

**Redwood Region Economic Development Commission
EXECUTIVE COMMITTEE
Thursday, April 21, 2011
4:00 p.m.
Minutes**

I. Call to Order

Chair Mark Lovelace called the meeting to order at 4:17 p.m.

Members Present: Tyler Holmes, Mark Lovelace, Bruce Rupp, Frank Scolari

Absent: Julie Fulkerson, Mike Wilson

Staff Present: Gregg Foster, Bonnie Smoller

II. Approval of Agenda and Minutes

M/S/P: Holmes/Rupp to approve agenda and the minutes of February 24, 2011 and March 28, 2011.

III. Public Input – for non-agenda items

None

IV. Old Business

None

V. New Business

A. Consideration of Loan Modification for J. R. Stephens Company: J.R. Stephens Company manufactures custom cabinetry for large projects (schools, government buildings, etc.) They have been a RREDC client since 2004. They have one loan, #2604, which is split between RREDC and the Headwaters Fund (HWF), 28.6% and 71.4% respectively.

The principal balance of the loan is \$840,059.15 and \$24,766.84 interest. Client's regular monthly loan payment is \$13,168.35.

RREDC's collateral is a 2nd deed of trust on property on Woods Lane, McKinleyville, a 3rd deed of trust on property on Dows Prairie Road, McKinleyville and a UCC-1 filing on business furniture, fixtures, equipment and inventory.

The business weathered a downturn in 2008 and 2009. Their 2010 sales show considerable growth over 2009. Their book of business for 2011 shows they have major projects secured.

Their payment history shows payments consistently 60 days late. They avoided the 90 day default status until March 2011 when they experienced a severe cash flow crisis due to the bankruptcy of a subcontractor.

The client is requesting a payment deferral until August 1, 2011, with the intention of making double payments until current. The double payment amount would be \$26,336.70.

M/S/P: Scolari/Holmes to deny payment deferral in favor of the following: 1) client to pay amount of back interest, as of March 31, 2011, by April 29, 2011, 2) client to make interest-only payment for April, due by May 10, 2011, 3) client to resume regular payments of \$13,168.00, due on or before June 15, 4) client to authorize RREDC to receive information, at RREDC's discretion, from Coast Central Credit Union and Redwood Capital Bank, 5) client to submit monthly financial information to RREDC. Motion passed unanimously.

B. Consideration of Offer for Purchase of Property at 1718 Fourth Street (Jalisco Café): There is a local business interested in the property. The listing realtor will have more information by the end of April.

C. Consideration of Distribution of Proceeds from Loan to Sara Olson for the Purchase of Flips for Kids: On March 28, 2011 the executive committee approved a loan to Sara Olson, Christopher Olson and Jessica Viernes-Olson for the purchase of Flips for Kids Gymnastic Center. The Olson's purchased the business from RREDC clients Bryan Konkler and Darcy Fardette-Konkler (RREDC loan # 2502).

In the minutes of March 28, 2011, it is noted that the executive committee desired that at least half of the proceeds from the sale be applied to reducing the remaining loan balance.

The Konkler's have requested that all proceeds go directly to them rather than paying down the loan.

No action taken.

D. Consideration of Change in Terms for Recovery of Loan to Christian Dapaah: This business closed in March 2009. Borrowers have paid as agreed on the change in terms (March 12, 2009) but were unable to pay the balance of \$77,400 at the March 1, 2011 maturity date.

On March 28, 2011 the executive committee approved a change in terms that amortized the loan balance for 36 months, with payments of \$2497.48 and no balloon payment at maturity.

The borrower responded that he could not afford the monthly payment and requested instead a five year/60 month amortization.

M/S/P: Rupp/Holmes to amortize the loan for four years/48 months, and increase the interest rate one percentage point, bringing it to 11%, in lieu of increased risk for RREDC. Motion passed unanimously.

VI. Adjourn

The meeting was adjourned at 4:57 p.m.