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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

August 21st, 2020

1:00 pm

Videoconference per Executive Order 202.1

(please contact Andrea Palmer for log-in information)

AGENDA

1. Welcome
2. Approval of minutes from 7.17.2020, 6.19.2020 and 5.15.2020 meetings
3. Review of the COVID-19 Small Business Recovery Program (RLF 5) and the RLF Management Plan Addendum
4. COVID-19 Small Business Interruption Micro-Loan Program
5. Loan Balance Report
6. Legal Action Report
7. RLF General Update
8. Other

Andrea Palmer: Okay, this is the Loan Administrative Committee meeting. Marc is joining us. August 21, 2020. Welcome. Thank you for making the time. I'm going to do roll call if you want to say here or raise your hand. We are being recorded.

Chris Hay. Here.

Christy Wilt. Here.

Chad Richards. Present.

Patty Waldron. Here.

Carol Calabrese. Here. I might lose service.

Thank you for calling in, Carol. I know you have stuff going on. I appreciate it.

And Mark Monahan. Here.

Also present: Andrea Palmer, LCLGRP Economic Development Coordinator
Carrie Yakush, LCLGRP Senior Account Clerk



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Excellent. Thank you. Alright, to start, the acceptance of the meeting minutes. Does anyone believe there should be any changes for the meeting minutes dated June 19, July 17, August 21?

Excellent. Can I get a motion to accept the meeting minutes as is for June 19, July 17 and August 21?

Marc Monahan: I'll make a motion, Marc Monahan.

Andrea Palmer: Thank you, Marc. Can I get a second?

Patty Waldron: I'll second that.

Andrea Palmer: Thank you, Patty. All in favor, please raise your hand or say aye.

Multiple People: Aye. Aye. Aye.

Andrea Palmer: All opposed? Raise your hand or say aye.

Motion carried. Thank you very much. Alright, second item on our agenda: Review of the COVID-19 Small Business Recovery Program and RLF5 Management Plan Addendum. So, we're hoping to get a recommendation from you guys for interest rate and term, which we will then take to the board meeting next week. And we're hoping to be very competitive because we want to get this money out into the community. Other commercial and community loans right now are very, very low interest and we want to be competitive with that. I did send you guys the flyer for what Mohawk Valley is doing. Our loan is a little different than theirs. So, we, we're only looking at the interest rate and term that they were looking at. What do you guys think of that?

So, I'll review it. So, what they're doing is, so for the first 12 months principle only, and then for the remaining time principal and interest at an interest rate of 2.44%. We're hoping for a recommendation for an interest rate of 1.5% for this RLF. Our regular RLF will stay the same.

Marc Monahan: Wouldn't it make more sense to do interest only instead of principal?

Chad Richards: Yeah, no, I agree with Marc on that on because that's really our profit for lack of a better word.

Andrea Palmer: Now, we don't have to use the interests for this loan until I want to say July of 2021. Or actually 2022. For a couple of years.



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Marc Monahan: I think what Chad's point is, we might as well earn a little bit rather than worry about the principal because we're not really worried about the principal at this point, but we might as well make some money off it even if it's minimal.

Chris Hay: And if we're trying to help the business out going principal only doesn't save them a lot. But an interest only on 1.9% saves a lot of their month to month cash flow. So, it's more beneficial.

Andrea Palmer: Fair. Heard. What interest rate do you guys think?

Patty Waldron: The 1.9% was good.

Andrea Palmer: Um 1.9%. I believe I said 1.5%. I probably did not enunciate. What do you think of 1.5% to 1.9%?

Chad Richards: So, what's the term on that? I'm trying to find the wording for this.

Andrea Palmer: It depends on the collateral and the use. It can go up to 15 years. So, for example, Beth and I were running some numbers. If someone did \$150,000 collateralized by real estate for 15 years, it came out to just under \$900 at 1.5% which felt quite reasonable.

Marc Monahan: You're killing us banks.

Andrea Palmer: Sorry guys.

Chris Hay: Marc, why don't you guys offer 1.9% for 15 years and get with the program?

Andrea Palmer: I bet you will soon. But listen, it's only for the first two years. We'll, you know, reevaluate after that point. And I'm sure you guys...

Marc Monahan: So, the interest rate will adjust after two years?

Andrea Palmer: Not for these loans established, for new loans after that. So, if someone gets a 15-year loan, next week, let's say next month, at 1.5%, for 15 years, it's 1.5% for that 15 years.

Marc Monahan: That's crazy. I'm sorry. I have a hard time wrapping my head around that rate.



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Andrea Palmer: I know it's very low. But we are, I don't want to say under pressure, but we are under some low-key pressure from the EDA to get this money out the door and price it very competitively to do so.

Chad Richards: I think the demand for money is relatively high, especially, there's very few programs out there right now, that will give you money for straight working capital. I think it was the biggest failure of the PPP loan. So, I have a really tough time with that rate. I know that the reason entities like us exist are to help businesses. But I think 1.5%, I think that's low. I mean, I think it's got to be 3%, 3.25%. I don't know, maybe something closer to what Wall Street Journal Prime is. And I (inaudible) get rid of all the money in the world very quickly. I mean, I have portfolio people that would love three and a quarter for five years for a straight working capital. Now, three and a quarter for 15 years, certainly they would, they would jump at.

Andrea Palmer: I think from the banking side, you're absolutely correct. There's a lot of money out there coming to community finance agencies such as us and others in the area. And it's very, very low interest. And if we want to compete with them, I think we need to be very competitive.

Chris Hay: What if we tiered more? You know, have that 1.5% rate for 48 months. And if you're doing a 72-month loan have a different rate. Just because 1.5% for 15 years is...

Marc Monahan: Insane.

Chris Hay: I know what you're saying. The role you're trying to play, and it makes sense, but the sample you gave us, you know, they're doing 2.44%, but only for 60 months.

Andrea Palmer: Yeah. It comes out to like \$3500 a month. So yes. Yes, there are differences.

Chris Hay: So, I understand the ability to stretch it out to keep the payment down. But the longer they go out, there should be some premium in price, you know, because the pricing should be a factor of whether your market conditions, but also the risk. And the longer you fixed it, the longer the term, the greater the risk.

Marc Monahan: Right.

Andrea Palmer: Okay. I think that's a fair point. And I think probably all of us would agree in 15 years, probably interest rates will have gone up by then at some point throughout the course will probably be higher then. So, you're thinking 1.5% for 48 months?



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Chris Hay: I just threw that out as an example. Yeah. And then you can tier it so that the rate goes up so that we get some return in the future.

Andrea Palmer: Okay, I think that's a good idea.

Christy Wilt: I don't want to compete against banks. Even with our IDA's, the whole idea is to be denied by a bank before you can get that low interest money so, I'm not comfortable giving a low rate just to get rid of the money where the banks lose out.

Marc Monahan: I agree. I think we have a three in front of the number to be honest with you. I think we should go three, four or five if we're gonna tier it.

Christy Wilt: Still 3% still cheap money in interest still.

Marc Monahan: Oh, yeah, I mean, good luck getting 3% from a bank right now, to be honest, because we have to, we have to make money. Just like our organization. We're gonna cover some overhead.

Andrea Palmer: Okay. I will make note.

Okay, did everyone have a chance to look over the addendum? And does anyone think there should be changes? Bear in mind that it needs to be EDA compliant, which Beth put a lot of research into.

Chad Richards: Andrea, is that the COVID-19 Small Business Recovery Program Revolving Loan Fund application?

Andrea Palmer: Yes. Trying to get more words in there, but... we ran out of room.

Chad Richards: So, for this, they don't need a denial letter from a traditional bank. Right?

Andrea Palmer: Correct.

Chad Richards: And in terms of use, are we allowing new construction projects of that nature or is it strictly working capital?

Andrea Palmer: No. So that's the other thing. We will still have, this is for a specific use to increase the resiliency of an existing business for a future pandemic or something similar. So, an example that we thought of is if they need to update their HVAC system to be compliant with all of the new things going on. Things of that nature. So,



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it's not for startup. We still have our regular RLF with the regular interest rate of 5% to 6.5%. And that is more appropriate for the things that we use for now. This Business Recovery Program is quite specific. Which is why we're trying to be somewhat competitive with it because it's for a specific purpose.

Chad Richards: I guess I missed that piece. So, it can't be used for working capital. It's more for...

Andrea Palmer: Yes, yes, no, it's for working capital. For the purpose of building business resiliency. Did everyone get a chance to look at the application for the loan? Did anyone think we left anything out?

Chad Richards: I guess the only thing I added was that I think it would be nice to know how many employees they had prior to, to COVID. And we asked for their current employees on the list.

Andrea Palmer: Yeah, yeah, that's really good.

Chad Richards: And then, one thing I did see that, you know, we find helpful and I've been asked for more is just a debt schedule. I mean, if you get just tax returns, which you might not get it, a debt schedule shows the payment in terms of existing debts. I know they have a personal financial statement, which you know, I get 100 personal financial statements every year, and they're all filled out differently. You know, some people include business debt, some people just do straight personal obligations, probably the way it should be. So, I think maybe just include a debt schedule. It could help. You know, especially whoever should be underwriting these loans or if it's yourself, or Beth it just certainly makes it easier to see the actual payments that they have.

Andrea Palmer: Yes, a hundred percent agree. And I have, we now send a PFS for personal and business. If they owe everything in one pot, do a Schedule C separate they can just do an individual for everything. But it helps, just helps encourage transparency. What does the person owe, what does business owe. Yes, Carrie?

Carrie Yakush: Harry Booth wants to get in. He called.

Carol Calabrese: I don't have the application in front of me but was the minimum \$25,000 or \$20,000?

Andrea Palmer: The minimum for this is \$20,000. Our reasoning behind that, I'm sorry, the minimum behind this is \$25,000. Our reasoning is we still have the Micro-Loan, the Business Interruption Micro-Loan that goes up to \$25,000.

Carol Calabrese: Okay, thank you.



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Andrea Palmer: Harry, thank you for joining us.

Harry Booth: Good morning.

Andrea Palmer: All right. Does anyone else have any comments or input on the application? Okay, next on the agenda, our COVID-19 Small Business Interruption Micro-Loan Program. Whatever the board does decide on the interest rate we're hoping to have that meet up with the Micro-Loan Program. Right now, it's at 5%. We would like it to be whatever the board decides for the new RLF. So, we're talking like a tiered rate, the math on our Micro-Loan is 5 years, it would be right around that. What do you guys think?

Chad Richards: I apologize for asking this, but I am confused by the different loan funds that we have at this point. So, the Micro-Loan Fund is different than the one we were just talking about.

Andrea Palmer: Yes.

Chad Richards: And COVID related though?

Andrea Palmer: COVID related, yup.

Chad Richards: So, they're both COVID related.

Andrea Palmer: Straight working capital.

Chad Richards: Which one straight working capital?

Andrea Palmer: The Micro-Loan.

Chad Richards: Okay. The new one we're talking about is more targeted towards, I guess improvement business to adapt to COVID-19 and the impacts of COVID-19?

Andrea Palmer: Correct.

Chad Richards: Ok. Sorry about that.



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Andrea Palmer: That's okay. I know we have a lot going on. 100% fine.
Any thoughts on having the interest rate be the same for both COVID related RLF funds?

Chris Hay: I think you have to account for one loan fund has a longer term. So, if one of them is going on 15 years and one was only going on 6 years, you shouldn't price the 15-year loan at the same price as the 6 or 5 year loan.

Andrea Palmer: Agree. So, we're talking about the Micro-Loan which has a maximum of 5 years. So, we are hoping to have the 5 year, which is the max term, but the interest rate for the entire program be the same as if we're talking about a tier, then the lowest tier for the larger RLF. The recovery RLF.

Chad Richards: I have no problem with the same as the term if the rate is similar.

Andrea Palmer: Any input from anyone else?
We have one more item we need to vote on. I know Marc has to hop off on a call. Do you mind if we address that? So that he can go on the call? We can vote and we can go on this call and discuss the remaining things?

Chris Hay: Sure.

Andrea Palmer: Does that sound good to you Marc? I will assume Yes.

Marc Monahan: Yes. Sorry. I was on mute.

Andrea Palmer: That's quite all right. We are going to discuss item number 8, Other. We are going to discuss in detail the loan of Ted Berndt for Washington Agri Park. We are going to do that in Executive Session. Can I have a motion for us to go into Executive Session?

Harry Booth: So moved.

Andrea Palmer: Who is that, Harry?

Harry Booth: Harry. Yes.

Andrea Palmer: Thank you, Harry. Second?



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Chad Richards: I'll second. It's Chad.

Andrea Palmer: Thank you, Chad. All in favor?

Multiple People: Aye, Aye, Aye.

Andrea Palmer: All opposed?
We are now going into executive session.

EXECUTIVE SESSION

Andrea Palmer: Do we have a motion to exit Executive Session?

Harry Booth: I move we go back into regular session.

Chad Richards: I'll second.

Andrea Palmer: All in favor?

Multiple People: Aye. Aye.

Andrea Palmer: All opposed?

End of Executive Session

Andrea Palmer: We are now back in regular recording session after discussing in detail the financials of Ted Berndt's loan.

Can I get a motion to deny the application for extension of interest only payments for Ted Berndt and Washington County Agri Park?

Marc Monahan: I'll make the motion. Marc Monahan.

Andrea Palmer: Can I get a second?



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Harry Booth: I'll second.

Andrea Palmer: Harry Booth seconds. All in favor?

Multiple People: Aye. Aye. Aye.

Andrea Palmer: All opposed? Motion carried. Thank you very much.

All right, next on our agenda is the loan balance report. Overall, everyone is up to date pretty much except for Washington County Agri Park. We did have a payoff recently and we're not sure that we had the opportunity to update you guys since the last meeting. Trinity Rock, Chris Reagan paid off his loan. Let's see here. And then everyone else is up to date, which has been very good. Okay, I'm going to do the legal report for Beth, because she is in another meeting. So, let's see here.

Loan Collateral Report: Anton Cooper, Cooper Logging. Since our last meeting, we have received an additional \$4801.51 from Anton Cooper, which was paid from funds out of the Finch Logging contract. Our bankruptcy attorney is still working to get an acceptable plan in the bankruptcy court and we're very close to all agreeing on terms. Peter Ward of Adirondack Meat Company. The gentlemen who was going to buy the Ward property in Ticonderoga has backed out. He made peace with the campground owners and will not be taking over the property, therefore he does not need Ward's property. Foreclosures are stayed in New York until August 2020. Mark Lebowitz is working with the bankruptcy trustee in Florida to discharge the property so that we can foreclose. There's no news, nothing new on the North Country Club Restaurant. Are there any questions? I am familiar with what's going on with these even though Beth is taking the lead on them.

Okay. RLF general update, we have a pending loan with Slickfin. It was waylaid a little bit by appraisals it took several weeks just to get an appraiser to call him back. I understand the market is pretty hot right now. The appraisal was done April 12. I am told I will have it in my hands, paper and digital copy by the end of this month. And Kris has been very responsive and gotten everything to me and I hope to be able to call a meeting to review that very soon. We have some others in the pipeline, not any completed applications, but some interest out there. Some from one or two of our existing loan applicants, or borrowers, who are in good standing and then several from out in the community. I've gotten some very good referrals from Glens Falls National Bank and NBT Bank and Capital Bank.

Marc Monahan: Hey Andrea, just a question. How is the Warrensburg restaurant doing? Has he accessed the funds?



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Andrea Palmer: Yes, so I just spoke with him yesterday, on something chamber related. They're doing well. He actually has not used the funds yet. He has them sitting there. And he told me that he has not used them yet. But he has told some other people in the area about the Micro-Loan and he said they're doing well. They're doing curbside and dine in. They have a small outdoor seating area too and they're staying steady.

Marc Monahan: Yeah, I think the winter is gonna be the challenge for a lot of these restaurants obviously. If he can hold on to that money until then that'd be great.

Andrea Palmer: Yes. And I think that's what he's thinking. He's thinking, rainy day just really trying to think what if? You know?

All right, any other questions on the RLF update?

Okay.

Can I have a motion to adjourn the meeting?

Marc Monahan: So moved.

Andrea Palmer: Can I get a second?

Chad Richards: Second.

Andrea Palmer: Excellent. All in favor?

Multiple People: Aye. Aye. Aye.

Andrea Palmer: All opposed?

Thank you, guys, for your time. I know that you are all very busy. So, I very much appreciate it.

Respectfully submitted by Carrie Yakush, LCLGRP Senior Account Clerk