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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

Special Meeting

February 11, 2022 9:00 am

LCLGRP B Offices and Zoom

AGENDA

1. Welcome
 2. Approval of January 7, 2022 minutes
 3. Loan Application
 - 9:00 am: Scarlotta's Carhop
 - 9:30 am: War Cannon Spirits, LLC
 - 10:00 am: Sackets Boathouse
 4. Other
 5. Adjourn
-

Ms. Gilles welcomed everyone to the loan committee meeting on February 11, 2022 at 9:01 am and introduced the newest Committee member, Juan Gonzales.

MEMBERS PRESENT

Juan Gonzales
Christy Wilt
Carol Calabrese
Chris Hay
Marc Monahan (entered at 9:11 am)

MEMBERS ABSENT

Chad Richards
Paul Hamilton

ALSO PRESENT

Beth Gilles, LCLGRP B
Heather Devitt, MVEDD
Steve Smith, MVEDD
Dave O'Brien





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APPROVAL OF JANUARY 7, 2022 MINUTES

Ms. Gilles asked the committee if there were any changes to be made to the January 7th meeting minutes.

Hearing no changes, Ms. Gilles asked for a motion to approve the minutes.

Mr. Hay made a motion.

Ms. Wilt seconded.

Hearing no further discussion and no opposed, motion carried.

LOAN APPLICATIONS

- Scarlotta's Carhop

Ms. Gilles reviewed the Scarlotta's Carhop loan package that was emailed to the committee. This is a loan request under the Small Business Loan Fund. The business is located in the Village of Granville in Washington County. Wes and Laura Barlow are looking to purchase the building and the equipment. The purchase contract is for \$315,000 and this is a co-loan with Washington County LDC (already approved). Mr. Hay noted that he is concerned that they will have no working capital based on the financials.

Ms. Gilles welcomed Wes and Laura Barlow into the meeting and asked them to give the Committee a brief overview of their plans.

Mr. Barlow noted the business is currently called MacDaddy's, and they will change the name back to Scarlotta's. Mrs. Barlow's grandparents open the business originally 50 years ago and she grew up there working with her sister and mother. He noted the business was always successful. The current owner had issues with staffing, but the Barlow's will use mostly family. There are three rental properties with tenants willing to stay that adds up to \$2300/month, which they will use to pay the mortgage.

Mr. Hay asked the Barlow's about their working capital needs and if they have a plan for start-up costs. He also asked how comfortable they are with their projections. Mr. Barlow responded that they have \$15,000 saved for start-up costs. They are very comfortable with their projections after talking to food vendors and the previous owners.

Mr. Monahan asked about the 10% equity in the purchase, \$15,000, and the amount for startup, which is \$15,000. Mr. Barlow confirmed the \$15,000 down payment and the \$15,000 for start-up costs.

The Barlow's exited the meeting. The loan committee discussed. Mr. Monahan is concerned the Barlow's don't have enough funds set aside for working capital and closing costs and they need more money. Mr. Hay agreed. He said there is room from a collateralization standpoint because they are also pledging their unencumbered property in Vermont. The Committee decided that Ms. Gilles should reach out to the Barlow's to see what their plans are for closing costs. The Committee suggested seeing if the Barlow's are interested in borrowing an





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additional \$25,000 in working capital and bring the loan back to the Committee on Monday's meeting.

- War Cannon Spirits, LLC

Ms. Gilles reviewed the War Cannon Spirits loan package that was emailed to the committee. This is a loan request under the Small Business Loan Fund. The business is located in Crown Point, Essex County. It is a distillery and retail business. He will distill in Ticonderoga and retail in Crown Point. He is looking for \$130,000 in working capital and also looking for \$130,000 from Essex County IDA, so this is a co-loan. To get reimbursed from a lot of the grants he got for construction, he needs to open and hire people. Mr. Monahan commented on the solid concept and his good personal reserves. Ms. Calabrese and the Essex County IDA, as well as the North Country Alliance, have been working with Mr. Besignano on this project for the past five years and he has a great reputation in the area.

Ms. Gilles welcomed Paul Besignano into the meeting and asked him to give the Committee a brief overview of his plans.

Mr. Besignano spoke about his project development over the past six years. He mentioned his distilling and the retail in Crown Point, which will include a kitchen, bar, craft sodas and coffee. The Crown Point space is very large and can hold large events.

Mr. Hay asked Mr. Besignano to elaborate on his financing needs, what the working capital is needed for. Mr. Besignano stated that the grants helped with the construction and that is fully funded. The working capital is to get the Crown Point location open, purchasing already created spirits and start making spirits.

Mr. Monahan asked about his opening timeframe and if he has the CO. Mr. Besignano says the CO has been held up by plumbing. Plumbing will start next week. He should have the CO in the end of March and will open in June. The Committee applauded Mr. Besignano for sticking with the project through all of the years.

Mr. Besignano exited the meeting. The Committee discussed collateral in length. The Crown Point property will already have two mortgages on it. Mr. Monahan commented that the Crown Point property will already have a 100% LTV and there will not be much equity left. The Committee suggested taking a co-equal second on the Ticonderoga property, a co-equal first on 43 Porter Mill Road and a blanket lien on business assets. The Committee discussed interest rates and decided on 5.5% based on rates going up and the subordinated nature of the collateral position. They also agreed on a six-month interest only period.

Ms. Gilles asked for a motion to approve a \$130,000 work capital loan to War Cannon Spirits, LLC, interest rate of 5.5% for 7 years, interest-only payments for the first six-months, collateral is a co-equal second on 30 Commerce Drive, Ticonderoga, a co-equal first on 43 Porter Mill Road and a blanket lien on business assets, personal guarantee from Paul Besignano; life insurance policy for Paul Besignano in the amount of the loan; corporate guarantees from





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War Canoe Holdings, LLC and 2849 NYS Route 9N, LLC; and a condition that the Essex County IDA approves a \$130,000 working capital loan.

Ms. Calabrese recused herself from the vote.

Motion made by Mr. Hay.

Seconded by Ms. Wilt.

Hearing no further discussion and no opposed, motion carried.

- Sackets Boathouse Restaurant

Ms. Gilles reviewed the Sackets Boathouse Restaurant loan package that was emailed to the committee. This is a loan request under the COVID-19 Recovery Fund. The business is a restaurant located in Sacket's Harbor in Jefferson County. The Boathouse is a seasonal seafood restaurant, and the Whiskey Coop is a year-round walk-up shack that serves chicken sandwiches and whiskey drinks (both on the same parcel). Ms. Gilles noted that the owner Cheryl Cring is the wife of Ryan Chaif, who we gave a \$150,000 loan to for RC Spot (Skewed Brew). However, this is a separate business and a separate personal guarantee. Ms. Devitt noted that Ms. Cring wants to be able to continue offering her employees a livable wage, paid sick leave, reimbursement for COVID testing, and paid vacation. Her cost of goods has gone up substantially. In 2021, she had issues finding employees and the Boathouse couldn't be open normal hours because of staffing, so she is looking for a way to entice a full set of staff. She originally owned the restaurant, sold it to cousins, and then purchased it back.

Ms. Cring entered the meeting. She discussed her investment in staff. COVID has caused the labor force to change, and this is the time to invest in people to make businesses stronger. She is offering higher wages and health insurance and potentially a 401K. She noted that there is a perception that the restaurant industry attracts people with little to no talent, which is why wages are so low. She said that perception is incorrect, and it's imperative to invest in staff now to build a sustainable workforce for the future, especially in our tourist region. Mr. Hay asked her about the term of the loan requested. She said she assumed it was a ten-year loan but is comfortable with a five-year term. Ms. Gilles thank Ms. Cring for her time and Ms. Cring exited the meeting.

The Committee discussed the term. Mr. Gonzalez noted that he is a big fan of investing in employees. The Committee discussed collateral and her other corporations and decided they will not require any other corporate guarantees.

Ms. Gilles asked for a motion to approve a \$150,000 loan to Sackets Boathouse Restaurant, LLC under the COVID-19 Small Business Recovery Program RLF at 0% for the first 12-months, 1.9% for the remaining term, a term of 5 years, collateral is a blanket lien on business assets, personal guarantee from Cheryl Cring.





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Mr. Hay made a motion.

Mr. Gonzales seconded.

Hearing no further discussion and no opposed, motion carried.

OTHER

Ms. Gilles mentioned that the Lake Motel application will be addressed at 10:00 am on Monday February 14, 2022. We will also discuss Scarlotta's loan application.

Ms. Gilles also noted that the LCLGRPB purchased 49 Bull Rock Road in Ticonderoga for \$5,000 at the foreclosure auction. This was the collateral pledged to the LCLGRPB from the Ward's for Adirondack Meat Company. Our attorney is working on next steps for the property sale.

Mr. Gonzalez thanked the Committee for their assistance.

With no further discussion, meeting adjourned at 10:15 am.

Respectfully submitted by Beth Gilles, Director, LCLGRPB.

