

Revolving Loan Fund Loan Administrative Committee

May 14, 2019

9:00am

Lake Champlain – Lake George Regional Planning Board office, Lake George, NY

MEETING MINUTES

Agenda:

1. Welcome and Introductions
2. Approval of April 9, 2019 minutes
3. New Loan Application – 9 Mile Coffee (Brian Hosan)
4. Loan Modification – Joe Brand/All Brand Redemption Center
5. Meeting Schedule – second Tuesday of month beginning quarter
 - July 9, 2019
 - October 8, 2019

Attendance:

Christy Wilt, Director of Economic Development & Hamilton County IDA, Hamilton County

Dave O'Brien, LCLGRP Board Chairman of the Board

Chris Hay via Go-To-Meetings, Dannemora Federal Credit Union

Carol Calabrese via Go-To-Meetings, Essex County IDA, Essex County

Harry Booth via Go-To-Meetings, Small Business Owner, Washington County

Beth Gilles, LCLGRP staff

Carrie Yakush, LCLGRP staff

Brian Hosen, 9 Mile Coffee

Joe Brand, All Brand Redemptions

Ms. Gilles called the meeting to order at 9:09 A.M. at the LCLGRP office, Lake George, New York

WELCOME AND INTRODUCTIONS:

Attendees introduced themselves and stated where they are from.

APPROVAL OF April 9, 2019 MINUTES

LCLGRP Director Ms. Gilles asked if there are changes for the April 9th, 2019 minutes. No changes. Chris Hay made a motion to approve the minutes, seconded by Christy Wilt. Motion passed.

Ms. Gilles discussed new information received on Joe Brand. A mortgage was asked on Joe Brand's personal residence. Our attorney, in checking on things, found 3 workers comp. liens on Joe Brand personally. One in 2009 for \$78,000. One in 2015 for \$9,487. And one in 2016 for \$18,857. These were not known about previously. There is also a \$2,500 workers comp. lien against the LLC that is known.

NEW LOAN APPLICATION – 9 MILE COFFEE (BRIAN HOSAN)

Ms. Gilles reviewed the 9 Mile Coffee application. 9 Mile Coffee is in the town of Schroon. They just opened last year. Brian Hosan and a business partner, Andrew, own the coffee business. The partner owns 19%. They also formed a separate business, 708 Partnership to purchase the building that they are moving into. They received money from the Schroon Lake Revolving Loan Fund to buy the building. 9 Mile Coffee is a separate business. \$50,000 is requested to finish the renovations and buy equipment. Brian Hosan submitted all the requested paperwork. Upon review a big concern is the lack of enough collateral. Mr. Hay stated that his projections don't show the capacity to repay the loan. Mr. Hay questioned if the partner could be a guarantor. Mr. Hay, noticing there is a manager salary of \$30,000, questioned how much time Brian Hosan puts into the business. Mr. O'Brien questions if Brian Hosan can put his home up for collateral.

9:15 A.M. Brian Hosan arrives. Members introduced themselves to Brian Hosan.

Ms. Gilles asked Brian about the management position. The manager is hired out, full-time. Mr. Hay asked Brian if he works at the shop. Brian stated he spends 15-20 hours/week. Ms. Gilles asked about the projections, which state that no profit is expected until 2020. Brian stated that there is expected loss due to just starting up and construction getting into space. Ms. Gilles asked on behalf of the loan committee how the loan would be paid back if the business is not making any money. Brian states that his other business, Harbor Media, is subsidizing the loss of the coffee shop.

Ms. Gilles asked Brian for an overview of the partnership and the 3 different businesses Brian has. Brian briefed the committee.

Mr. Hay asked Brian if the business partner, Andrew, is willing to personally guarantee the coffee shop. Brian said he would ask his business partner.

Mr. O'Brien asked Brian if there was a possibility to put up his home for collateral. Ms. Gilles would like to see if we could get a 2nd mortgage on Brian's home in addition to equipment for collateral. Brian stated he will talk it over with his wife and business partner.

Discussion ensued upon Brian's departure.

Mr. Hay suggested doing a Global Financial Analysis. Mr. Hay asked if a personal credit report had been done on Brian Hosan. As of this time we cannot run credit reports due to issues with the LCLGRP account with CBC Innovis.

Ms. Gilles stated that we have a few options. To approve, deny, approve with conditions or to wait and ask for additional information; specifically, a credit report and firmer commitment on collateral. Mr. Hay suggested waiting for more information such as better collateral and a credit report to get a Global Financial Analysis. The committee agrees to wait for more information.

LOAN MODIFICATION – JOE BRAND/ALL BRANDS REDEMPTION CENTER

Ms. Gilles reviewed Joe Brand's 4 loans. The loan modification will combine the 3 RPB loans including principle, interest and late fees and re-amortize to one loan. The RDC could be re-amortized, separately, as well. Ms. Gilles is concerned the loans will still not be repaid. Ms. Gilles discussed the collateral the LCLGRP and LCLGRDC have. Ms. Gilles has told Joe Brand that additional collateral is necessary. Joe Brand has his house and business up for sale. Mr. O'Brien said the foreclosure process on hold for now.

10:15 A.M. Joe Brand arrives. Members introduce themselves to Joe Brand.

Ms. Gilles asked Joe to provide an overview of his business. Joe Brand stated that propane is being set up for the summer. Joe Brand stated he is positive he can get business back to where it was. Just Saturday alone they did 20,000 cans.

Ms. Gilles asked Joe Brand to explain how he makes money with Tomra (bottle/can returns). Tomra gives him 8.5 cents for every can. 5 cents go to the customer, 3.5 cents go to Joe Brand. Mr. Brand states in 2016 they were somewhere around 14 million cans between both stores. He gets paid every 2 weeks from Tomra but stated that they will begin picking up cans once per week again soon. Between both stores he is open 7 days a week.

Ms. Gilles asked Joe about his staffing. Once the businesses are open full time, he employees 8-10 people.

Ms. Gilles explained to Joe that the modification would be to consolidate the 3 RPB loans into one note and re-amortize. Joe Brand stated that there is someone that is interested in the business alone at both locations. Joe is asking for \$200,000 for both businesses. The LLC would remain owner of the property. If the couple interested in purchasing the business does so, payments would be made directly to Joe Brand. Mr. O'Brien stated that the business is seasonal, and business slows down drastically from October to May. Mr. O'Brien stated that the loan committee could implement resuming foreclosure if payment is not made within 15 days past due. Ms. Gilles asked Joe Brand about collateral. Ms. Gilles asked how much Joe's private mortgage is. Joe Brand said it is \$154,000. Joe Brand said his house assessment went up \$133,000 to \$268,000. It is listed on the market for \$312,000. Joe's property taxes on the Chestertown store are paid through 2018 and he stated he will pay 2019 as soon as he can. Ms. Gilles asked Mr. Brand about the 3 workers comp liens against him personally. Mr. Brand claims he doesn't know anything about them but will contact his workman comp. lawyer to find out. Ms. Gilles asked Mr. Brand if he has satisfied the \$2,500 workers comp lien on the LLC and Mr. Brand stated its paid off and he can get the paperwork from his workman comp lawyer. The concern is that there wouldn't be any equity left on the house to have a 2nd mortgage to secure the loan modification. Mr. Brand asked if he can use his attorney, Mark DelSignore, due to a conflict of interest. Mr. O'Brien said we are using Bartlett, Pontiff, Stewart & Rhodes and stated that Joe should inform Mark DelSignore and ask him himself.

Discussion ensued upon Joe's departure.

Ms. Wilt expressed how uncomfortable she is with Mr. Brand getting payments if his business sells. Mr. Hay asked if we have a lien on his business assets. Ms. Gilles reviews the security agreement on all loans.

Ms. Gilles states his loan modification doesn't reduce his payments. She asked the committee if they are comfortable doing a loan modification. Mr. Hay said he doesn't see a downside. Ms. Gilles said the new payment would be around \$2,100.00 for RPB and \$600.00 for RDC. Mr. O'Brien said we could reduce his loan to around \$2,000.00 with a balloon payment of \$50,000.00. Language in the Note should state that if the business is sold then we need to be paid. Mr. Hay would like Ms. Gilles to speak with our attorney to see if we can somehow control the payments from the sale of the business through language in the new note. Ms. Gilles asked the committee about the interest rate. Mr. Hay suggested that we can have his interest rate at 5% and it goes up to 6.5% if a payment is missed. This would be a 10-year loan. Foreclosure would be after 30 days.

Ms. Gilles asked for a motion to pass Joe Brand/All Brand Redemption Loan Modification which includes: 5% interest, 10 years, \$50,000 balloon payment, 15-days late he goes to 6.5% interest, foreclosure at 30 days past due, and mortgage/lien on personal residence. Need language in the note that if he sells the business outright, we get all proceeds towards the loan. If he sells the business and holds the note, we need language in the note that allows us to receive the payments directly. Loan Committee would also like Mr. Brand to provide a \$3000 down payment. Chris Hay made the motion,

Christy Wilt seconded the motion. Motion carried.

Ms. Gilles asked for a motion to re-amortize the RDC loan. This would increase the loan amount to include the late fees and penalties. This would include all the same terms and language from the RPB note. Christy Wilt made the motion, Carol Calabrese seconded the motion. Motion carried.

MEETING SCHEDULE – SECOND TUESDAY OF MONTH BEGINNING QUARTER

Next meeting is July 9, 2019 at 1:00PM in LCLGRP office.

Motion to adjourn the meeting made by Christy Wilt and seconded by Carol Calabrese. Motion carried.

Meeting adjourned at 10:50 A.M.

