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Revolving Loan Fund Administrative Committee

JANUARY 3, 2019

1:00 pm

LCLGRP B Offices

MEETING MINUTES

In Attendance

Patty Waldron	Small Business owner and Board of Legislators, Clinton County
Christy Wilt	Director of Economic Development & Hamilton County IDA, Hamilton County
Carol Calabrese	Essex County IDA, Essex County
Marc Monahan	NBT Bank
R. Harry Booth	Small Business Owner, Washington County
Dave O'Brien	LCLGRP B Chairman of the Board
J. Chad Richards	Glens Falls National Bank, Warren County
Beth Gilles	LCLGRP B

Meeting started at 1:00 pm.

Beth Gilles started out the meeting with a welcome and passed out a final copy of the LCLGRP B Revolving Loan Fund Management Plan to each of the Committee members. Beth noted that the only change to the document from the last Loan Administrative Committee (LAC) meeting was a request from the LCLGRP B Board of Director's that the LAC recommend an interest rate for the upcoming year which would then get voted on by the LCLGRP B Board of Directors. A discussion on interest rates ensued. Beth noted that the EDA regulations state that interest can't be more than 4% lower than current prime rates. The only loan given in 2018 had an interest rate of 5%. Our program has always supplied interest rates lower than banks. Members of the LAC were concerned with a fixed, yearly interest rate, and believe that the rate should be variable based on the loan terms. The discussion was tabled until further in the meeting.

Election of a Secretary

Beth asked for a nomination from the floor for the Secretary position. J. Chad Richards volunteered. Motion to elect Chad Richards as the Committee Secretary made by Marc Monahan, seconded by R. Harry Booth, motion passed.

Approval of November 5, 2018 meeting minutes

No changes needed to the draft November 5, 2018 minutes. Motion to approve minutes made by Marc Monahan, seconded by J. Chad Richards, motion passed.

Review of By-Laws and Policies

Beth previously emailed all Committee members copies of the Loan Committee By-Laws, LCLGRP B Ethics

Policy, LCLGRP Investment Policy, LCLGRP Videoconferencing Policy and LCLGRP Sexual Harassment Policy. Signature pages from the Sexual Harassment policy were collected. Motion to affirm Committee by-laws and policies as presented made by Marc Monahan, seconded by J. Chad Richards, motion passed.

Review of Revised Loan Application

Beth reviewed the changes made to the loan application. All agreed that beefing up the loan application will help weed out those that are not serious about starting a business. A discussion on how closing fees are to be paid was had. Previously, all closing fees have come out of the loan proceeds. The Committee determined that whether the closing fees are paid out of the applicant's pocket or out of the loan proceeds should be decided by the Committee on a case-by-case basis. The Committee will only receive complete application packets for review. LCLGRP staff has the ability to turn away applicants if they do not qualify for the program. Patty mentioned that we should look into an avenue where we can hold back some loan funds until a project is complete and then release the remainder of the funds. That could be an option for some loans.

Carol mentioned that we should give the SBDC's and SCORE copies of our application so that they are familiar with them. She also mentioned that we should consider having loan recipients required to sit down with the Committee if they become more than 60 days delinquent.

Christy asked if we have a statement that if the business leaves the 5-counties, the loan is due. Beth will look into it.

Loan Interest Rates

The discussion on loan interest rates was un-tabled. Dave noted that Washington County LDC's interest rate is 6% and has been for the past few years. Further discussion ensued. A motion was made to recommend an interest range of 5.0 – 6.5% to be determined by the Committee on a case-by-case based on all factors after a thorough review of the complete loan application package. Motion by Patty Waldron, seconded by Marc Monahan, motion passed.

Recommendation on Interest Rate Increases for Delinquent Loans

The Committee discussed adding a clause to all of our contracts that says "the LCLGRP reserves the right to increase interest to 16% if a loan becomes delinquent more than xx days." A discussion ensued. It was determined that the language is a good thing to have in there, and it will be at the discretion of the Committee whether to enforce the clause or not. They suggested that we borrow the same language from the Washington County LDC.

Loan Balance Report ending 11/23/2018

Beth reviewed the loan balance report and commented on the status of each individual loan. *Carol would like a column added to the report that includes the number of days the loan is delinquent, which Beth will add.*

As of the meeting date, bank balances in each of the loan fund accounts are as following:

- RLF 1 - \$305,681.20
- RLF 2 - \$15,412.42
- RLF 4 - \$123,855.34
- IRP - \$25,668.84

There is money in the loan funds to loan out.

Write-offs, Payoffs, Loan Modifications and Foreclosures

Beth provided the Committee with an updated sheet indicating write-offs, payoffs, loan modifications and foreclosures. 7 loans have been written off totaling \$339,236. Six loans have been paid off in 2018 totaling \$321,673.36 and three additional loans have matured and been paid off.

The Committee discussed a loan modification for Jay Lamica of Jay's Monitor Heating. Currently, he is on interest only payments which is not helping him pay down his loan. He currently owes \$51,180.89, which includes principal, interest and fees. He would like to re-amortize the loan at that amount. The Committee decided that for us to modify the loan, he will be required to provide us with the past three years of tax returns for the business and an executive summary of what has been happening with his business over the past ten years. They would also like to see updated personal financial statements. The Committee would also like to require him to seek assistance from the SBDC in Plattsburgh to help him better manage his business. They would also like to know if he is current on all his taxes, sales tax payments, etc. Lastly, they would like a lump sum payment of \$2500 to secure the modification. If he pays this amount, we will forgive all his late fees (\$2530.41) and the payment will go to principal. He will be given 30 days to provide all required information. A motion to approve LCLGRP staff to work with Jay Lamica on a loan modification, pursuant upon submission of additional information from Jay Lamica to LCLGRP staff for review by the LAC made by Carol Calabrese, seconded by Marc Monahan, motion carried.

The LCLGRP has filed foreclosure proceedings against Cooper Logging. As of 12/28/18, Anton is 796 days delinquent. The LCLGRP has a mortgage on seven parcels of property in the Town of Bolton.

The Committee discussed the four Brand Redemption/Joe Brand loans. As of 12/21/18, Joe is current on the two loans he has out of RLF 1, 940 days delinquent of the loan out of RLF 2 and 509 days delinquent on the loan out of the IRP. The LCLGRP has a first, second and third mortgage on the property where the Chestertown store is located. Taxes on that property have not been paid, so Brand Redemption LLC was mailed a certified letter demanding payment of taxes within 30 days or there will be a default on the mortgage.

As of 12/28/18, the Adirondack Meat Company is 142 days delinquent. The loan recipients have cut off all contact with LCLGRP staff. At the advice of the LCLGRP legal counsel, the LCLGRP is going to proceed with suing Peter Ward and Denise Ward personally based on the personal guarantees given at the loan closing.

Beth received notice from the Clinton County Treasurer that Michael Finnegan of North Country Club Restaurant in the Town of Ausable, Clinton County, hasn't paid 2017 or 2018 taxes. The loan from the LCLGRP was secured with a mortgage on the building. Michael and his wife were both sent certified letters demanding payment of the taxes within 30 days or there will be a default on the mortgage that secured the loan with LCLGRP.

Meeting Schedule

Upcoming meetings are April 9, July 9 and October 8, 2019 at 1:00 pm at the LCLGRP offices.

Meeting adjourned at 3:00 pm.