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

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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

April 9, 2021 10:00 am

Zoom (per Executive Order 202.1, extended by 202.99)

AGENDA

1. Welcome
2. Approval of minutes from February 22, 2021 meeting
3. Loan Closings – Elf's Property Management, Christopher's Restaurant, Phaseline Properties and Little Pizza Shop
4. Loan Fund De-federalization
5. Loan Balance Report
6. Legal Action discussion – Cooper, Ward, Finnegan, Orlando
7. Loan Application for COVID-19 Small Business Recovery Loan Program
    - Black River Valley Natural, Lewis County
8. Other
9. Next Meeting – July 9, 2021 at 10:00 am
10. Adjourn

TRANSCRIPT

Beth Gilles: So why don't we go ahead and get started Paul, I already told everybody you'll be hopefully approved by the board on Tuesday. You don't have voting power today but you just kind of hear what we're talking about and what we do. So let me hit record.
Okay, so welcome to the loan committee meeting. It's April 9th at 10:02AM and I'm just going to do a quick roll call.

Christy Wilt: Here.
Carol Calabrese: Here.
Chris Hay: Here.
Harry Booth: Here.
Marc Monahan: (not present)
Chad Richards: (not present)
Patty Waldron: (not present)

and also present are Beth Gillis, Jamie White, Carrie Yakush from Regional Planning Board and Paul Hamilton.
So first, can we get an approval of the minutes from the February 22, 2021 meeting? Can I have a motion please?

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Harry Booth: I'll move them.

Beth Gilles: Moved by Harry. Can I have a second?

Christy Wilt: I'll second.

Beth Gilles: Was that Christy? Seconded by Christy. All those in favor.

Multiple people: Aye.

Beth Gilles: Opposed? Hearing none, carried. I wanted to let you guys know that we since we last met, for one of our bigger more management meetings, we've closed 4 loans. So the E.L.F.'s Farm loan is closed, Christopher's restaurant is closed. Those were both COVID-19 loans from the new recovery fund. We closed the Phaseline Properties loan. That is the one with Slick Fin, it's the purchase of the building. And that came out of RLF2. And we also closed The Little Pizza Shop, which was out of RLF4 and that was a COVID-19 microloan. So, the only loan we still have hanging out there is the Slick Fin equipment loan. And so I emailed Kris March this morning just to see where he was on that. He has until June to purchase that equipment, or at least get a purchase order for the equipment putting a down payment on it that he needs to. Our loan is going to be a purchase loan so that we get filing a UCC specifically on that piece of equipment. And he has to hire two people to help with the increased production that having that equipment is going to create. So, he's got until June to get that going. I haven't heard from him since we closed the Phaseline loan for the building. So, I checked in with him this morning. So, we'll make sure that he gets moving on that. Something that I'm not sure I mentioned to you guys yet is the loan fund defederalization. So, in October of 2020, the federal government passed anAact that defederalizes the interest, their interest in our loan funds, after seven years past the final disbursement date. So, what that means is for RLF1 and 2, 1 was provided in 1985, I think. RLF2 was the late 80's. RLF3 was 1998. 2 and 3 have been combined into one fund that we just call RLF2. So those disbursement dates, our final disbursement dates, have been more than seven years ago. And so we are going to apply to the EDA to release their interest in that, meaning that we no longer have to follow their regulations. We don't have to follow their RLF management plan. And any of the CFR's that we usually follow when we give loans. So, things like interest rates, the confines that they put on our interest rates, the having to have a bank turn down letter is a requirement of the EDA that will no longer be and the loan leveraging and the 10% equity, all those little nitpicky pieces that we have to follow are going to be released. So, the way it works is we, I need a resolution from the board. So, we have a full board meeting on Tuesday. I'm going to put the resolution in front of them to approve the defederalization, then we apply to the…

Harry Booth: We lost you.

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Now you're back.

Beth Gilles: Am I back. Okay. How far did we get? I explained the entire thing before Carrie told me I was frozen.

Chris Hay: I think we got to the point where you said you're going to the full board on Tuesday to get a motion, to get an approval from them.

Carrie Yakush: That's correct. You said on Tuesday, I'm going to put a resolution in front of them to approve the defederalization.

Beth Gilles: Okay. So, then we send our application to the EDA and they turn it around, they said in about 60 days. So, I'm hoping by the fall, we have defederalization of funds 1 & 2. RLF4, the final disbursement date was in 2015. And so next year we can apply for defederalization of that fund, which is actually really important because they, there's extra stipulations on that fund. Because it was given to us for Hurricane Irene recovery. They've told us that we can only lend it out for Hurricane Irene recovery or business resiliency. That's how we got the microloan to be able to be loaned out of there. But once we defederalize those requirements are going to go off of that fund as well. So that'll be next year in 2022. So, what we're going to have to do, is once we get an approval to defederalize 1 and 2, we're going to have to decide, basically what kind of program, loan fund program we want. What regulations, we want to take out, which ones we want to, you know, keep in, we can then mold kind of our own program. So, I'm going to lean on you guys as the loan committee to help me do that and kind of create a new revolving loan fund management plan for those defederalized loans. We can keep it exactly the same, if you want to. But I will also note that it has to remain within the purposes of PWEDA, which is the Public Works and Economic Development Act of 1965, which created the program and the grants that come out. So, they still have to be economic development projects. We're not going to turn into a bank and just start lending because we can, they still have to have some kind of economic development value to the communities that they're in. So once the board approves that on Tuesday, if they do, I'm hoping they do, we'll figure out a timeline for when we kind of want to come up with a new revolving loan fund management plan. So, if there are really pieces of our normal programs, that you think are just big roadblocks, or just hard to deal with, just kind of think about those and then I'll probably put a meeting together to discuss which ones you want to keep.

Harry Booth: As far as defederalization, then who makes that decision on what regulations are doing? Does loan to do that? Or does the planning board do that? Where's that direction come from?

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Beth Gilles: So, I think the direction would come from the loan committee, I'd asked the loan committee to make recommendations on what they feel like the program should be and should include, and it would have to go to the board for full approval.

Harry Booth: So, are you going to make a recommendation to the loan committee on how you think that should be done? And we'll go from there?

Beth Gilles: Yeah. Yeah, I think Jamie and I will kind of comb through the existing RLF plan. Take out or just note, things that we think are some stumbling blocks for businesses. What kind of would open the program up for us and not confine us so much. And then present it to the loan committee, and we'd probably have, I'd say, like an hour meeting to go through and just redevelop the program and what it would be into a new RLF management plan. So we'd actually be working at some point, the end of this year, we're going to be operating off of three separate RLF management plans, but depending on the fund that we're working in, but that's okay, we can keep those separate and organized. Any other questions? Any questions on that?

Harry Booth: I'm good.

Beth Gilles: The loan balance report. So, we'll go down through starting with RLF1. ADK Pub and Adirondack Forrest are current. All About You, that's Desiree Diskin. She is the, she has a salon in her garage. She's paying and she's current, but she's having a hard time. And she's not really sure how long she can hold on. So, I've asked her, we've had some emails back and forth, and I asked her to give me a call so that we can chat. So, I will hopefully talk to her. She hasn't called me yet. That was yesterday. So, I'll get ahold of her next week. So, I can just see where she's at and where she thinks her business is at. And what she thinks she'll be able to do. Moving down. Brand Redemption was delinquent at this time, at 3/26/21. Joe said that the bank never pulled the money. I called the bank and they said he didn't have sufficient funds. And they tried for 12 straight business days in a row to pull those funds. And they eventually did last week, end of last week, so it ended up in April. So, he is now current on those payments. Thomas Barber is just our constantly delinquent loan guy. So is Washington County Agri Park. I think last time that we met, I told you that I had spoken to Ted. And we kind of struck a deal that he was going to pay his regular loan payments plus an extra $100 and an extra $400 to pay the back balances on the other two loans. He has been paying but not in the dollar amount that he promised he would be paying. So, we're just watching him, we've decided that everything's going to go to pay the back loans at that point since he didn't really keep up his end of the bargain. So he does still look incredibly delinquent. But he is paying every couple of weeks. It's just not huge dollar amounts, it's a couple hundred dollars here and there. RLF2, everybody is paying. RLF4, again, everybody's current except for the two defaulted loans. We'll talk about those in the legal action report. And now we've added RLF5. FW Arcade has begun paying. They closed, I think it was end of January. So they started paying in February. They're on one year interest only.

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Everybody in RLF5. And then Christopher's Restaurant and E.L.F.'s Property Management were closed in March. So, their first payments will be due in April.

Harry Booth: Were they able to open up and start some business up there then?

Beth Gilles: Yeah, so FW Arcade is going to open. And then Christopher's Restaurant, if you remember, he had the Comfort Inn, and the two restaurants and the gym and the activity center. So, the only thing that remained completely closed was the activity center. So now he can open that up. Jamie, I don't know if you've talked to any of them lately.

Jamie White: I think the biggest thing they're waiting for, too, is the border opening. You know he's open, but he's still very limited. In a lot of, you know, he's not back to normal. So but he is open and E.L.F.'s Farm and is also looking forward to Canadian business, and they're, you know, they're, spring through fall. So he anticipates opening as normal later this year.

Beth Gilles: And then in the IRP. Again, All Brands was delinquent, but he has now since become current. And everybody else is paying. Any questions on the balance report. So legal action. Anton Cooper, Cooper Logging. He's out of Bolton in Warren County. And you'll remember, we have been in a foreclosure legal action with him for a couple of years now. We entered into a plan with him last year. Finch Pruyn was going to log his property and make monthly payments. That was the deal on the plan. Finch stopped logging in 2020 and will not be doing any more so he hasn't been paying for the last few months. So, we filed to continue our foreclosure action because he was in violation of his plan, which the court approved. We also filed for the referee to sell, we have liens on several pieces of property. So, our attorney thought it would be the best to sell them as one group instead of selling them individually. But Mr. Cooper called me a couple of weeks ago. He wanted to come talk to the loan committee, but I told him I would do it on his behalf. He says he has some contractors lined up to log this spring and should begin making payments again. This is a dance we've done with him for the last three years. It's what he says to us every time we get close to foreclosing on this property. So I just want to make sure that as the loan committee, you guys are in agreement that we should continue with our foreclosure action as we have been doing. He basically wants us to stop the foreclosure action and let him get some people in there to log because his equipment has been vandalized, and he can't log. So he's going to have a contractor come do it. I think we should continue, it would be my recommendation to just continue moving forward with the foreclosure as we have been. There's no way that he can log $160,000 worth of, worth of trees off of there to be able to pay his loan. So, are you guys good with continuing our action?

Chris Hay: Beth, this is Chris, I think it makes sense to continue the foreclosure unless he can deliver signs and strong contracts with someone to start the logging process for him.

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Beth Gilles: Okay. I can ask him.

Chris Hay: And those wouldn't be talking to. I think, for us to delay foreclosure, would have to be a signed executed contract with a firm start date. And would have to make sense to us. It can't just be to log $10,000 worth of logs. But short of that, I think the foreclosure should continue.

Beth Gilles: Okay. Everybody else agree? And this is the stall tactic he's been using with us for the last three years. But I can ask him if he has any actual signed contracts with dollar amounts as well.
Ward. There hasn't been a lot of movement on the Ward foreclosure. We did get the signed paperwork back from the Wards that took a little bit of back and forth. I don't have any real updates on that. I also don't really have any real updates on Finnegan. If you'll remember, the restaurant and the house are on the same mortgage, we decided to let the restaurant go because it wouldn't be worth us foreclosing on the restaurant so we're just waiting for the stay to be lifted, to be able to foreclose on his personal residence.
Orlando, if you remember Orlando, we did a loan modification for him a couple of years ago. He's the Schroon Lake Campground in Essex County. He received a loan, I believe, in 2002. He ran into some issues. The former administration here told him that he could go on $150 payments per month, but there was no paperwork to back that up, there was no new promissory note. So, we did a modification with him to shorten the length, his payment went up to $187 and change. He passed away in December. And we didn't know until his wife contacted us as part of the collateral for the loan, we have a lien on his life insurance. So, his wife filed to collect on his life insurance. The life insurance company sent her back and said that, three entities, two of which I know their loans have been paid off, we are the last one that still remains not paid off from that loan. And he owes just under $10,000 on the principal. So we submiedt the paperwork to the insurance company to get that paid off. Mrs. Orlando has asked that we not take that and that she plans to continue paying on the loan. And that we not ask for the loan to be paid off through the life insurance. She first told us she needed to purchase a house in Florida. The second time she told us she needed it to live on. So we told her that we bring it to the committee to decide, I would say that my recommendation would be to just take the money from the life insurance and pay off the loan. This has been almost a 30-year, it's been a 20-year and by the time it's paid off, it'll be almost a 30-year loan on $56,000. So, I am asking for your recommendation on how we should proceed.

Harry Booth: You know, just because she has to pay off the loan with life insurance doesn't mean she can't continue to do business there or wherever she wants to do if that was her choice. I would assume that the business does make some money. If it doesn't, I don't know why she's doing it. So I guess I would move we take your recommendation and get 10 grand and be done with it.

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Beth Gilles: Anybody else?

Chris Hay: I agree with that process.

Beth Gilles: Okay, so Harry has made a motion that we just continue with the collection on life insurance. Seconded by Chris. Does anybody have any other comments on it? Okay, all in favor?

Multiple People: Aye. Aye.

Beth Gilles: Opposed? Hearing none motion carries. Okay, we will let her know.
Another one. We don't have legal action against them currently, is Storied Boards. They are out of Lake George, New York, Warren County. They take down old barns and use the restored wood for home renovations and restaurants and things like that. We were notified by St. Lawrence County, that the taxes are delinquent on his parents second home, which is what they put up as collateral for this loan. We've been checking every month; they are still delinquent. As of a couple of days ago, Carrie spoke to the treasurer's office up there. On May 1st, they are set to send the property into foreclosure. And then we would have until August 12th, to pay the taxes to secure the collateral. Marc's not here, I know he knows them. I think that they will eventually pay the taxes. But I just wanted to make you aware that we may have to pay the taxes if we end up wanting to retain the collateral on that. But if we are going to pay the taxes, then there's going to have to be some kind of recourse with calling the note as well. I've already sent them notification that that you know they need to pay the taxes or we reserve the right to call the note, which is still pretty significant. It's over $100,000 that they owe on the loan. So I just want to make you aware. I don’t know if you have any comments on that. But we'll just keep watching that one. And the other one with taxes is Joe Brand. He is delinquent on his taxes for both the house and the business. He’s three years behind on the house, two years behind on the business. His attorney called me a couple weeks ago said that Joe planned on going into the treasurer's office to get into a payment schedule with them. I spoke to the treasurer late last week or early this week, I can't remember which. Joe had not been in yet. It was noticed in the paper of the foreclosure actions on the house and the business over this past weekend in The Post Star. I spoke to his attorney again on Wednesday. And he said that Joe has the intention to pay the taxes and that we shouldn't have to. So I did also send him you know, per our process, Joe a letter that said you're delinquent on your taxes. This is collateral for your loan. Pay your taxes, or we reserve the right to call your note. So, we're just watching Joe, on that as well.

Harry Booth: Is he in Warren County?

Beth Gilles: Yes.

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Harry Booth: Warren County isn't going to take it. You know, if it's three years out, they could take it.

Beth Gilles: Yeah, they plan on it. But Warren County allows you to bargain. You can go in there and bargain with them and get into a payment plan and they won't take it. So that seems to be Joe's plan. So we're just going to keep an eye on it and keep in contact with Joe's attorney and Mike Swan who's the Warren County Treasurer. As far as, you know, we have a second mortgage on the house. And I don't really know how much we would get out of that if we ended up having to pay on the taxes to keep the house. But we have three mortgages on the business property. We have the first, the second, and the third. So the business property would be the one that we would want to make sure it doesn't get taken by the county and have our liens cut off. So we're just going to keep watching and seeing what happens. Okay. Any questions on our legal action? Alright.
I just want to skip down, James Munn actually did just sign in. We're going to wait for Brittany, we'll give her five more minutes. I have a couple of things that are Other. I just wanted to let you know that we are bringing the special meeting changes to the LAC bylaws to our board on Tuesday. So to add a clause into the loan committee bylaws that says that we can call a special meeting within three days. So I want to let you know that we're going to do that. And I have spoken to a couple of you about this. Just have to find my document here. Jamie and I have been talking really about all the paperwork that we require people to submit for these COVID-19 loan funds. And a lot of people look at the list and think that's way too much, I'm not going to do that much work. Forget it. So we combed through and changed some of the reporting of the paper requirements that people have to submit to us to get these COVID loans. And I submitted that to the EDA and they approved our changes to the management plan. So I now have to put that through our board on Tuesday to make sure that they approve it as well. But just to let you know, the changes, so they'd still have to complete the application form. We had been asking for financial statements of the company for the last three years. So we took that out. Jamie and I felt that we really got that information off the taxes, and that we didn't necessarily need them to produce more paperwork. We have been asking for balance sheet and income statement projections for three years, we changed that to one because, honestly, do they even really know what's going to happen in three years. Projected cash flows again, for one year following the loan, they'd still have to do the debt schedule. They'd still have to do the interim financial statements no more than three months. Previous three years of business and personal returns. Also on the personal financial statements they still have to do, the aging accounts receivable and payable, they still have to do. We took out financial statements for each company and or individual who will act as a guarantor. Because we really get those anyway. So that was kind of redundant one. The current business plan we put in there and the current ownership has been less than two years. So people are starting to like, people who have had established businesses are having to create business plans to be able to submit to us. And that's kind of a big roadblock. So we figured that if the current ownership has been more than two years that

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they have the established business then they know what's going on. We took out the resumes and the projected employment. And we took out that if funds are being used for working capital cash flow statement for the past three years has to be provided as well. So I wanted to let you guys know that, does anyone have any huge objections to anything that we took out? No, I think it'll consolidate the package. I think it will make the loans look less scary and hard. And, we've only got until June of 2022 to get all of this money out. We have $2.94 million we've only loan just under $400,000. So we're hoping to get that going a little bit faster.
So that's all that I had for anything but the Black River Valley Natural, James Munn, is in the waiting room. I don't see Brittany yet. But we could let James in. Just so you know, the next scheduled meeting is July 9. I think that we'll probably have some loan meetings before that. Jamie, you've got a Jefferson County project, right, that might be ready within the next three weeks, month?

Jamie White: I plan on getting to that on Monday. So that's almost, you know, unless something really weird pops up. This is almost close. And also, Fogg Security is also compliant with what I asked for. So I'm getting that together as well. So I have two that are fairly close.

Beth Gilles: Okay, so then we'll probably call a meeting within the next month to go through those two. Alright, Brittany is in the waiting room. Is everybody good on our normal business? Any questions?

Jamie White: Did you want me to do a short thing first or wait? It'll be quick.

Beth Gilles: Yep. Okay, go for it.

Jamie White: So we've got James and Bethany Munn. They're looking for $150,000 strictly working capital funds. They're offering their personal residence as well as furniture, fixtures and equipment in approximately $60,000 from the business as collateral. They successfully began operating this business, which had been previously a not-for-profit grant run operation. But it began struggling, I think, mainly because there were just too many chefs in the pot there. There were a lot of people that you know, were over the years to part of management. And when they took it over, they created a for-profit business with one management team. And it really responded well to that. Unfortunately, of course, it got hit by COVID. They pivoted into a direct to consumer. Which basically means that they are gathering the products and goods from local producers, and they're directly bringing that to pretty convenient locations for monthly, you know, or weekly deliveries. And that's also been doing well, of course not as well as, you know, income level as they had previously. So, they have been struggling a bit. They have been reaching out to investors, they've gotten some pretty positive response. But that's not going to happen for a little while. So basically, this loan will provide some operational support, allow the new offering to grow and, and then stand as is until the COVID restrictions are

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decreased and the company can kind of get back to normal. They're not going to let this direct to consumer line go. They're going to continue that, because it's been responded to very well. Can I answer any questions before we let the Munns in?

Harry Booth: So, what actually generates the income? People buy this produce or whatever it is that they're, …

Jamie White: It's a membership. It's kind of like, you know, locally, there's a couple of farms that will deliver boxes to your door of their produce. This is just on a little bit higher level, because they have access to so many. And plus they're in a very rural area, which James calls a food desert. So there's, it's, uh, it's tough to get fresh foods, fresh vegetables, you know, from a non, you know, non-Walmart. So, they've had a pretty good response, and it is a membership. So that's ongoing.

Beth Gilles: Jamie don't they also process dairy products as Black River Valley Natural?

Jamie White: It is, that's actually a separate, James runs a creamery. Was kind of, sounds like it was kind of a family business that he inherited. So, he's one of the producers, as well, as part of this food hub.

Chris Hay: This is Chris, I was looking at the projections, you know, I don't see that they look super feasible. You know, their cost of goods sold, and the projected basis is 47%. In 2019 they operated at 69%. In 2020 they operate in at 62%, year to date they are at 78%. So, Jamie, I'm sure that's not something you have an answer for, but it's certainly a bit of a red flag. In some of the reading materials, I also saw that they have claimed they have a million dollars in revolving inventory, which is all perishable, and they only sold $370,000 worth of products in 2020. I would think that inventory of a million dollars should turn every three weeks or so if it's perishable products. So, they should be, you know, a $12 million company with that kind of inventory level. So, some of those technical things don't make a lot of sense. Looking at the projections, they don't, they're not showing the ability to service the debt until maybe 2023, probably 2024. I'm confused with the capital they're raising; they're trying to raise $824,000. $700,000 of it for 20% of the business. That's a three and a half million-dollar valuation. So, I think there are just a lot of questions about if this plan is going to come together. And I'm not sure what happens to our $150,000 if they don't raise the other $700,000.

Jamie White: And as you said, these are not things I have answers to, but I certainly encourage you to put these forward to James.
I had some of the same concerns, Chris, and I brought some of them up but some of them haven't been addressed.

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Beth Gilles: Okay, anything else before we let James Munn and then Brittany Davis from Lewis County IDA in?

James Munn: Hello, hello.

Beth Gilles: Hello and thank you for joining us again.

Jamie White: Good morning.

Beth Gilles: Hi Brittany.

Brittany Davis: Morning.

Beth Gilles: So welcome. This is our loan fund, our loan committee. So James, we're just going to give you like maybe five, seven minutes, you can tell us what's going on, what's happened to your business because of COVID. You know, what your plans are. Just kind of give us the rundown. And then the committee members will ask you some questions. And then Brittany, if you wanna hop in after James actually, to give your perspective on, you know, the economic part of this for Lewis County, that would be great as well.

James Munn: Sure, thank you, Beth. So, I won't go into all the history about the North Star Food Hub but I'll jump right to the, I guess the interesting part of early 2020. So, when we took over the operation of the food hub on January 1, we were seeing some pretty spectacular growth in the first few months because after we got through January, February, March; March, April, May is where we really started see quite a significant uptick. As you know, people stopped going to, as COVID kicked in, and people stopped going to sort of the larger grocery stores. We thought that would continue. It did not. After about May, June timeframe when the bigger chain sort of figured out contactless shopping, curbside, things like that people started returning to the grocery stores. And it was throughout that time, too, where restaurants really figured out that they were not going to be reopening, they were scaling back. And between those two issues, we really saw quite a precipitous drop off in our revenues for the food hub. Some of you that may know the history of the North Star Food Hub, may understand that before we came along, it was operating with a lot of soft money to cover losses. It was being subsidized through a grant that Senator Ritchie had set aside back in 2016. That grant money was also completely gone by that, you know, towards the end of 2020. Especially as business continue to drop and take on more and more losses. We recognized this fairly early in the process, as things started to drop. We began to a process of sort of redesigning the business from the ground up. What had largely been a completely wholesale business essentially, operating on very slim margins, we started to shift that business to more and more retail. So, we launched a direct to consumer program, which is in the form of a bag, food bag delivery. We partnered with several North

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Country locations and workplaces and opened our platform up to retail purchasers. So, with the help of that direct-to-consumer program, and the larger margin capture that it allowed, we were able to, I won't say stop the bleeding, but block it, cut the hemorrhaging significantly towards the end of the year. We realized in the fall, that this was definitely the future of the food hub, we needed to switch our ratios from being, you know, 80% wholesale, 20% retail to the other way around, if we were to really get this food hub to a sustainable point. So, we started implementing plans and initiatives to do that. Unfortunately, that's when the soft money ran out that was being provided through the nonprofit. And we realized quickly that we had to make some changes. So, we went out and did seek some private investment. And I'm happy to report that we were able to convince some significant investors that this platform was worth investing in and worth growing. However, that process, as many of you may know, takes a long time. And so although we do anticipate some capital infusion down the road, we are coming to this board to ask for some bridge funding to allow us to continue to operate until that additional investment comes in that will allow us to grow and significantly change the business to be more sustainable going forward. And so that's why we're here. That's why we wanted to reassure you that not only is this loan going to help us sort of recover from the sort of the precipitous drop in business last year, it's also helping us to build a more resilient business model. And it's a, it's not just a bridge to nowhere. We're not going to be coming back in a few months asking for more. We do have a longer-term solution that will make this business much more sustainable, and profitable, obviously, is the ultimate goal, while still supporting that North Country mission of supporting the growers and producers of this region and developing that regional food system. Any questions on that or any further detail you'd like to hear? Turn it over to Brittany if she has anything to add?

Jamie White: James, would you mind, I know you gave it to us in a letter, but just briefly explain the relationship between Black River Natural, North Star Food Hub and yourselves.

James Munn: Yeah, I'm happy to do that. It is a little confusing. When the North Star Food Hub came to us, they're a North Star Food Hub incorporated is a 501c nonprofit. They're the largely in partnership with the Jefferson County Cooperative Extension, they they're the steward of that grant money. They don't do any of the work themselves though, they contracted with individuals and other for-profits to sort of operate the food hub. That's where we come in. We had a for-profit that we established to operate the food hub, working very closely with a nonprofit, mainly because they were the soft money that was going to subsidize what we knew would be significant losses to continue operating this business while we work to develop a more sustainable model. That Black River Valley Foods is that for-profit entity. It is, has a DBA in place to operate also as the North Star Food Hub. The reason why Black River Valley Natural is involved is because the initial funding that was required to get that for-profit up and running and sustainable came was funded through Black River Valley Natural. They offer that seed money to get that for-profit entity up and running. Now, to maintain the

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partnership and the ownership stake of that we decided to make the Black River Valley Foods a single member LLC that's owned by Black River Valley Natural. That way, everything funneled up in the ratios between the two owners between Black River Valley Natural which funded the startup of this business sort of gets maintained, it all kind of funnels up to the same tax return. So that was the reason why we did it. I know it sounds a little complicated, but it was because of where the money came from initially to start, to start up the business. That's how we chose to do it. Clear as mud or any questions about that? I know it's a little non-traditional, but I'll tell you as an entrepreneur, very little of this of the startup world is traditional it seems.

Harry Booth: I have a question about your projection. Because with a projection of $938,000 for this year, and then going up another half a million after that, or quarter of a million, how do you, how do you explain your ability to expand that much? What size territory do you have? Or do you add more food clubs? How do you how do you perceive that to happen?

James Munn: Yeah, that's a good question. It is aggressive. With the capital infusion that we hope to get not only from this disaster loan and recovery loan, but also from the additional investors, we are launching quite an aggressive campaign to expand our footprint significantly. We will still be supporting the North Country area and hitting those, you know, I won't say major metropolitan areas, but larger population centers, like Watertown and all the way up to Potsdam. We sort of hit a lot of the major villages and towns up through there. But we will be expanding further south along the thruway corridor and partnering more with more and more workplaces. We're finding that that's really sort of where we seem to resonate the best, is a lot of larger employers are coming to us to offer this program to their employees as part of a wellness program. Where they can order fresh produce and things online and have the bags delivered to their workplace on a Friday afternoon. In fact, we have trucks out right now as we speak, doing that to some local area businesses. And it's been very popular and it's catching on very quickly. We've, this year alone, we've added over a dozen workplaces. And they're large, like Samaritan Medical and Lowville hospital system and things like that. So, they're quite large employers, 1000s of employees in some cases. Not all of them are participating but a significant number are obviously. The um, so we intend to focus on growing that business. We intend to introduce a retail brick and mortar location, which will help again with more margin capture. And with that retail presence will also be able to expand our SNAP and EBT initiative. So as a wholesale distributor, we do not qualify for SNAP EBT we cannot process that, utilize those funds. However, once you're 51%, at least 51%, retail you can accept, you can qualify and apply to accept SNAP EBT dollars. So, with our mobile food trucks, our mobile markets, we will be able to specifically focus on those low-income areas. Those like assisted living housing complexes, independence livings where we will be able to capture those markets specifically, because we can go to folks that typically have transportation challenges and will be able to accept SNAP EBT dollars and provide them with food. So, we intend to add those locations into our food delivery for our workplace customers. So, we'll be able to tap into quite a sizable SNAP

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EBT span for the North Country, it's quite large, it's, you know, millions and millions of dollars just for the North Country alone. So, we hope to do that. The retail, I mentioned, the retail, so the retail brick and mortar store, we hope to open our first store right here in Lyons falls, which is in the middle of a low income, low access region. And we are essentially in a food desert. So we tend to draw, we will be drawing from several different small municipalities to shop local, shop for their produce and things like that there's no nearby grocery store to get that produce right now, people have to drive half an hour or more to get to a grocery store that sells fresh produce. That's just our first brick and mortar store we'd like to open. We plan to grow that presence as well. So, by essentially becoming sort of a taste of New York, following that model, but doing it in a more sustainable way, that focuses on full margin capture. The other piece of the puzzle that you may not realize is that we plan to also develop our production capacity. So not only will we own the means of production, we'll own the transportation and distribution and the retail piece either through our storefront or through our bag delivery. So that's, that's full margin capture. That's so not only are we capturing the margin on the processing side, and the distribution, but we're capturing it on the retail as well. So, the numbers increase exponentially when you can capture nearly the whole margin. And our processing capacity, right now we have the creamery, where we can process dairy products. We also have the ability right now; we have a 20-seat kitchen that we're using right now in a share use situation. But we do intend to, with some of the other grant money that we've been awarded, but haven't yet been able to take advantage of, because we don't have the upfront capital to do that, we plan to add our own 20 seat kitchen as well for doing processing nondairy products. But also it's a, it also becomes a cut and wrap operation for things like produce. What we find, that helps us with our, our farm to school and farm to institution business. Schools want to buy carrots that are already peeled, cut, and in bags, 20-pound bags. Producers and growers do not want to sell it that way, though. They want to sell it by the pallet, by the bin, right? So, we have the processing capability in the middle to be able to purchase those carrots from the producer, like as they want to sell them, process them, freeze them, and sell them to the schools as they, in a way they want to buy them. So, with this additional capacity for processing, cold storage, frozen storage, we can capture more and more of that market as well. So, it's a multi-pronged approach. That's how things have to be done in the North Country, we have to be good at many different things. And that's our plan.

Harry Booth: It appears that the payroll for you is 45, almost 50% of your total income. So, I assume this is very labor intensive, this whole program?

James Munn: It is and a lot of that, because of the scale we're at right now, we're not investing in, you know, hundreds of thousands of dollars of automated processing equipment. We're doing, we're investing prudently with, I'll call it, right sized equipment, but with less automation. So that does mean you have to throw some labor at it. And, but we do that, obviously where it makes sense to go into automation, we will do that. But we can't forget that sometimes the

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most effective way to do it is just add a few more people. And that provides jobs and it sometimes is the most cost effective way to do something.

Harry Booth: So, do you have just one hub where you work out of and then move them, move the processed material into all the other locations?

James Munn: We do currently. We hope to add more hubs. But for right now the hub we have is in Lyons Falls. But I will say that with our model with our platform, we are often times picking up and delivering produce and other products on the same truck on the same day. So, we keep very little inventory in our facility unless it needs further processing. So, if we get our preorders the week before, if we know where we're getting things and where we're delivering, we can often do them on the same route in the same truck. So that the goods will almost, the goods very rarely sit in inventory here in our facility.

Harry Booth: Where does the, where does the delivery costs show up in your balance?

James Munn: Well, that would be in our P&L. And it was it's under, um, we have an under operating expenses. And you'll see it mostly under fuel and car and truck repairs. And then of course, we have two drivers. A full time and a part time driver, currently, and they're under labor, cost of labor. So right now, we're putting on a little over 1000 miles a week on our truck. So, it's quite a, I mean, the North Country is very spread out. So, there is a lot of miles. And we understand that that's not sustainable. And that's part of our reevaluation of our business strategy is to find a way to implement more hubs and do, drive less miles.

Jamie White: So, Harry, you might see in my summary, because those are different sources, they were split. So, in my summary, there was not one direct transportation, it was split among payroll, among car and truck expense in a month. Does that make sense? Okay.

James Munn: I see your point. Yeah, I apologize. That's just how we track it internally. And I have…

Jamie White: Oh no, yeah, that's no, that's me just kind of putting it into some broader categories. So, there's some, you know, just some simple line items.

James Munn: Oh okay. Understood. Thank you. But you're very, you're accurate in saying that the biggest expense by far for the food hub is labor. We have sales staff, we have management and drivers.

Beth Gilles: Brittany, do you want to kind of give a bigger context on the economic development value of this project?

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Brittany Davis: Sure. Good morning everyone. My name is Brittany Davis. I'm the Executive Director at Lewis County Economic Development. And first I just want to thank the board and the staff here for including Lewis County, in your programs. We were pleasantly surprised when we received a call from Beth and Jamie that these programs were available to businesses in our county. And we are pushing this loan fund quite heavily amongst our businesses. And I think it's just a really great program. And it's going to work well for a number of businesses in the North Country. So, thank you to everyone. Going back, I think we've been working with James and Bethany, was it 2017, James that you first called our office?

James Munn: Yes.

Brittany Davis: Like January of 2017. And at that point in Lewis County, there had just been a huge meeting at the fire hall with multiple dairy farmers and a lot of our elected officials for our region, talking about, it had been like year four, of extremely low milk prices. Farmers were not making, the cost of production was much higher than what the farmers were actually making. And at that point, James and Bethany had given us a call and said they are looking to move home and start a business that would have a huge, that would have an impact on our communities here. And we said what about dairy processing and helping our farmers. So that's where essentially their story started with the creation of Black River Valley Natural, and the thought was to purchase local milk, create local products, and be able to sell those products at, you know, retail and wholesale locations. And I think what James and Bethany have done in the past few years has just been incredible. And it's been, their business has been vital to our communities in a number of ways. I think, you know, to some of our regional plans and our county comprehensive plans, you know, you look at the North Country Regional Economic Development Council and their strategic plan, it checks off you know, entrepreneurship, focusing on agriculture and in dairy, as well as a value-added production. So, it's just, it's a vital business, the BRVN side, in that as they look to grow and expand, they're going to be benefiting more and more dairy farmers in our local area who continue to struggle. I mean, going on a number of years where, you know, tomorrow their milk market could be lost. So, some of you may know, we do have Kraft Heinz here in Lowville, located in Lewis County, which is a huge you know, purchaser of local milk. But what happens when, you know, Kraft decides to take a market of milk down in Cayuga County or, you know, Geneseo County. So, James and Bethany are really working out a business model that will help to mitigate some of those losses that some of our farmers might see in the future. And then as of, as of recently, they took over the operations of the North Star Food Hub. And that, again, just checks off a number of boxes for the entire North Country region. I mean, right now they're procuring products from the four-county region. They're putting money in producer's pockets directly. And I think when you look at the agricultural industry as a whole, the milk market and the fact that dairy farmers are not getting paid enough for the cost of production of milk. And our local producers,

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the biggest hurdle and stumbling block is finding a market for their products. So BRVN and the food hub, they're checking off both those boxes and, and trying to figure out ways to expand their business to help the larger community. And then one thing that I do want to add is that they are an anchor tenant for our only brownfield site, here in Lewis County, in the Village of Lyons Falls. It's at a waterfront site on the Black and Neuse River. Here, you can see the map in the background. This site has gone through extensive studies and went through the Brownfield Opportunity Area and is currently in the redevelopment stage. The demolition of all the buildings has been complete. So, James and Bethany, and their businesses are the first tenant to locate on that site. So, they're situated in an ideal location to be a part of the downtown revitalization of the village of Lyons Falls and just business growth and tourism growth and trying to, you know, bring more people back into that area. So, when I think about everything that they're doing for our community, I mean, their impact is huge. And anything that you guys can contribute to help keep their business sustainable, we're very much appreciative of that.

Harry Booth: Thinking about the doing the dairy products, and I'm a former dairy farmer, and I'm very interested in anything you can do to help the dairy farmers in the state. But I also am aware of the regulations involved around moving dairy products around and Department of Health and how they deal with moving with those products. So, I guess the question would be, we're assuming these products come from a processing plant of some kind? Or is there some way to get them directly from the farmer and then how is it processed? How is it moved as far as refrigeration is concerned and maintaining the temperature and all that good stuff?

James Munn: Yeah, very good questions. You're right. Dairy is probably the most regulated industry I've ever encountered, ever, ever anywhere, ever. You're absolutely right. So, our facility here, so the North Star Food Hub and Black River Valley Natural share a facility. And our facility is both a registered dairy processing plant with Ag and Markets division of milk control. I am the production plant supervisor. I have my milk haulers license and milk sampler’s license. We are also a registered wholesale frozen dessert reseller and manufacturer. So, we do make ice cream base as well as part of our lineup of dairy products. So, I am very familiar, we do have a refrigerated trucking. We have refrigerated storage tanks. We're not a large operation, but we do comply with all of the state and federal regulations on the dairy side and there are a lot of them. We are exempt from a few since we're quite small. We're under a million dollars in revenue on the dairy side so we are exempt from some of the federal regulations. But they still strongly encourage us to be compliant with those regulations. And we do our best to try to do that. On the food hub side, same thing. Cold chain delivery, we have a farm products license, a farm products wholesaler license. We have, I mentioned the 20-seat commercial kitchen license as well for anytime we have to do anything other than re-bag product. If we have to even cut into a potato, we need that license. And there was one more that's escaping me, a lot of regulations, and a lot of permits. And we do maintain compliance with all of those. I have to say I have inspectors from Ag and Markets in my building, almost weekly for one

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thing or another. So, it's, it's quite intense. I just got my annual recertification for my milk samplers license where I had to go to a farm, and they had to observe me pulling milk out of one of the milk tanks. It's, I mean, it's crazy. This is one of the few times I haven't, I didn't wear steel toed boots to work today. But yes, we're very familiar with the regulations. In fact, we kind of, we sort of push that as a strength of ours, we are able to navigate that regulation. In my previous life, I was a semiconductor manufacturer, and I worked specifically in quality assurance. So, things like regulations, standards, they don't scare me. I'm very adept at navigating those, and it's a pain in the butt, but I know how to do it. And that's just the table stakes sometimes to play in this business, for sure. I do want to add one more thing to Brittany's comments earlier. I think it is, I'm glad she brought this up. Because I think it is important to understand our motivations. Bethany and I did not move back to my hometown to try to make a million dollars. You can't do it here. Maybe you can eventually. But we came back because of more, a passion to help our community. And that's what drives us forward. So, which is why you may look at some of these numbers and say, why are these guys still doing this? Well, that's why. Because we're not motivated by, we're motivated more by helping our community, having a place to raise our kids and a place for our kids to stay and work as well and not leave the county like I did after I graduated high school. And so, we have a larger mission that we're trying to support here. And when you look at it, when you look at it through that lens, you might, you start to understand a little bit why the food hub, why the creamery? Why are these things all in one place? And why are they under one roof? And that's why. We're just trying to help the community. And if it's one thing that the North Country knows it's ag, and that and we're trying to play on those strengths.

Harry Booth: Thank you very much. I'm all set.

Chris Hay: James, this is Chris Hay. I appreciate all the information that you've been able to provide. Great overview. Love the altruistic nature of what you guys are trying to do. It's so important to help our agribusinesses. And to get food on the plates of those who can't, can't get it. I have a series of questions for you. Do you ever question the transition to for-profit leaving the non-profit sector? Because you're leaving the ability to get those grants and I think there'd be lots of future grant opportunities, because of the model that you're trying to follow?

James Munn: I agree. Yes, it's a concern. We will continue to maintain a relationship with the non-profit. It is a separate entity with its own board. I expect that relationship to move to more of an arm's length relationship. I actually have the contract renewal on my desk right now unsigned currently, for the next year. And so, we're trying to decide does it make sense to continue in this sort of hybrid, non-profit for-profit model? Do we go all in on the for-profit? Because we believe we have a plan to get it sustainable. Or do we do one more year with this sort of partnership with the off chance that there will be some additional soft money that will come in through the non-profit? I agree that this historically has been a focus area

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for grant money and public money. So, when we first started this back in 2020, we kind of thought this would go on indefinitely. That there would always be funding coming in to help subsidize what admittedly, started off as sort of a Pollyanna view of how a food hub should work and, but what COVID taught us is that money can go away very quickly. We have our non-profit board continues to try to secure additional funding and they are struggling. So, a source of funds that they assured us would never dry up, is. Now that's not to say this isn't, I'm assuming this is temporary, obviously, as the state recovers from the money they've spent as a result of this pandemic, I suspect, and at the federal government, I suspect that funding will start moving again. But as of right now, it is gone. In fact, some of the agencies we work for are having trouble getting reimbursed from the state from the federal government, as a result of sort of the challenge, financial challenges the state is having right now. So, it scared us a little bit. And hence that really accelerated our plans to try to get this thing self-sustainable as quickly as possible. And we believe we have a plan to do that. But we just need more oxygen in the tank, to keep going. And that's where this program comes in, hopefully, and the private investment as well. But I think as long as our motives align with that of the non-profit, and I don't see any reason why they won't continue, I believe we should maintain a relationship with that board. Because they can access funding that we normally cannot as a for-profit. But the same is also true, there are dollars out there that are only available for for-profits. So, with that unique relationship, we're all trying to figure out how this works. But so far, it has been very beneficial. And we want to keep doing that for as long as we think it makes sense.

Chris Hay: Okay. Just a series of other questions there. I'll just hit them kind of rapid fire for ya. I noticed in the application that you submitted, there's an organization next to you called Beller Farms.

James Munn: Yes.

Chris Hay: And I may have missed it. It’s a 25% owner of the entity that would be borrowing. What's the nature of that relationship?

James Munn: Yes. So when we started the creamery back in 2018, Nate came on board as a 25% owner to provide some startup capital. My wife and I being the other 75%. That entity is a medium sized farm in Lewis County. It's comprised of three individual owners. So, you can imagine that 25% then gets split even smaller. That relationship has actually been very beneficial to the creamery, in that they've been able to provide a source of milk to help get the plant up and running and off the ground. Although that is not our only source of milk, we do purchase from a number of other local farmers. A large part of our business is also co-manufacturing. So, we have partnered with, actively, we're partnering with three farms right now, that consign their milk to us for processing. And we give it back to them. So, for example, there's a local farm here that consigns milk to us, we bottle it for them in an approved facility, and

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they sell it on their own farm stand and to other local retailers. So, we have three of those relationships. So, there's some co-manufacturing that goes on. But then there's also what we call our branded product sales. For products that we sell using our own purchased milk with our own brand. And Beller Farms were critical in helping us get started initially, by providing us very favorable terms on purchasing the milk as we got started. The other thing I have to mention is that although Black River Valley Foods has no debts at this point, no liabilities, Black River Valley Natural does have a line of credit that was secured with collateral from Beller Farms. So, although Bethany and I personally do not, have not secured any of that debt, they have came on as an important partner in that sense. So that benefit, I think far outweighed the small amount of money they gave us to start out. The fact that they have considerable assets on their end that were, that they offered up to help secure some additional startup funding was very important. So, as you know, that's why they were not brought into this conversation as far as asking for their, asking for them to pledge assets to secure this loan. They have already pledged quite a bit on their own for the creamery business. So, this is our chance for Bethany and I just step forward and pledge our assets now, which we think is the right thing to do in this particular case.

Chris Hay: That all make sense. Couple other questions for you. Looking at the projections, the gross margins are improving dramatically. For the first two months and 2021, you're at 78% cost of goods sold. That's going down to about 47% consistently through the projected years. However, it sounds like you're having to invest in a lot of infrastructure and overhead, to have different hubs set up places, I know that gains efficiencies, but it also costs. Can you just close that gap for me, how am I missing how you're going to get those margins down?

James Munn: Yes. So the, you're right on track, as far as the margin capture, that is our full strategy. Whatever we need to do to capture more of that margin is what we're doing. We realize halfway through the year that this 29% margin we were getting, just wasn't going to cut it. So, we're stepping that up significantly. How we're doing that is, we're producing more products in house. So, we're moving from dairy to non-dairy products as well. So yes, we're still sourcing our raw ingredients locally. But we're taking on more of the value-add processing ourselves, instead of purchasing value added products. That's going to help supplement that margin. Obviously, it's not all we're going to sell. But we're going to be growing our margin incrementally by bringing online in-house produced products where it makes sense. I mentioned the retail channel being critical to this plan. As far as the direct to consumer on the back sales, but also the brick-and-mortar location. And the additional hubs I mentioned as well are part of that strategy. Where is that money coming from? The private investment. It's also, one thing that I have become very good at is attracting public and private money. Since the start of this business in 2018, I've been awarded over $400,000 in grants and low interest loans through all the various programs that I've applied for. So, I spend other people's money like it's my own. I try very hard to leverage what I'll call the free money or the soft money as much

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as possible. We use our own capital for the match. And for things that typically can't be covered by grants. Like operating capital, salaries, things like that. So, a lot of our equipment purchase and physical infrastructure is coming from those grant programs. It's coming from, we still have, I think it's, Brittany, correct me if I'm wrong, the USDA loan is another $99,000, I think we've qualified for.

Brittany Davis: The Development Corporation applied for a USDA loan to purchase equipment. They've received CDBG micro-enterprise grant funds. Also, some private grant funds like through ANCA.

James Munn: So, we intend to, we intend to fund a lot of this physical build out with that soft money. Because like you said earlier, this is a hot topic area, a focus area, strategically for a lot of those public programs, to our benefit. I mean, that's not why we started this, but that has definitely been one of those happy accidents or serendipitous situations where we have been able to leverage that funding. So, what we're looking for is most of the cash that we're looking to secure, not only through this recovery loan, but also through our private investment, is to sort of cover the operating expenses that a lot of these other programs will not cover. And let's let those programs cover the things that only they can cover.

Chris Hay: Thank you last question, I think, I promise, no guarantees though. The business model really only works if you're able to raise the $700,000, plus or minus, in private equity that's coming in. It looks like you're gonna give up about 20% of the business or so for that. Without that, obviously, the model is not going to work. Which means it's, when you look at, even using the projections with that investment, the business doesn't really start to cash flow sufficiently to service just our loan until late 2023, early 2024. And I know you may not be able to do full disclosure of who you're talking to and how close these negotiations are. But how do you make us feel a little bit more comfortable that that funding is actually going to come to fruition?

James Munn: Yes, well, I am very confident. And I can't give details, like you mentioned, but we expect within the coming weeks to have a full, coming week, I should say, a full proposal from our investment partner on exactly how much they're funding. I will say that I have been assured that there, without them giving me any details, that there's a lot of interest on their end. And they have a lot, all if not, most, if not all of the funding I've requested. Now, as you probably know, if you have any experience in this sort of area, you always ask for more than you really need. I know we've requested $700,000. We feel very confident that we can still accomplish the goal. So that $700,000 assumes that we can't get the public and private money that we know is out there. So, if we have to fund this all ourselves with no help, that's what we're going to need. But for every grant, every low interest program, loan program, every one of those programs down there makes that total come down. Now, with what you're describing, obviously, generating the cash flow we need to service these loans will be our priority. So, if

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that means we have to defer some of this business expansion and staffing that goes with it, right, we will have to do that. Where we will, but we will choose to focus on the things that help us to capture the highest margin first. So, the priority is retail, retail, retail. That gets us the cash flow we need to service this loan. And to start reinvesting into future expansion, assuming we don't get the full amount that we're looking for. And all it does is it drags the timeline out. But we will still accomplish those goals. One way or another, we have to. Now, what does that mean for supporting this loan? Well, obviously the loan becomes the priority. And if that means we don't grow our staffing as much as we would like to work or feel we need to that will be the case. We have to deal with the business realities sometimes, even if we don't like them.

Chris Hay: Thanks, I will, I'll stop asking questions now. I appreciate all your time.

James Munn: No problem. I could talk about this all day. So, it doesn't bother me at all.

Harry Booth: I'm going to try to keep you from talking about it all day, but because you mentioned processing the milk for three other farms up there. That seems like a pretty easy money in, money out type thing, as long as they're paying you to do the processing and whatever. Do you track all that separately? So, you know how those, how those little businesses are working for you? And is that income added into your projection?

James Munn: So, yes. We do track it separately. And it is it is safe money. That's our safe money that covers our overhead. Right now, in our creamery, we're utilizing about two days of production time for our own branded products and selling the other three days. That income is what's covering a lot of our fixed overhead. So, utilities, rent, operating expenses, and even most of our production personnel, their salaries. These farmers are paying well. These are farms that are not in a situation where they're desperate and trying to get into value-add to try to save the farm. Because as we all know, that's like getting married, having a baby to save a marriage, right? That is not how farms, they need to be a successful farm first, then add the value-add processing. The other way around is not a good recipe. So, we only partner with farms that are already pretty solid farms already. That are at least are somewhat profitable, as profitable as they can be nowadays. Which means there are of a certain scale. And in two of the cases, these farms are co-manufacturing with us, but their plans are to build their own creamery down the road. Now we have an interesting opportunity ahead of us, we can continue to make it very attractive for them to work with us so that they choose not to start their own creamery and thereby perhaps becoming a competitor. Or we can say you know what, we found a better use of this utilization, of this equipment at a higher margin, and we're going to matriculate these farms out of the program. And, you know, let them focus on the low margin, fluid milk and things like that, but we'll continue to focus on the higher margin products. Butter, yogurt, cheese's, things like that. You know, when I could sell cultured European style butter for 10 bucks a pound, I'd rather do that all day long then sell a gallon of milk for three

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bucks. So, you know, it's all, we have lots of flexibility. And we can do what makes sense on the business side. If we want to keep… Sorry, just froze up a little bit I'm pausing. Okay. Okay, I think. Can you guys hear me okay? All right. I don't know what happened there, my computer just like locked up for some reason. Anyway, as I was saying, we will, we'll continue to leverage those relationships as long as they make sense. But I will say they were critical during our startup phase. When we built this beautiful new facility, and we were only using it one day a week, we weren't gonna last long unless we were, you know, using it for the rest of the week. So, they were critical in our startup phase. But it was always our intention to sort of eventually phase those folks out as it made sense. If we continue to have the capacity, as we bring on more efficient equipment and more automation, we're happy to keep doing that. It helps with our mission and helps support our local area. And it is safe money, I mean, I get paid the same whether they can sell it or not. So, it is you know, a good line of business. We don't get the full margin though. So, there are instances where it makes more sense for us just to sell the finished products ourselves.

Harry Booth: Okay, thank you.

James Munn: You're welcome.

Beth Gilles: Alright, do you have any more questions for James and Brittany?
No. Okay, so we're gonna let you guys go. And the committee is going to discuss and vote, and we will be in contact this afternoon.

James Munn: Great. Well, thank you very much, everyone. I appreciate this opportunity.

Beth Gilles: Thanks, guys.
Ok. Would anybody like to start off with their thoughts about this loan?

Carol Calabrese: I just have a couple of like, process questions, that really wasn't relevant to discussion we just had with the owner. I can't tell by looking at the excel spreadsheet. But they are required to submit three years personal tax returns. It looks like on the spreadsheet you put together, Jamie, 2018's are there, but I'm not sure about 2019 and 2020?
Jamie you're on mute.

Beth Gilles: Do you have something else, Carol. While Jamie looks like she's looking through…

Jamie White: I am. I was just looking at, there's two years. You're right. And that is all we were provided with, the two years.
Does that answer your question?

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Beth Gilles: You're muted Carol.

Carol Calabrese: Is going to be like the theme after we get past this right. Wish people were muted, right. Um, I'm assuming that they requested an extension of their 2020's, Jamie?

Jamie White: Now I can't even get back into the meeting. I don't know where it went. I just have Beth in the corner.

Beth Gilles: You're in here.

Jamie White: Yes, yes. They requested the extension on the 2020.

Carol Calabrese: Okay and the other question and reference to, I forget which one of the committee members brought up, but it was on my list as well is that on as Beller Farms owns I think 35% of the company, unless I brought up the wrong loan application. It looks like any entity owning 20% or more of the company is required to submit some financial statements. I didn't know if you'd collected those because I believe they would also have to guarantee, be a guarantor on the loan.

Jamie White: It's a little bit confusing and I will have to look into it again. Because Beller Farms is an investor in the creamery. Which is part of the relationship, but not Black River Valley Natural. So, I will look into that more though.

Carol Calabrese: It looks like on their application it lists them as 25%, excuse me, not 35%.

Jamie White: 25%, yeah.

Carol Calabrese: Okay, that's fine. I just, I understand.

Jamie White: But I will find out for sure, Carol. No, I appreciate any little things, because there's a lot of information going back and forth here. So…

Carol Calabrese: It's definitely a complicated transaction. So, thank you.

Beth Gilles: There's some information on Beller Farms in the Black River Valley Natural, LLC 2020 returns. As I was scanning through, that's a pretty, 85-page document. At one point, it hops into being about Beller Farms. Let me see if I can find the page.

Carol Calabrese: I'm okay if you can't find it right now.

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Jamie White: I was going to say, at this point, perhaps we could just designate that we will look into this. And we will make sure that that's all straight, and we have what we need before we go. That's toward the closing, if that's the, you know, the consensus. Is that okay, Beth?

Beth Gilles: Uh huh. Does anybody else have anything they want to discuss before we call for an official vote?

Chris Hay: It looks like we're gonna take the house as collateral. It's assessed for $120,000. But I think they value it at over $200,000. What kind of valuation do we think we would want on the house to make the deal work? Because that's really the only tangible strength there. Everything else is based upon projections.

Beth Gilles: Yeah, so we would, go ahead Jamie.

Jamie White: No, I was just gonna say, would we want to also take UCC on the equipment that's offered? Just to balance it out?

Beth Gilles: Yeah. So, we'll have to get an appraisal on the house. But yeah, it is valued at less then, appraised or less than they say assessed. Thank you. But yeah, I think they did also offer a blanket lien on the business assets. There is that lien, there was one lien that he actually referenced that I sent you guys, too. And as I was reading it, I didn't realize that that Beller Farms is also on there as well. So, as he had mentioned, it's the, as I understand that, what he said was the equipment on the farm is what this UCC is covering. So, we could do all of the equipment, blanket lien on everything at Black River Valley Natural at the hub.

Chris Hay: Yeah, which is just probably very limited in the value. Black River Valley Natural LLC is going to be our borrower, correct?

Beth Gilles: Correct.

Jamie White: Correct.

Chris Hay: And they do have a K1 on the 2020 tax returns that our borrower, that Beller Farms is a 25% owner. So, I don't know if we have the ability to move forward without that or not. It sounded like he kind of felt Beller Farms did their thing already pledging some collateral for another loan, I don't know what their willingness will be to guarantee. So, I don't know if that's hard requirement, or if it's a soft requirement based upon the grants. I wonder if the house doesn't appraise for enough, you know, they own a second residence, as well, that's unencumbered. So maybe we could, we could utilize that if the house is insufficient from a collateral perspective. And my only other thought is, do we, if he's really a week

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or two away from having a commitment on investor funding, we have the option I guess, of making our funding contingent upon that commitment of the investor funding. Because without the investor funding this, this doesn't work. So those are those are my thoughts.

Harry Booth: Well, there's nothing to say that this has to be $150,000 either, is there? I mean, if the house is only worth $130,000, and we want to stay with the house, can't the loan be $130,000?

Jamie White: It can.

Chris Hay: We would just have to try to understand what the true cash flow needs are. Because if we're underfunding them, and, it sounds like he asked for more than he needed from the investor, so let's assume he's gonna get less than he asked for and we actually …

Jamie White: I was going to say, he actually asked for a little less. I actually encouraged him to go for the max because of that, so that he was not underfunded.

Harry Booth: And I fully understand the problem with underfunding. Because that was one of the mistakes I made when I was 22 years old. And so I've learned from that mistake, but at any rate, you know, I think we need to be protected here also. So…

Jamie White: Yes. And that's the reason I explained that a little bit. Was that I think he would be comfortable if we stated in that, you know, we were more comfortable with a lesser amount. And I'm sorry, if I interrupted you, Chris.

Chris Hay: No, that's fine.

Harry Booth: So, what's the recommendation from our administrators up there?

Beth Gilles: Christy, do you have anything to add? Before we do. So, what we can do is approve the loan contingent upon x, y, and z. Or we could just table it, table the approval. Jamie can get the information that has been kind of requested in this meeting and then we can come back to another meeting. We probably wouldn't need James, or we wouldn't need James for that next meeting if Jamie can get all of the information that she's asked for and then make a decision at that point. So, it's up to you guys which path to take.

Harry Booth: I'm fine either way, Beth.

Beth Gilles: Anybody else have a preference?

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Chris Hay: I think whatever is going to cause the least amount of hassle for you guys trying to corral all of us to get back together. I know administering this group is not easy.

Beth Gilles: And we to, as Jamie mentioned, we'll have some new loans, I think, to look at in a couple, maybe two or three weeks, it doesn't sound like he's desperate for this money right now. So maybe we could loop back with it and group it with the two other loans that we might look through as well if everybody wants to do that.

Chris Hay: Yeah, you think that's sufficient for you guys, that's, that's fine. I just want to make sure we're not making life harder for you.

Beth Gilles: Too late. Christy, this is gonna have to go to the executive committee as well, and you're on the executive committee, so what do you think?

Christy Wilt: Let's try to table it, you know, for a week or so until we have the rest of the information. I was just trying to look up to see, does anybody know what the assessment rate is in Lewis County? What percentage? Are they at? 100%? I can't, I'm looking for it, trying to scramble. I found the house, $120,000. I'll keep an eye out for when I can find it.

Beth Gilles: Okay, so can we just go back through really quick on all of the information that Jamie needs to get from James just so we know that we've got everything when we circle back around on this in a couple of weeks. So, we need one extra year of personal tax returns? Because we were only given two. We need the Beller Farm tax returns. Is that what you guys are looking for as a 25% owner?

Chris Hay: I guess the question is, do we technically need them based upon the rules and the funding source? And then the question is, do we make them guarantee? Or do we have the ability to waive that guarantee?

Carol Calabrese: That would be in your guidelines. But according to your loan application, Jamie and Beth, you, on the Exhibit B, the punch list of required documents, it says financial statements for any entity that owns 20% of the company and I know in line with our, the reason we request that is that we're expecting, it's a requirement, I shouldn't say expecting, it's a requirement that anybody who owns 20% or more in the company need a guarantor so I'm just guessing your guidelines probably mirror or close to those or else you wouldn't have it on your application.

Beth Gilles: Yeah, I think so I'm going to double check if we could waive it. But I guess Jamie can check with James to see what the temperature of Beller being a guarantor on the loan is whether they would be okay with it. And we will need the financial statements as

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it says in the application from them, as well. And then, we usually don't ask for an assessment, for them to pay for an assessment of the house until we've approved the loan. But maybe if we can get the address of the second house, then we can look that up on Lewis County as well and see how much that's worth because it might be worth more than the primary residence. And then we could just do, no, Christy is shaking her head no.

Christy Wilt: It's like one third, $131,000. But I still can't find the rate like some of ours are at 100. Some of ours are at 87. So that could be 10 or 15,000 thousand. But it's still not, the houses together, you got 250. So…

Beth Gilles: So, see if they would be comfortable with mortgages on both houses. And then also cash flow, if they're not comfortable with mortgages on both houses, maybe like a more realistic cash flow needs, so that maybe he should only ask for 100 and secured with one house.

Chris Hay: Yeah, but, for residential property, typically, it's for something like this an 80% loan to value. So maybe we just use that as the guideline, you know, to keep the math super easy for me because it's a Friday, and the house only appraises for 100, then we'll only lend you 80. And if it appraises for more than enough, then we'll lend you the 150. Or you can add the second piece of collateral to second residents to bridge the gap.

Beth Gilles: So, 80 percent of 120 is 96,000.

Chris Hay: And I'm guessing it's going to appraise for more than it assessed. But again, I'm not familiar with that market, and I don't know how the assessors tend to work out there.

Beth Gilles: Okay. So, can I have a motion to table the approval until we get some additional information to make a decision?

Chris Hay: I'll make that motion.

Beth Gilles: Motion by Chris. Can I have a second? By Christy.
Any more discussion?
All those in favor?

Multiple people: Aye.

Beth Gilles: Opposed?
Hearing none motion passes.

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Okay, so we will be in touch. I think Jamie can get ahold James this afternoon. And we'll get maybe a better timeline of when we can get all that info from him. And then we'll circle back around with you guys and try to schedule another meeting.

Chris Hay: And I personally blame Paul Hamilton for this being so complex and convoluted. They're usually more straightforward than this. But it must be his impact.

Beth Gilles: He's a talker too. I don't know. He took up a lot of time. Okay, does anybody have anything else they would like to discuss, can I have a motion to adjourn?
Christy. Seconded by Harry. All those in favor?

Multiple people: Aye.

Beth Gilles: Opposed? Hearing none, motion carries. Thanks guys.

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