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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

Special Meeting

April 21, 2021 12:00 pm

Zoom (per Executive Order 202.1, extended by 202.99)

AGENDA

1. Welcome
2. Loan Application for COVID-19 Small Business Recovery Loan Program
 - Black River Valley Natural, Lewis County
3. Other
4. Adjourn

TRANSCRIPT

Beth Gilles: Okay, so welcome to the loan committee meeting. It is April 21, 2021 at 12:03pm. And I'm just gonna do a quick roll call.

Chris Hay: Here.

Christy Wilt:

Paul Hamilton: Here.

Carol Calabrese: (Beth Gilles: You're muted.) Yeah, I tried pushing it three times and it wouldn't go. I'm here. Sorry.

Mark Monahan: Here.

Chad Richards. Here.

Harry Booth: Yeah, I'm here. I'm on my phone. My Internet's down on a computer for some reason.

Beth Gilles: My laptop is doing the same thing right now. My other one.

Harry Booth: I'm here.

Beth Gilles: And also present are Carrie Yakush, Beth Gilles and Jamie White from the Regional Planning Board. So, we are meeting today to make a decision on the loan to Black River Valley Natural in Lewis County. I do, before we get into that want to let you know that I got a call from the EDA on Monday, Sanchia Gomez, and basically wondering why we hadn't lent out any more money and seeing what some of the stumbling blocks were. So we discussed some things. But she did want me to note that these are higher risk loans than we're used to giving. And also, at





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this point, the EDA considers all businesses to have been affected by COVID in some way or another. So that might open up, I think, the pool of folks we've been looking at in terms of applications coming in. So we hope to have some good applications in the next couple of months. So I just wanted to let you all know that. So hoping right into BRVN, Jamie, you want to give just kind of a brief overview of the last conversation. Marc and Chad weren't on the call. So just kind of tee us up to where we are at.

Jamie White: Sure, Black River Valley are looking for \$150,000. It will be pretty much strictly working capital. They have very good support from their local, IDA or ED group, anyway, who participated in the committee meeting, I think a little over a week ago now and are very supportive of this project. They, were out, as you can tell from your tax returns, very successful in their own businesses and then kind of came home to, kind of restart their lives in a little bit simpler fashion is what they were talking about and have taken over what was originally established as a not-for-profit group. Operating strictly from grant funding and have turned it into a for-profit. That happened at the end of 2019, early 2020. And this was a food distribution. So they were kind of picking up from local producers and distributing to supermarkets and restaurants. And obviously, in response to COVID that became very difficult. The restaurants were closing down. Even the specialty grocery stores that they were delivering to were closing down. So, in response to that, they got pretty creative and came up with this, what they call curated bags of grocery products, farm products, and they deliver those to easily accessible organizations locally, so people can order them and pick them up. I know we used to, at CWI, we had, you know, a food group who delivered there. We can order ahead of time, they delivered there, and it worked out fantastic. So I think this is working very similar to that. They've had a very positive response. And as things get back to normal, it is their intention to continue to grow this. However, they are not getting the income stream that they got, you know from their original plan. They also have been able to reach out to investors and that's looking very positive, but that's not going to happen as quickly as they need to keep the payroll, keep the inventory, keep things moving. So this is kind of bridge financing for them. Keep them up and running until things settle down and they get the investment money. So basically, we were able to establish that really the only collateral available right now is their personal residence. We did get that appraisal this morning. And it actually came in at \$200,000. So that is, you know, substantially higher than we were looking at with the assessment, you know at the time of purchase was \$120,000. So, we at least have that comfort level.

Beth Gilles: Yeah, so there are a few questions after last time. One of them was that we were missing the Munn's 2017 tax returns. So we got those, updated the sheet, sent those out. Jamie mentioned the collateral. And we talked about the second house, but the second house is part of a family trust. So that would have just been too difficult to deal with. But luckily, the appraisal came in a lot higher than we anticipated. The last piece was Beller Farms. So Beller Farms owns





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25% of BRNV. And we require financial disclosures and guarantees from anyone who owns more than 20%. We do have the ability to deviate from our loan terms, you know, if there's a reason to. So Jamie reached out to the Munn's who reached out to Beller Farms, who are not willing or able to provide any kind of guarantee on this loan and therefore didn't provide their finances. So, the loan committee has the ability to move forward with the loan, given a recommendation to the executive committee to deviate from the loan terms, for the reason that the Munn's really have provided enough financial information and enough collateral, that we don't necessarily need Beller Farms to also guarantee the loan. So that's where we're at. Did we miss anything from the last conversation that anyone still has questions on?

Carol Calabrese: I thought we were requesting the 2020 tax returns or finding out if they were, um, received an extension on them.

Beth Gilles: We needed three years. So yeah, we've got from them 17, 18 and 19. Anything else?

Paul Hamilton: I think the last time they had said that there was some investors that were within a week of making a decision that were going to have more information. Did anything ever come of that?

Jamie White: No, my understanding was that there was nothing definite yet and it was going to be, you know, more like three to six months before that actually happened. The people that they're talking to have shown interest, but nothing that they could like actually provide documentation.

Chris Hay: I think as we talked about last time, that is kind of the big risk associated with the credit, in that if they don't raise the venture money that they're looking at, they don't have the ability to grow like they're anticipating. But I think we have that mitigated somewhat by our ability to take the house as collateral.

Beth Gilles: And Jamie, we're sure the house is unencumbered, right, we would be a first mortgage?

Jamie White: Correct.

Chad Richards: Hi guys, I know I wasn't here for the last meeting, really with the information Beth sent out based on the conversation today, I know from a casual perspective, is not what we look for. It's certainly not something traditional banks look for even an entity like this when our mission is to try to lend out money. But I think we're adequately secured at this point. I know, from a personal credit report, I think personal net worth, I think the Munn's, they are in a pretty good





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spot. They don't have any debt on their credit reports. They have, I think, it was somewhere around \$100,000 in retirement accounts. They have that vacation home, which I know, I think they own, maybe a third of. I think they had the ability, you know, worst case scenario if they needed to, to liquidate. You know, of course it would face some penalties for liquidating their retirement account, but I think that's what they would do when push came to shove there. They certainly don't want to lose their house at this point. So I think we've mitigated the risk as much as we can. And I think I would support lending the money to them. But that's just me.

Beth Gilles: Harry anything you want to add? Or Marc, you have any questions?

Marc Monahan: No, you know, I'm in the same boat with Chad. You know, I understand the need for and the situation they're in. And, Jamie, I'm sorry, I think you might have mentioned it, but I might have been cutting out. Are they eligible for any of the restaurant relief?

Jamie White: I don't think so. Because this is such a unique business model. This is actually food distribution. And not restaurant related.

Marc Monahan: Yeah, I didn't know. I still got to listen to one of those webinars. So I wasn't sure the ins and outs of that if they to fit in there for food revenue, so to speak.

Jamie White: And they don't have 2019 established figures either. Really. So yeah, I mean, there's not a lot to compare it to.

Marc Monahan: Yeah, I would just encourage them to do their own due diligence on that to see if there's anything they can grab.

Jamie White: I certainly will.

Marc Monahan: And do they get any PPP?

Jamie White: I apologize. I started working on two others now. And that's not in my head at the moment. I don't think they've received any assistance to date.

Chad Richards: They got a small PPP loan. I think it was \$25,000 - \$30,000...

Beth Gilles: \$22,900.

Jamie White: Okay. Sorry about that.





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Beth Gilles: And that cover June of 2020. So we don't have to worry about duplication.

Marc Monahan: I see that they, you know, in 2020, they had \$247,000 in payroll, and obviously they had a re..., but they don't have the reduction in revenue to probably qualify because of the way they started. So probably weren't eligible for round two. That's it for me. I'm in support of this as well.

Beth Gilles: Okay, so I think the first thing we will have to do is a motion to approve a deviation from the loan terms. So can I have a motion to approve the deviation from loan terms with the Regional Planning Board will not require Beller Family Farms LLC to provide a guarantee for the loan due to lack of available security or disclosed financials as a 25% owner of the BRNV because the Munn's have provided enough information and security to move forward with the loan.

Chad Richards: I'll make a motion, Beth.

Beth Gilles: Can I have a second please?

Harry Booth: I'll second that.

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

Multiple people: Aye.

Beth Gilles: Opposed?

Paul Hamilton: That was an aye for me.

Beth Gilles: You gotta hit that unmute quicker, Paul. Any opposed? Okay, hearing none motion carries. So as far as the loan goes, the term, you guys can go up to seven years. What do you want to give them for a term?

Marc Monahan: Is there an interest, are we able to start it as an interest only for 12 months and then kick it in for a six month or a six-year term on the end?

Jamie White: Yes. That's the way it is set up. And that's for all of these COVID loans under this program are all set up that way.

Marc Monahan: Okay.

Jamie White: One year interest only.





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Beth Gilles: So do you want to give them the full seven?

Marc Monahan: Yeah, I mean, you think about it, I mean, the interest only year's kind of a wash, right. So you don't really factor that into the overall repayment. That's just kind of making sure that they can float the capital through to then and then in that it's a unique loan fund for kind of desperate borrowers that are in you know, very much in need. I don't have a problem with the whole seven.

Beth Gilles: Everybody else is shaking their head. Um, guarantees. So we would want personal guarantees from both Bethany and James. Corporate guarantees, what do you guys want to put on there, just BRVN? I don't know if we actually can, or it would make sense to even put the North Star Food Hub as a corporate guarantee. They're a DBA so it probably doesn't make sense, does it?

Marc Monahan: Yeah. So I mean, obviously, the individuals being guarantors, especially since we have the house, mortgage, those are the primary because we have the borrower already.

Beth Gilles: Okay, anything else anyone wants to talk about before we do a vote?

Chad Richards: Do we require title insurance?

Beth Gilles: Yes.

Chad Richards: We do, okay. Our attorney does it?

Beth Gilles: Yes.

Chad Richards: Okay.

Marc Monahan: So all standard real estate conditions apply? Correct.

Beth Gilles: Mmm hmm.

Marc Monahan: Okay.

Beth Gilles: Okay, so can I have a motion to approve \$150,000 loan to Black River Valley Natural 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 first mortgage on the Munn's personal residence, personal guarantees from Bethany Munn and James Munn.





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Marc Monahan: Should we mentioned anything about a loan to value on the actual residence. Not to exceed a certain amount.

Chris Hay: We have the appraisal, right?

Beth Gilles: Yes.

Marc Monahan: What was the appraisal at?

Beth Gilles: \$200,000.

Marc Monahan: Okay, so yeah, I would say is that is that appraisal good and can be certified to the agencies?

Beth Gilles: Yeah, it was just done. They actually ordered it without us even asking.

Marc Monahan: So maybe just in the loan condition not to exceed 75% LTV, just so we have it documented for approval. Just in case we're, you know, for audit purposes.

Beth Gilles: Not to exceed 75% of...

March Monahan: Loan to value.

Beth Gilles: So adding that to the resolution with the collateral, not to exceed 75% of the loan value.

Marc Monahan: Yeah, so that would mean they gotta pay the closing costs either out of the proceeds or out of pocket. So we're not going to finance above \$150,000.

Beth Gilles: Can I have a motion please?

Marc Monahan: I'll make a motion.

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

Chris Hay: I'll second.

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





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Multiple people: Aye.

Beth Gilles: Opposed? Hearing none, motion carries. Okay, so this has to go to the executive committee on Friday anyway, to approve the deviation and also approve the loan because it's over \$100,000. For us, that's it. Does anyone have anything else they want to? I can't remember if I mentioned, Jamie just sent me a new loan this morning. We're working, she's done the underwriting, we're working on pulling everything together. We hope there's another one so we could do two at once. So probably within the next couple of weeks. I'll send a survey out to do another meeting.

Chad Richards: What happened to the helmet folks?

Beth Gilles: Never got back to us.

Chad Richards: Oh, okay. I just have to, they have an article in the Glens Falls Business Journal. I thought it was this month but could have been last month.

Marc Monahan: Was that Kirsch Helmets?

Beth Gilles: Yeah, Jamie and I actually had a meeting with them with the EDC and they said that they needed to get done within four weeks. So we move mountains to set up where we could have gotten it through and closed and everything within four weeks, and then they never got us the full application packet. So...

Marc Monahan: We've had some preliminary discussions with them too, and they tend to not be the most responsive after being urgent. So just kind of give you a heads up.

Beth Gilles: That's good to know.

Jamie White: Yeah. Thank you for that.

Beth Gilles: Great, I guess can I have a motion to adjourn?

Chad Richards: I'll make the motion.

Beth Gilles: Unless you guys want to stay here all day. Second please?

Marc Monahan: Second.

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





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Multiple people: Aye.

Meeting adjourned. Thanks, everybody.

Respectfully submitted by Carrie Yakush, Senior Account Clerk, LCLGRP.

