: Just looking at some of the numbers here. I think they have some stuff that's considered rent or lease. That could be equipment, not necessarily payments back to themselves when you look at the breakdown on the schedule F. I don't see a whole lot of rent. I see land and other. Falls under other, just want to make sure that that's definitely

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

gone back to them and not some other source. It's not carrying forward to the property management company. And I don't know if, Chris, if you got same tax return up taking a look the same thing?

Chris Hay: Yeah, I think it depends on how the accountants fill in those lines.

Marc Monahan: Yeah, it looks like he…

Chris Hay: I hate those line item.

Jamie White: I can double check that with Tom.

Marc Monahan: Because one year was, you know, $8700, and it was $2200. So there's not a whole lot of consistency with probably a set amount of money that's getting paid to themselves probably a factor of revenue. But that's just, it's just hard to follow on here.

Chris Hay: The 2018 Schedule F does give us about another $8000 of cash flow to add back between the depreciation and the interest expense. So I think it's slightly over, using 2019 numbers, a little better than one to one debt service coverage, maybe.

Marc Monahan: I guess, Jamie, is there a portion of this money that's definitely going into just cash flow strictly working capital?

Jamie White: Only about $8,000.

Marc Monahan: Okay.

Jamie White: The remainder is definitely, you know, for the project itself.

Chris Hay: Would we control the proceeds to make sure that the money does get used to expand the seating, which will give them the cash flow to pay the loan back?

Jamie White: I'd like to if that's okay with Beth.

Beth Gilles: Um, do you mean like do draws or pay the contractor directly? Is that what you're thinking?

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Chris Hay: Yeah, make him send invoices and or something like that. Just because it sounds like from his discussion with us is that this outdoor seating is critical to him returning to positive cash flow next year.

Beth Gilles: Right.

Chris Hay: So if the funds aren't used for that, then there goes the ability to repay the loan.

Marc Monahan: I think the only challenge, Chris, is it sounds like him and the cook are the ones doing the work on the cheap to keep…

Jamie White: Just the, just the prep work. He has quotes from, I apologize, I didn't mean to interrupt. He has quotes for the construction work. They're doing the preparatory work. Just the clearing and they did build the, if you saw the photographs, that's the new gift, gift area, gift store, retail area. They built that. But the rest of this is being constructed.

Chris Hay: And it may not be a dollar-for-dollar match between invoices, but at least if we could have some comfort level, that they are expanding and doing what they're suggesting they're gonna do with the proceeds. The business has been small, but when it was up and running, it did have a good reputation in Plattsburgh, so, I think that's another positive.

Jamie White: Good to hear.

Beth Gilles: As far as credit report, Chad, in the credit summary, basically he's had 11 30+ day late payments 3 60+ and 6 90+. He's got 25 monthly payments revolving with a balance of $1,000. Does that make sense?

Chad Richards: Okay. He's current on everything though?

Beth Gilles: Yes. No disputes, no bankruptcies. Did I read that right, Jamie? Are you looking at the…

Jamie White: Yes. That's what I'm seeing, yes. I didn't see a score. Was there a score on there?

Beth Gilles: Yeah, I was looking for a score as well.

Jamie White: Is that something new? I was looking for, just to just an overall credit score, and I couldn't find.

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Beth Gilles: Yeah, there's not one on here. This is the usual one that we pull though.

Jamie White: I know, I haven't been doing this for eight years so maybe there's been some changes.

Beth Gilles: We'll send you guys the credit scores, as well. And if there's anything else, I think sending the corporate tax returns and their credit scores. If there's anything else that we used to send that you would prefer we send again, along with that summarize sheet, just let us know. We're just kind of trying to make the packages a little bit smaller.

Jamie White: A little more streamlined, if possible.

Carol Calabrese: Personal financial statement looks pretty strong.

Beth Gilles: Yeah, I think he's already kind of shown to that he'll fall back on his personal income to keep the business going, if necessary. Is there anything else anybody wants to discuss? I'm just looking for…

Chris Hay: What specifically will we take for collateral?

Beth Gilles: I was just looking that up. Looking at his application right now. Oh, I should note too, because it is part of our, our process, he did receive a PPP loan, and he utilized that from March to July. So this won't be overlapping with any PPP or EIDL or other federal loans. So he, um, he's got land and building, which we pulled the taxes on, right? Yeah, he says they're worth 400. The tax map says it's got a full market value of 250. But he indicates there's no mortgages on that. So that's something that we could just take a real estate mortgage on the property to cover this. And we'll make sure that our legal counsel makes sure that there's no mortgages ahead of us. He also indicates $900,000 in machinery and equipment with nothing encumbered on it. And another $300,000 in wine ion tank. Wine ion tank.

Jamie White: Wine in tank.

Chris Hay: I'll go collect that.

Jamie: There's also cider, cider in tanks that is ready to be canned. They chose not to, to wait to give that more of a shelf life. So it's available in the spring when they hopefully have a little more market.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Marc Monahan: On his debt schedule, it looks like he has a lien on the solar in another piece of equipment. I'm not sure what that equipment is. But if the rest of the value of equipment is there an ABA would probably be sufficient enough for collateral avoiding a mortgage. It's up to you guys. Is he willing to do a mortgage and the expensive that or …

Jamie White: You know, I'm sure if we could keep the expense down and work with him on the equipment, he'd appreciate it, but I think that he's, he has said he will make whatever the committee requests available.

Marc Monahan: This loan fund is probably to try to make it as accessible as possible without having too much hoops to jump through. So I would think an ABA with a UCC filing would be good.

Beth Gilles: Okay. We're paying all the closing costs out of the fund. That's part of it too. So it wouldn't be a cost on him. But if you guys are comfortable with a UCC on the equipment then we are as well. Okay, so not hearing any other discussion and in an effort to keep this moving, can I get a motion to approve and $80,626 loan to Elf Property Management under the COVID-19 Small Business Recovery Program RLF at, 1.9% for, he's requesting seven years. Is that okay with everybody? Do you want to go lower?

Chad Richards: I'm fine with seven. Don't put too much strain on cash flow.

Beth Gilles: So for seven years, there's interest only payments for the first 12 months. That's part of the program. The collateral is a UCC on equipment, with a corporate guarantee from Elf Property Management, a personal guarantee from Thomas Frey.
All those in favor?

Chris Hay: Just one comment, with the collateral, let's just make sure we have a first position.

Beth Gilles: Okay.

Marc Monahan: Yeah, Key may have just filed a general ABA, not a specific piece of equipment. So you might want to just clarify that.

Beth Gilles: Okay.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Marc Monahan: Because something for that small with Key, they probably just did a general.

Beth Gilles: And if we don't end up with a first would you want to hop over to the real estate?

Marc Monahan: If we're paying the closing costs it probably wouldn't be a bad thing.

Beth Gilles: Okay. All right.
So can I have a motion.

Chris Hay: I'll make the motion.

Beth Gilles: Motion by Chris, can I have a second?

Marc Monahan: Second.

Beth Gilles: Is that Marc?

Marc Monahan: Yep.

Beth Gilles: Second by Marc. All those in favor?

Multiple people: Aye. Aye. Aye.

Beth Gilles: Opposed? Hearing none. Any additional discussion?
All right, Motion passes.
Okay, thanks.
We are now going to move on to Fun World Arcade in Lake George. Sean Collagen, I'm assuming they're together, they are waiting in the waiting room. So Jamie, if you want to just intro the loan to the committee, and then we can do our preliminary discussion and then we can let them in.

Jamie White: Fun World Arcade is located right on the main street there in Lake George. It has been a very business staple, entertainment staple in Lake George for over 50 years and has gone down, been sold, from Erin's father to herself and her husband. They have a pretty good business plan. And they've been working pretty hard over the last few years to update and renovate the existing business. The building itself inside, they've purchased new games for the last three years in a row. The first two years they were able to completely pay for those out of business proceeds during the busy season. And so anticipated being able to do

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

that again, and completely replaced most of the games inside. Unfortunately, that's when COVID hit and they were not able to cover that debt in the one year like they had the two previous years. And so that $160,000 is currently due at the end of 2020. I did talk to Erin quite a bit to see if she could work with the vendor to extend those due to this being a very unusual year. The vendor was not willing to do that. As a result, they're going to have to use what existing working capital they were able to do in 2020 to cover that debt and so are anticipating that come spring, this working capital need is really going to be very important. So they are looking for the maximum amount under this loan, $150,000. They did have a PPP loan and an EIDL. The PPP was forgiven the EIDL, they're going to have to also start making some payments on over the next few months. So they are looking to basically keep going, keep their employees, the full-time permanent employees, keep them on board until they're able to hopefully get up and running in the spring. Again, they were not permitted to open at all in 2020. And additionally, because of the structure of the reopening, they planned to reopen on at least three different occasions, where they hired additional employees, purchased the Plexi glass division, an air filtering system. So not only were they not able to have the income they were looking forward to, they actually had some additional expenses that they incurred just in preparation for opening. So, it was definitely an extremely difficult year for them. But have shown that this is a growing business, a profitable business, and a staple, a business staple. And they tend to not just open in the tourism, but they've also opened in the, later in the fall, and throughout the school year for school events for, you know, different things going on locally. So, they have a pretty strong local following as well.
Chad, do you have anything to add to this request that maybe I didn't touch base on?

Chad Richards: No, I don't think so. I think you summarized it pretty well. No, like many of the indoor attractions across New York State. They just haven't been able to reopen at all during 2020. They, as Jamie alluded to, family-owned business. that has ran it for, oh gosh, I think going back to the maybe the late 80s. The mayor actually owned the arcade prior to their family owning it. Erin has been involved for a little longer than Sean. Sean came in and he's really taken an interest to it. Both very smart. Both have their own strong characteristics. Sean does a pretty good job of operating on a day-to-day basis. And he's really the one that's in tune with the games that are coming out and keeping the new games in the arcade. He does, prior to this year, you know, he goes to a couple of events each year. Usually like Las Vegas and Florida. Where big gaming conventions, where they saw what the new machine is coming out were. Now one thing they really pride themselves on is last three or four years, you know, they've spent anywhere from $120,000 to almost $170,000 in new games each year and as Jamie said, they would just basically make three payments in July, August and September. And you know that debt will be taken care of. Unfortunately, they have to order the machines at the end of the previous season. They receive them all over the wintertime, install and they're

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

ready to roll. Once they're on site, they basically can't be returned unless it's a steep discount and it just doesn't make sense. So they just got dealt a bad hand due to the pandemic and they're about to work hard to come out of it. But no, not now that we see it anywhere. I think at the end of the day, Erin's Dad could potentially help them if they needed the help. But it sounds like between the EIDL loan, the PPP loan, potentially, this financing, they would have sufficient working capital to get through the offseason. Get them into the beginning of 2021 to where they start operating again, hopefully, and have enough cash reserves to take care of this (Inaudible) groups debt.

Jamie White: One thing I forgot to mention is that Erin has been pretty active in a small group that have been attempting to lobby the state to really kind of get the opinion that other entertainment areas have been able to open and they feel that you know in compliance with the safety measures that they would like to open as well. So she's pretty active. She's not sitting back waiting. She's really trying to get out there. She and her husband, Sean, to see what they can do to make this happen this spring.

Chad Richards: New York State only likes you if you have lottery and gaming machines. So.

Beth Gilles: Does anyone have anything they want to discuss before we let them in? No? Okay.

Marc Monahan: Do we have just what their current cash is, Jamie? Do you happen to have that? See we added through the year 2019. I just didn't know if there was a snapshot of what they ended the fall with. I guess I'm just curious how they're gonna be making their current, their mortgage payments to the Glens Falls National and everything throughout the winter.

Erin Coon: Would you like us to answer that?

Marc Monahan: Oh. There you are. I didn't realize you were on.

Jamie White: Sorry, I was searching through my documents and was not coming up as quickly as I would have liked to. I apologize.

Marc Monahan: That'd be great. The one thing I just didn't see in here was where you guys were kinda, I know you didn't really have a season, but kind of where your cash position is going into the winter, obviously not normal in comparison to year over year.

Erin Coon: Right. So, um, we have enough right now to pay through January for our mortgage. We've also sold some of our older games to try to bring in a little bit of cash flow.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

So Sean's been doing that over the last couple of weeks. And we brought in enough to cover the mortgage for another two months. So we can get through March, which is great. And hopefully, we'll open in April. So we're kind of playing the numbers. And certainly we're cutting it close. We're also looking into alternative financing options, things that are a little bit higher interest, because obviously we don't want to default on our mortgage. It's pretty important.

Beth Gilles: Okay, so well, thanks for joining us. We hopped right into that one.
Um, Erin and Sean, if you guys just want to take maybe five, seven minutes to tell us what you've got going on. The effects that COVID have had on you. We obviously all know arcades we're not allowed to open. But if there's anything in addition that you think that you should add, now's the time, so the floor is yours.

Erin Coon: Okay, so um, this is Sean, I'm Erin. Our top priority for Fun World is keeping up on our existing debts and being able to pay our employee. We only have one employee right now. Typically we have a couple of part timers who stay with us throughout the year, through the offseason, but we haven't been able to support them. So we've managed to retain our salaried employee so far and maintain his health insurance as well. That is incredibly important to us. Matt is, Matt is his name, and he's a huge asset. He has a deep background. His family also has a background in this industry. And he's been with the company for a really long time. And, yeah, it's really important that we maintain him as an employee. So that's the number one reason I think, is obviously to support him and to support us. Because while we're lucky that I'm employed elsewhere, at a nonprofit, that's deemed an essential business. The majority of our salary doesn't come from the nonprofit world It comes from Fun World. So we do rely on the owner draws that Sean takes out, and the health insurance that comes from Fun World for our own family to be supported. So obviously, we want to maintain as much of that as we can. We're willing to take whatever cuts are possible, but we really don't want to, don't want to put ourselves in too much of a terrible position. As you stated Fun World is in that amusement category that just hasn't been given any guidelines, we don't know what exactly we need to do to be able to open safely. What we've done on this kind of taken the initiative and looked at all of the guidelines that have been released for similar businesses like retail and restaurants and implemented everything that makes sense for us. And we've been working with Mayor Blais and with Ryan Moore at the county to make sure that everything that we're doing in the business is what they think will be the guidelines once those are released. And that close contact and also we've been working with Leonelli and his arcade. And we are working together to make sure that everything is in tip top shape. So as soon as we get the green light, we can open the door. Other than that, I mean COVID has certainly put a damper on things for us. Obviously, we've made no money. We haven't been able to open. We haven't been given an opening date. We haven't been given any guidelines yet. But the top priority for everybody right

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

now is the public health. And we don't want to risk that just to make a couple of bucks. Not, certainly not the message that we want to put out there or what we believe. But we do, we don't want to be penalized for doing it right. There's other arcades that have opened. There's an arcade in Crossgates Mall that opened. And I actually had a conversation on the phone with Senator Little about that. And she was very supportive and I think since then they've received some warnings and I believe have been shut down. I felt a little bad, Sean doesn't feel bad, but I feel bad, like tattling on another business. But if we're doing it right, and they're not like, it just, I don't know, it's a bit of a stab. And I just, I'm just hoping that we can get a little bit of help from our community. I mean, we really just need a little, just to push through until it's safe to reopen and welcome the public back in.
So that's I think…

Sean Culligan: (Inaudible)

Beth Gilles: We are having a hard time hearing you.

Marc Monahan: Sorry Sean, we can't hear you.

Sean Culligan: (Inaudible), so there is not much lending available for us. Because it's so unusual that we're basically the only industry prevented from opening. So, while there's funding available for capital improvements to other businesses, that money is not allocated to what our needs are, it's allocated towards basically making capital improvements. So, we fall in between the cracks of financing that is available for other businesses.

Erin Coon: We've done the research. We've looked at everything. We've reached out to every connection that we have, as well as connections that people that we don't know, and just said, we don't know everything, we can't know everything. Do you know, something we don't know? Is there funding that we're not aware of that we can apply for? But there's not. I mean, it's you guys. And thank goodness for that. But yeah, I mean, most businesses at this point have been able to open at least a little, even if they've been shut down again, or they've been able to modify. I come from an arts background. I spent many years running the Wood Theater. And I've worked with many arts organizations and I know that they're struggling right now too. But they've been able to modify a lot of their programming into an online platform that's allowed them to bring in some funding. We don't have that. We also can't run a fundraiser. We're not a nonprofit. There's not a lot, there's really nothing else out there for us aside from private high interest loans. And obviously, anything we can do to avoid that is optimal.

Beth Gilles: Okay, thanks. Does anybody have any questions for Erin and Sean?

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Chris Hay: Hi Erin and Sean, this is Chris from up in Plattsburgh. Just a quick question, it sounds like some of your cash that you have, that you have to use by the end of the year to pay for equipment that you purchase earlier in the year. Has that happened yet? Have you sent that money?

Erin Coon: No. We're looking at options for paying that off. Sean has been on the phone with them a lot trying to figure out how we're going to manage this debt. And they have some companies, some crediting companies, that they work with, that they've connected us to. And so we're exploring those options. I don't think that we're going to be able to fully fund that. But we're looking at options for, you know, being able to put in a bit of our personal savings, to help us just get over the hump and make it to next year. So we've, since the beginning, we've reinvested heavily. I mean, the beginning for us is only 2016. We haven't been doing this long. And we've come in at it from a very aggressive standpoint. Where we're not looking to pull a lot out of the business, we're looking to get the business to the level where it needs to be. We're still growing as business owners. And to that end, we have taken all of the profits that the business has shown and reinvested them very aggressively into equipment and upgrades for the facility. And making sure that, well now, making sure that it's as safe as possible. So, there hasn't been a whole lot left there act as a cushion for this kind of a situation which of course nobody can predict. So what we're going to do next year is not reinvest the way that we had. And instead focus on paying off any debt that we accumulate from taking out loans just to make it through this year. And even though the company that we work with to supply our games, is being fairly persistent about getting a payoff, they also don't want to lose us as a customer. So I think we do have some leverage there. And we've been working that weekly, at minimum, sometimes even more than that and just trying to be open and honest with them about our situation. They work with businesses all over the country. So New York is an anomaly in that none of the amusement arcades have been able to open in this state and there aren’t other states out there that are faced with that same restriction. So it's not like they're every single company they're working with is in this position. So there, they are trying to be friendly with us, which is nice.

Chris Hay: One of the things I was looking at, I was wondering, I guess one of the parameters for this loan program is that it should be collateralized. And so that was an angle I was wondering is that if you use these loan proceeds, to pay that vendor off, we would probably then be able to have a purchase money security interest in the games that you purchase, but it sounds like then you wouldn't have working capital to get through till the summer.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Erin Coon: Right. So we're, we're gonna take what we can get from who we can get it from. And, obviously, we're selling off equipment, we're trying to put some working capital in there. So, what we've discussed with the lender or with the games company, is taking some money from, if you guys are able to give us some, taking what we can from that, to pay them and then keeping what we need just to keep ourselves afloat. To obviously support our employees, support our insurance obligations, keep the heat on. Those sorts of things are nonnegotiable. And that's why they've connected us with these alternate lenders, because we do need to keep the business viable so that when the word comes that we can open it can happen right away.

Beth Gilles: So these funds, Chris, can't pay off existing debt. And so that equipment is considered existing debt because it happened before the COVID 19 pandemic. So the fact that they're going to have to take their savings to pay for that equipment has now left them short, to be able to carry them through 2021.

Chris Hay: What would secure the loan?

Beth Gilles: So the land is appraised at just over a million, and they presently have about $750,000 mortgage on that. So the thought was to take a second behind Glens Falls National on the building to secure the $150,000 loan.

Chris Hay: Ok.

Jamie White: They also show new equipment and equipment that exists, there's some room out there as well.

Erin Coon: And the new games that we took this year, they haven't been played at all. So they're still new games. So you can have those. We certainly haven't been able to use them. Every year we've been able to pay off the games that which has very, I mean, if you look at the P&L for the past couple years, you'll see the games cost has varied from about $120,000 up to $200,000. And we've been able to pay that easily every year. So we don't anticipate buying any new equipment next year. Instead, we will take that amount of money from the summer season, 2021, and be able to use that to pay down this debt.

Sean Culligan: (Inaudible).

Beth Gilles: Sorry, Sean. We can't hear you again.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Sean Culligan: We've been so aggressive, for the past couple of years, of buying new equipment, that it's unlikely that we'll need to buy anything for at least two more years which will allow us to focus entirely on minimizing our debt. Our business will not suffer by not buying new equipment just because, this was really our final large purchase to bring the business where we wanted to bring it. The only difference this year was that in the past, we've been able, by the time the payments are due, see we don't need to actually take out a formal loan with the company because we've got such a good relationship with them, that we basically have a handshake agreement based on just the equipment over the course of the winter. And the end of the summer, we pay them in full. So it has never been a problem in the past. Because we never, we weren't able to generate any revenue this summer. That's where we fell short with that. So there's not even a formal loan agreement with them.

Marc Monahan: I just have one question because I know that there's another arcade or two up there. Obviously, they're in the same boat as you as far as competition in the spring, are they planning on trying to be around too? Or are you guys going to be the only one left or I guess what does the atmosphere look like in the village?

Sean Culligan: That's a really good question and I can't presume to know what it is. But I've been in close contact with Leonelli who owns the other similar arcade to ours. He has a very different business than we do, and I think, I think he, again, I don't want to presume, but I think he's going to have some serious difficulty moving forward. And I don't know, I think he's about 72 years old at this point. I don't know if he has a resilience to deal with it anymore? Because he doesn't need to, is sort of the impression that I get. Um, so we put very well, I mean, I don't know if he might decide that's too much now. And the other arcade is significantly smaller and by no means are they competition with us and he was the one who is penalized for opening this summer, so he was told that wasn't going to be able to open for the remainder of 2020. Now, I don't know if there's going to be any consequences in 2021, so there are just too many things that I don't know to say with any certainty.

Beth Gilles: The other arcades in Lake George are seeking grants, not necessarily loans. They went to the Warren Washington IDA, looking for grants. And they also emailed me looking for grants, which we don't have available, they only have the loans. And they, at this point didn't seem interested in the loans. But again, I can't presume, either, to know what they're gonna do.

Erin Coon: Well, it's my impression from the research that I've done that the IDA won't provide grants unless you haven't taken any money from the SBA. And we did take a PPP and EIDL. So for us, we can't go that route. And we're comfortable. We feel confident that we'll be able to pay off everything that you loan us, just because we have every year. We've been

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

able to pay a similar amount off by September. So that's, that's kind of we're just taking a replacement, basically. Instead of paying off the game company, we're pulling off the Lake Champlain Lake George Regional Planning Board. That's kind of how we're looking at it.

Beth Gilles: Does anybody else have any other questions for Erin and Sean? Okay, so we're gonna let you guys go. The committee is going to discuss and they're going to vote and then we'll be in touch this afternoon with their decision.

Erin Coon: Well, thank you. Thank you very much.

Sean Culligan; Thank you.

Beth Gilles: Okay. Chad?

Chad Richards: Yes.

Beth Gilles: You are going to abstain? Yes?

Chad Richards: Oh, yes. Sorry.

Marc Monahan: I guess since Chad isn't voting, you know, he does have a history. I don't know, if you're comfortable sharing any of that. Just background with them. It seems like they're, you know, they're relatively new, you know, three, four years in, but have done all the right things, but I don't know if you had anything to add as the lender.

Chad Richards: Yeah. Assuming I can. Correct, Beth?

Beth Gilles: Yes, yes.

Chad Richards: Yeah, no, this is a, you know, this is one of those, I mean I haven’t been lending for a long, long time, but very unfortunate circumstances that they've ran into. Very nice people, which has adapted arcade very well, going back to when her father owned it, you know, and kind of what they're alluding to when they talk about Chuck Leonelli You know, Leonelli was at the end of his career, not really looking to grow you know. They're looking to grow. They increase revenue about $300,000, I think, from when her father was operating the arcade. And they really do try to invest in the newest and best technology. It’s minor, but they went from taking quarters to upgrading to the little reloadable cards that they use. There's a big cost savings to that in terms of maintenance. It also has allowed them to track

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

spending. And you know, I forget the numbers, you know, exactly off the top of my head but no, say a family of four, they used to go in there and there was spend, let's say you know, 20 bucks. Now that number is increased to almost 35, 40 bucks. It's literally almost doubled in the time they've taken over. Now that being said, they will track a lot better now because they have these little reloadable cards that show you everything that's happened. But when I was looking at this loan request, you know, a year and a half ago, two years ago now, the look at the tax returns it kind of shows a loss. It's, the tax returns itself, it presented oddly. The you know you have FW Arcade. You have Rooster Amusements, the real estate holding company, the operating company, the real estate holding company is also the owner of the operating company itself. So it's a single member LLC, which is why you get one tax return, which is kind of hard to peel the layers back to see what's really going on. But at the end of the day, is adding back rent in especially if, for my purposes, you know, we kind of, quote unquote, sensitized and unsensitized it that we did add back some of, if not all the money, that's invested in the gaming machines. Because literally for the last three or four years, they've spent $120,000 plus on new equipment. Compared to their competition, if you go there, the machines are relatively older. It kind of backs what Sean said, I have heard him say before that this is kind of our last big purchase. And then going forward, we don't really intend on spending $150,000 on equipment, maybe it's $60 - $70,000, you know, replace a few machines rather than six, seven machines. So I truly believe that once you're allowed to reopen, they bounce back. We have a lot of customers throughout Lake George the tourist season. As long as you take out May and June. July and August were one of the strongest too on year September was very strong in terms of number guesting hotels. So Lake George is resilient. Folks will come back. And as long as arcades are allowed to reopen, they'll generate revenue. It's just you know, depends on when Governor Cuomo decides to let people come back and play.

Beth Gilles: Thanks, Chad. Anybody have any discussion that they want to begin with? Chris, we can't hear you.

Chris Hay: I forgot I had the phone on mute. We construction going on upstairs. So I couldn't see it on the picture. Anyway, what I am saying is, I think this is definitely a loan that, a company that's worth supporting. They've got a good story. Just from a practical perspective, though, there's really no value in real estate. And I'm guessing Glens Falls also has a lien and all business assets. So, I think we're gonna have to look at it, although technically, we need to secure it, as an unsecured loan. In given that there's no equity in the real estate, I don't know if it's worth using the funds money to go through the process of taking real estate as collateral. And maybe we just do, you know, an all business asset loan, knowing that we're getting a second position behind their primary bank. Just a thought.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Marc Monahan: Yeah, I'd echo that. And this is supposed to be short term money. You know, their plan is hopefully this paid off by the end of next year if all things go as well. And they don't want to carry debt. So I would agree that second position wouldn't be the worst thing here.

Beth Gilles: Okay. That works for us. And I think we have them in there for a four-year repayment term. The first year is, you know, 12 months interest only. I don't know if they'll take it out that long. But ...

Marc Monahan: I guess my only concern there is what if, what if the vaccines don't roll out as quick and knowing how strict Cuomo was, what if they don't get full capacity in their arcades, and they don't get to build up enough reserve? You know, should we soften their payment, you know, after the 12 months, just so it has some flexibility? There's no prepayment penalty, so I don't see a problem with stretching this out just in case. You know what I mean? Who knows if this thing lingers longer than planned? The thing that is stupid is that everything else in Lake Georgia is open besides them. You can go to all sorts of places and you know, you can go to like, you know, Chad mentioned you can go bet OTB on kiosks that everybody's touching, but you can't go touch a video game. Like that was not fair for them. And unfortunately, I think that that guy and Lake George, by defying, actually kind of hurt their odds of actually getting open because he went against the rules. That didn't help.

Jamie White: Their loan request was for three years, I bumped it up to four with the one year. Would you like to go to the full seven years, Marc?

Marc Monahan: Whatever. I just think offering that flexibility, just in case. So that maybe, you know, they're not back here the end of next summer and saying, hey, can we restructure this, you know.

Jamie White: Okay.

Chad Richards: And to Erin's point and even to Mark's point, one, I mean, there's a lot of businesses that won't survive. Were shut down or locked down. You have trampoline parks, you have the Fun Spot, and like places, all those indoor activity places are in a lot of trouble if they can't reopen next summer as well. But to Erin's point with working with their vendor that sold them the machines, ya know, we went to, my family and I, went to New Hampshire. It was before school started, had to be the last week of August, somewhere around there for a few nights. And the arcades were open in New Hampshire. They did have those little Plexi glass dividers up around some machines. It is tough to make sense of the way New York has reopened in some categories or hasn't reopened, I guess, in others. And they're in a tough

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

spot. You know, I truly think this loan fund is for an organization like this. And other organizations that are in debt. Ya know indoor entertainment, service provider, types of industry.

Beth Gilles: So it sounds like everyone's pretty in favor of this loan. Is there anything else? We discussed term, we discuss collateral. Is there anything else anybody wants to bring up for the discussion?

Chris Hay: Just a technical component on the tax return spread. It looks like there's an expense called amortization, that ranges from about $36,000 each year. That can be added back just like depreciation, make the cash flow look a little stronger. Because that's typically a non-cash expense as well.

Jamie White: Yeah. I'll do that.

Marc Monahan: Yeah, that usually not a line item that’s actually significant. But with this case, it really actually is for them. It's 36 grand a year. So, you know, that's definitely a plus for us, from an underwriting standpoint.

Jamie White: So did you find that the, you know, having a tax and financials spread like that, was that helpful? Continue going forward with that, we'll just include the tax returns as well. So you have them to refer to.

Marc Monahan: Yeah, no, I prefer spreads like this. We can just do a year over year comparison without having to go through every single page of those things. No, that's, that's great.

Jamie White: Good. That's what I did in the past. But I'm open to whatever, you know, and if there's significant things that you feel like should be added, just let me know.

Beth Gilles: Okay, anything else on the arcade before we do a motion? Okay. Can I get a motion to approve a $150,000 loan to FW Arcade LLC, under the COVID-19 Small Business Recovery Program RLF at 1.9% for seven years, interest only payments for the first 12 months. Collateral is a blanket lien on all business assets knowing that it will be a second position. Corporate guarantee from FW Arcade LLC, personal guarantees from Erin Coon and Sean Culligan. May I have a motion please?

Chris Hay: I'll make the motion.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Beth Gilles: Motion by Chris. Can I have a second?

Carol Calabrese: I'll second.

Beth Gilles: All those in favor?

Multiple people: Aye.

Beth Gilles: Opposed?
Chad Richards abstains.

Chad Richards: Yes.

Beth Gilles: Motion passes.
Okay. Alright. Great. So just a couple of other just little housekeeping things. The 2021 interest rates. So the loan committee makes a recommendation on the interest rates. I take that to the board. This is for our regular loan fund. I take those to the board in January and they approve the interest rates for 2021. So right now we are at 5 – 6.5% on our normal loan fund. And just as the EDA reg in terms of interest rates, "the minimum interest rate cannot be four percentage points below the lesser of the current money central prime interest rate in the Wall Street Journal". So knowing that are you guys comfortable with staying to five and six and a half percent or do you want to adjust to that for 2021?

Carol Calabrese: I would be in favor of adjusting it just knowing what we know about, not when all industries are going to be open not knowing when the vaccine, I don't see 2021 being a regular year. Yeah, so that's just my take on it. I'm just trying to help the businesses. Remember, our loan programs are gap lending anyways. So they're high risk. And I think we just need to keep in mind that is probably going to be 2022, maybe, before, maybe we get back to business as usual. So it's just my take.

Beth Gilles: Do you have a recommendation for numbers, Carol?

Carol Calabrese: I'm okay going with what you just described, about following the interest rate and the Wall Street Journal? I mean, I don't know what the current rate is. I mean, I, you know, all full disclosure, I have a, one of my loan programs is at 4%. Primarily, because we received the funds this year. And we knew going forward, at least for the near future. You know, it's gonna be tough, tough going for all of our businesses.

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Marc Monahan: I would think a range from four to five would, you know, will bring it down a percentage, and that's kind of in line. Prime is three and a quarter. Right? So maybe three and a half to 5%. To give us some flexibility, but I think a range, similar to what we had just lower is acceptable.

Beth Gilles: Yeah, ranges is good. That's acceptable. So three and a half to five, does anybody else, is I'm everyone else comfortable with that. Does anybody else want to adjust that?

Dave O'Brien: Speaking from our standpoint, remember, we generate revenue off that to pay our expenses. So, we have to be careful that. We can't afford take a big hit, since we're absorbing some of the losses from previous years.

Chad Richards: Just expand the spread on the top side. So, three and a half to six. Is that too big of a spread?

Dave O'Brien: I don't think it's too big of a spread, because it depends on the collateral and what we get back from the company.

Chad Richards: I agree with Dave. You know, I think there will be certain circumstances where you might get a bar that deserves a three and a half, and then we have the flexibility to have a little higher rate if needed. And the middle ground can be, you know, four, four and a half. I mean, in terms of banking, you know, if you go to go Glens Falls National for an equipment loan, and you have, ya know, your credit qualifies for additional bank financing, you're looking at a five year rate of 4% probably, you know, maybe lower if it's super competitive, but four to four and a quarter, I think is still a fair five year rate. On equipment and such.

Beth Gilles: Okay. So is everybody good, I guess the three and a half to six, and that, of course, it's per loan, that the committee gets to decide what the interest rate is.
Okay, great. We don't need to do a motion or anything. It's just a recommendation. So I'll take it to the board in January. And the last thing, the last big thing is the North Country Club Restaurant, Michael Finnegan. So I sent you all an email that our attorney kind of put together and sent to me just outlining basically the whole saga of the North Country Club Restaurant. What it boils down to is we're owed about $50,000 on the existing business loan. The restaurant, which is located in Keeseville, Clinton County, and the house, which is located in Keeseville, Essex County, were recorded on the same mortgage. So, if we foreclose on one of them, we have to foreclose on both of them. I don't know why it was done that way. That's just what we ended up with. On top of that, there's a significant amount of taxes

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

owed on the restaurant, and some taxes owed on the house as well. The last time we talked about this, we suggested getting an appraisal. I ordered one from an appraiser in Plattsburgh, the restaurant appraisal came back at $71,900. The only way that we would potentially even get any money back after all the legal fees that we would have to spend to foreclose on these two places would be through the house. That being said, right now you can't foreclose on homes. The county, Clinton County, is going to take the business in tax foreclosure in April unless we pay the taxes to stay that tax foreclosure. So basically what I'm asking from you guys, as the committee is how do you want to proceed with this?

Chris Hay: So they owe us $50,000 now. How much of the past due taxes?

Beth Gilles: In the 30s.

Chris Hay: We have a total investment of over $80,000 to get access to a property that's worth $73,000.

Beth Gilles: The restaurant's worth $73,000. We don't have an appraisal on the house.

Chris Hay: But the house probably has a first mortgage anyway.

Beth Gilles: We believe we are the first mortgage on the house.

Chris Hay: Okay.

Marc Monahan: Restaurant looks in pretty rough shape. I know there's no interior photos, but the exterior looks like it's been boarded up.

Beth Gilles: Yeah, the restaurants rough. It's been closed. The, and this is the part of the story I skipped over where we talked about it previously. We hold a second mortgage on the restaurant. The first mortgage is from the previous owner. He's willing to assign us the first mortgage so we can foreclose as the first mortgagee on the restaurant. But he had indicated that the inside is not good as well. We couldn't gain access to the restaurant. So we just did kind of drive by appraisal.

Dave O'Brien: Basically it's $33,000 in taxes to pay off. Our legal fees are probably really 8, 9, $10,000 range. So we'd be scrambling around for $7,000.

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

Beth Gilles: On the restaurant.

Dave O'Brien: On the restaurant. Or just let it ride on the house. We can make, when, how long is the taxes, how long before the house goes into tax sale?

Beth Gilles: The house is not up for tax foreclosure in 2021. I believe he's only missed one year of taxes on the house.

Dave O'Brien: So, then we have a year and a half to make a decision whether we want to take the house and pay the taxes on it.

Beth Gilles: That is an option that I'm willing to discuss with our attorney. If that's the way you guys want to go with that.

Harry Booth: Did you the business is in one county, the house is in another county?

Beth Gilles: Yup.

Harry Booth: In which county is the business in?

Beth Gilles: Clinton.

Harry Booth: Clinton? So are they, they are going to buy that on taxes for put it up for auction? Is that what their plan is?

Beth Gilles: Yes, in April, Clinton County is going to foreclose and take the restaurant on a tax foreclosure.

Harry Booth: So once that happens, and that leaves just the house for us at that point. Is there any way that we can then foreclose on the house with the restaurant out of the picture somehow?

Beth Gilles: I can ask our attorney. It's a gamble to let the restaurant go. But again, I don't know if the restaurants really worth that much to us.

Marc Monahan: Somebody might not even pay that tax bill to get that restaurant at auction that looks pretty rough. You know, for the little bit of money, I feel like we don't know what the house looks like or what kind of shape that is in because we didn't have the

Lake Champlain - Lake George
Regional Planning Board
The Counties of
Clinton, Essex, Hamilton, Warren & Washington

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

appraisal on that. But this, this restaurant doesn't have much value considering they paid 200 grand for it years back and that's the shape it's in now. I can only imagine what the interior looks like.

Chris Hay: If we were just looking at the restaurant, I'd say we walk away. And so I think maybe then maybe the sense is if we don't give up our position on the house to do what we heard earlier and just go after, go after the house in a year and a half. Do we know what the house is assessed for?

Beth Gilles: I was just looking for that and I thought that, I looked it up and it's not over $100,000 I don't believe. If it is, it's just barely. So, it kind of sounds like, oh the house, the fair market value of the house is $71,900 and the appraisal of the restaurant $73,900.

Dave O'Brien: Beth's always looking for something to do. We could buy the restaurant back at tax sale and have her run it.

Beth Gilles: Chris is up there. So, it kind of sounds like I can speak to our attorney, and if it will work legally, we're willing to let the restaurant be taken in tax foreclosure, as long as we can still foreclose on the house after that. My only question is, what is that going to do to our mortgage? So I just want to make sure that it'll be, it'll be good.

Chris Hay: Yeah, just make sure our mortgage doesn't get absolved into the tax sale somehow.

Beth Gilles: Right.

Marc Monahan: Probably have more leverage with them, their home rather than a restaurant that's not, you know, not occupied and running. So, you know, it's only one year in taxes behind that they obviously are trying to keep up.

Beth Gilles: And I believe we looked up and I believe, but I'll double check in Mark's note that, he is the sole owner of the house because he and his wife got divorced, even though they took out the loan here together, she gave him her interest in the house. So it's just him. But there's about $8 - $9,000 in back taxes on the house right now too, but it's not in the, it's not going to be foreclosed on. Just yet. Okay, so I will take that back to Mark Leibowitz and make sure that it's, it's a solid plan for us. And I will let you guys know beyond that. So, the last thing, really quick, is just the 2021 meeting dates. January 8, April 9, July 9, October 8. I'd like to keep those. Those are just kind of like our informational meetings where we go over what all the funds look like and do more of the housekeeping stuff. And then as we have loans, we can

Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

Beth Gilles, Director
PO Box 765, Lake George, New York 12845
Phone: (518) 668-5773 - Fax: (518) 668-5774
Email: info@lclgrpb.org

either incorporate them into those meetings or add new ones as needed when we have loans come in. So, if you could just pencil those into your calendars, 10am on those four dates, and then we'll do everything else as needed. Does anyone have any huge glaring conflicts on those dates? I don't think so. Everyone seemed really good with Fridays before.
Okay. Other than that, I don't have anything else. Does anybody have anything they want to add?

Dave O'Brien: Thank you all for your time and your effort. We appreciate it.

Beth Gilles: Thanks, everybody. Appreciate it. Have a great holiday.

Respectfully submitted by Carrie Yakush, Senior Account Clerk, LCLGRPB