**North Country Alliance Local Development Corporation**

**Loan Review Committee Meeting**

**March 8th, 2018**

**Minutes**

The North Country Alliance Local Development Corporation held a NCA Loan Review Committee meeting on Thursday, March 8th, 2018 at 2:00 PM via conference call. Dial information 1-800-977-8002 Participant Code 368009#.

**Present:** Al Dunham, Tom Plastino, Ron Bacon, Steve Hunt, Ross Pancoe, Brian Gladwin, Ron Charette

**Excused:**  Marijean Remington

**Others:** Christy Wilt (Hamilton County IDA), Matt Siver (DANC), and Michelle Capone (DANC)

**Call to Order:** The meeting was called to order at 2:01 PM by Tom Plastino (Chair)

1. **NCA Loan Review Committee Minutes from February 8th, 2018**
   1. Motion: B. Gladwin
   2. Second: S. Hunt
   3. All approved 03/08/2018
2. **New Business:** 
   1. NCA Loan Request for Long Lake Hotel Corporation for $60,000 for 10 years at 4.5% (prime at closing). M. Siver gave a brief overview of the project and then turned the presentation over to Christy Wilt, the loan sponsor from the Hamilton County IDA, for an overview of the project. Christy indicated that the issues with the hotel stemmed from a septic and grease system upgrade project that was unplanned and resulted in significant expenses with a large number of delays. Christy indicated that Carol Young utilized mostly high interest rate credit cards and financing for the septic project. The NCA’s funds would be utilized to refinance the high interest rate debt that Carol Young incurred for the project. B. Gladwin indicated that from a banking perspective we should get proof that she would use the funds to pay off the credit cards or high interest debt. R. Bacon indicated that in practice that sounds good, however the company can just turn around and run up their credit cards again. R. Pancoe indicated that the loan to value ratio had been calculated incorrectly and M. Siver made the note to revise. R. Pancoe also asked M.Siver and Christy Wilt about one credit card not being paid off to Citi Bank and M. Siver indicated that the bump in payment shown in the cash flow analysis was her paying the final one down faster after the project, although he did not know more detail on the remaining card. R. Bacon indicated that the hotel is a customer of Community Bank and that Carol Young is in good standing with the bank and he is somewhat familiar with the property although she is not his client. M. Siver indicated that Carol Young put the ownership of the Adirondack Hotel in a revocable trust named the Adirondack Hotel Revocable Trust for tax purposes. B. Gladwin asked M. Siver if the trust could pledge collateral and M. Siver indicated that he did not think it would be an issue due to its revocable nature. Christy Wilt indicated that the IDA had the Trust sign documents to pledge collateral and B. Gladwin indicated that we should add the ability for the trust to pledge the property as collateral as a contingency if the loan was approved and the majority of the committee agreed. M. Siver indicated he would add that contingency and the Adirondack Hotel Revocable Trust as a guarantor. Initially the underwriter wrote up with request with the NCA and North Country Transformational Tourism Fund in a 4th mortgage with assignment of rents and leases with a 4th lien position on business assets. T. Plastino asked the loan sponsor Christy Wilt of the Hamilton County IDA if the IDA would be willing to share its 3rd mortgage and assignment of rents and leases along with its 3rd lien position on business assets with the NCA and North Country Transformational Tourism Fund. Christy Wilt indicated that the Adirondack Hotel is a major employer in Hamilton County and she believed the IDA would be willing to do that to make the deal happen. The refinance of the high interest credit card debt will allow Carol Young to complete the remaining work on the septic/grease project, stabilize the business, and keep one of the largest employers in Hamilton County. All agreed that the approval of this request was in the best interest of the corporation.
      1. Motion: R. Charette
      2. Second: A. Dunham
      3. Abstain: R. Bacon
      4. NCA LRC Approved 03/08/2018
   2. For the second request T. Plastino acted as the loan sponsor for the request from LKR Enterprises for $55,000 for 5 years at 5% through the UDC working capital program. T. Plastino stepped aside as Chair and R. Charette took over the meeting as chair while T. Plastino acted as the loan sponsor. T. Plastino also indicated that he would be abstaining from any vote in regard to this request. M. Capone presented the updated request to the committee she indicated that she provided updated detail on all of the store locations. The project write-up goes into greater detail about the various issues from each location. M. Capone indicated that the Lockwood’s have been tapping into their retirement funds (401k’s) to help pay down payables. M. Capone indicated that the $165,00 loan package presented by NCA, SLC IDA and Watertown Savings Bank will bring Watertown Savings Bank and Watertown Local Development Corporation to a current status, and allow the reworking and refinancing of old debt at better interest rates saving approximately $15,000 per year. This will also propose to pay-off Kempney Air so the company is not saddled with cash on demand that can range in the thousands for equipment failure. The proposal outlined by M. Capone will pay-off Watertown Daily Times to allow advertising to resume that has been cut off since July. The project will also pay-off the vendors that are no longer servicing the stores, like Nabisco, magazines, and Constellation Energy with their reduced electric rates versus National Grid. M. Capone indicated that their credit scores and collateral analysis had been updated in the write-up. T. Plastino indicated that when he first met with Michelle, Patrick, and Mr. Lockwood he was very skeptical that this sinking ship could be floated. T. Plastino indicated that he knows it’s often a hard sell to put good money after bad into a company in St. Lawrence County. T. Plastino indicated that he had a change of heart in regard to Star Lake and what the store means to the county and if we had to rethink how this was structured it would have been separated out. T. Plastino referenced the numbers provided and Randy Lockwood’s family’s experience and if they are able to fill the shelves in Watertown and Boonville they would be able to make a go at it. T. Plastino indicated that Mr. Lockwood has an issue with Watertown that is deeper than cash flow issues however T. Plastino indicated that he thought that Randy had taken steps to rectify some of those issues. T. Plastino referenced the projections past 2017 which referenced an increase of 5% in sales and T. Plastino thought that those were quite conservative. He references 2016 sales and no increase in Star Lake would result in a 7% increase. T. Plastino reiterated that he had a change of heart since last November. He feels that Mr. Lockwood has a real chance at saving this and that we could end up losing the original loan and this loan although if he was going to vote he believes based on everything he has seen, and he has been down to the store 4-5 times over the past year, he would vote in favor of this request. R. Bacon had a question on pg. 4 with income and expense with the debt schedule. R. Bacon had a question on other income and why it plummeted in 2014 and why it decreased. M. Capone answered his question with the note provided on the write-up and Randy wasn’t able to advertise and he wasn’t able to carry critical products. R. Bacon asked about a part on page 6 FY 2017 other income $131,000 which is equal to pg. 4 on the year before but above for the prior year it was $125,000 and the number on page 4 for 2016 was $304,000 what was the differential. M. Capone indicated that she did not change the 2016 information for each individual store she did not change the information to the information on the tax returns. She brought up the previous report to answer the question. There was a significant loss and it changed on their taxes. M. Capone indicated that the FY 2016 figures that you are looking at R. Bacon are from the tax returns. M. Capone indicated that when she presented in December that they were from internally prepared figures. She didn’t change the break down for 2016. The internals showed a loss $33,108 showed a loss of $12,101. R. Bacon asked how far past due they are with Watertown Savings Bank and she indicated that LKR is 4 months past due. R. Bacon indicated that would be Watertown Savings Bank issue since they are lending money but are not current to essentially bring themselves current. B. Gladwin asked if they were a unionized workforce or they owe any payments to unions for their workforce and M. Capone indicated that she did not believe so. B.Gladwin asked a question about the payment terms that the vendors will give them when they become current and M. Capone said that Randy Lockwood indicated that they would be moved off of COD and would be extended regular terms. B. Gladwin thought that was critical. T. Plastino said he asked that question back in November of one of their vendors and they would extend regular terms to them across the board. R. Charette indicated that a do nothing scenario on this one puts this in failure. T. Plastino mentioned Watertown Savings and he thought that extending and refinancing terms of the loan indicates that they have faith in the customer. B. Gladwin had a question on page 8 that shows cash in $108,000 and B. Gladwin asked if this was cash or money from his retirement funds. M. Capone indicated that he took funds from his retirement fund and the $52,000 was liquidated from his retirement fund. A. Dunham asked about the Watertown location and whether we should be worried about Aldi’s and M. Capone indicated that we should be worried however he is trying to take measures to differentiate the store. M. Capone indicated that he got so far behind on cash flow issues that he doesn’t have an opportunity to stock the shelves. T. Plastino said one of the biggest challenges will be getting Watertown store to a spot where it isn’t dragging the other stores down. T. Plastino indicated that Randy Lockwood is attempting to diversify his Watertown store and sell items not available at other Watertown grocery stores. S. Hunt indicated that the Aldi’s stores are looking to expand from his understanding.
      1. Motion: A. Dunham
      2. Second: B. Gladwin
      3. Abstain: T. Plastino
      4. Abstain: R. Pancoe
         1. Steve Hunt noted he is on the WLDC board of directors.
      5. NCA LRC Approved 03/08/2018
3. **Adjournment:** The meeting was adjourned at 3:02 PM.

The next North Country Alliance Loan Review Committee meeting is scheduled to be held on April 12th, 2018 at 2 PM.