

**MINUTES
LOAN ADMINISTRATION BOARD MEETING
APRIL 25, 2013**

Pursuant to public notice, a regularly scheduled meeting of the Escanaba Loan Administration Board was held on Thursday, April 25, 2013, at 8:00 a.m. at City Hall, Room C102, 410 Ludington Street, Escanaba, MI.

Board Members Present: Chairperson Tim Kobasic, Boardmembers Roni Beaudoin, Jeanine Dagenais and Chris Economos

Also Present: City Treasurer Robert Valentine, City Attorney Russ Hall, and Executive Secretary Kim Peterson

Chairperson Tim Kobasic called the meeting to order at 8:00 a.m.

Motion was made by Boardmember Beaudoin, seconded by Boardmember Economos, to approve the meeting agenda as written.

Motion was made by Boardmember Beaudoin, seconded by Dagenais, to approve the meeting minutes of April 19, 2012. Motion was approved unanimously.

NEW BUSINESS

Quarterly Loan Review

No concerns with Michigan Meats, House of Ludington or Crispignas.

Gordon Cashen is working on getting arrears caught up.

Matt Heath is in arrears. There was a judgment filed against Matt Heath and his mother. They are paying on a judgment now, rather than paying on a note.

Discussed the interest rates and refinancing to bring Peacock's loan current or ask him to pay a little extra each month to get caught up which is approximately \$2,500 in arrears. Consensus of the board is to have City Treasurer Valentine give Mr. Peacock two options for adding additional money to his loan to get caught up or refinance the loan to recapitalize the delinquent balance.

Update on Status of CDBG RLF Regionalization

If regionalization takes place, the City would not lose the UDAG Funds or the EDA Fund.

Update from Attorney Russ Hall on Status of Cal Marcoe Collections

Cal Marcoe has a \$60,000 judgment against him. Mr. Marcoe was named the beneficiary of his parent's estate who both passed away last year. The estate was to be split three ways. Mr. Marcoe was initially appointed as the estate's administrator but was removed via a legal process initiated by the other two beneficiaries. Prior to being

removed as administrator, Mr. Marcoe has cashier's checks written from the estate payable to his wife, Therese, totaling \$110,000. \$30,000 of the \$110,000 actually received by Mrs. Marco, and the remaining checks totaling \$80,000 were returned to the estate. The estate is now being administered by the Northern Michigan Bank Trust Department.

As a result of the \$30,000 payment to Mrs. Marcoe, attorney Hall filed an action called a "motion for supplemental judgment" in which, the City has alleged that the \$30,000 payment to Mrs. Marcoe was a fraudulent conveyance and an attempt to avoid payment to creditors. Mr. Marcoe is represented by attorney John Bergman and legal proceedings are expected to be on-going, but Mr. Hall remains optimistic for a full recovery, based on the reported \$248,000 value of the estate, of which Mr. Marcoe is entitled to one third. Attorney Hall shared with the Board, an offer from Mr. Marcoe, through attorney Bergman, to settle the claim in full for \$25,000. It was consensus among members of the Board to reject the offer.

Review Donalway Golf Status

Russ Hall stated he filed lawsuit against Donalway and the guarantors, the Waeghes. Also he filed in the complaint of foreclosure the third mortgage, depending on the situation. He decided not to pursue this as the City is not in the position to pay off the first two liens and would not make economic sense. There is a stipulated judgment against the Waeghes and Donalway and have a claim deliver order. This order has not been finalized yet, but has been signed. One problem that Bob Valentine faces is the uncertainty of what to do with the parts inventory because there is really not a market as they are specialized parts. Mr. Waeghe agreed to try and help liquidate the parts and did a little bit of such so the City received back approximately \$4,000. Mr. Waeghe is on social security and is not in good health and his wife works at Ness. There is a first and second mortgage on their home and credit card debt. The City will recommend some type of amount that they hope the Waeghes will come up with to pay back the City.

City Treasurer Valentine stated the inventory at Donalway consists of parts and partially finished goods and is a specialized market. There are not any resources to deal with this and would be a full-time job to try and liquidate the parts with contacting the customers. If an auction was held, nothing would be gained as it is worth something by working with the customer list to try and have them purchase additional parts for inventory as the company is no longer in existence.

Chairperson Kobasic questioned whether the business was considered done. City Treasurer Valentine stated Al Waeghe still has hope there will be a big deal for his company.

A discussion was held on residual income as there is one course in Canada that will be starting up this summer. Attorney Hall stated the problem is with the residual income coming to Al Waeghe's hands first as it is an out of state, out of country, entity paying the money, the City cannot get an order requiring the company to pay the City. The City could have Al Waeghe sign an assignment

Chairperson Kobasic stated that Mr. Waeghe was previously asked to provide bank statements and inquired to see if that was done. City Treasurer Valentine stated he

gave some financial statements from Quick Books and no tax returns or bank statements were submitted for review.

There was a consensus to have Attorney Hall have Al Waeghe sign an assignment as the City does have judgment against him.

Consider Request from Lofts Project Developer

Chairperson Kobasic stated he was previously approached by Matt and Beth Sviland as they have a loan they are paying on for seven years, interest only, as required by the loan document. They are interested in paying on principal as well. A meeting was never held to discuss this. Now, Matt and Beth Sviland would like to reduce the interest on the back end of the loan and put it all towards principal which would take care of the seven years of interest. Chairman Kobasic reviewed with the board a communication he had received from the Svilands as well as communications between the Svilands and the City Treasurer.

City Treasurer Valentine stated Matt Sviland first approached the City with a request to have interest only payments credited toward principal after the 7 year interest only period had expired. The rationale for the request was such that Mr. Sviland advised that he would like to begin principal reduction now, but is unable to because of the requirements of the tax credit financing. Mr. Valentine advised that Mr. Sviland, via a second request letter, asked for a reduction of his interest rate to .65% on the 15 year back end of the loan in an effort to offset the interest paid during the seven year interest only period.

The board discussed the fact that it is an option for Mr. Sviland to set aside monthly principal amounts into a separate interest bearing account, the earnings from which could offset interest he is paying over the first seven years, and which could be used on year seven to reduce principal at that time.

The board also considered that fact that undisbursed funds earn interest as part of the City's investment portfolio and that the fund needs to be made whole for that. Also discussed was the 3.25 rate being paid and how that rates compares against loans of similar risk in the lending market. Also discussed was the fact that the sustainability of the fund depends on interest payments.

A motion was made by Boardmember Beaudoin, seconded by Boardmember Economos to reject Swanee Inc. proposal for the adjustment of interest payment.

Ayes: Boardmember Beaudoin, Economos and Chairperson Kobasic

Nays: None

Abstained: Boardmember Dagenais abstained due to her involvement in First Bank

Motion passed.

General Public Comment

None.

Announcements

None.

Adjournment

A motion was made by Boardmember Economos, seconded by Boardmember Dagenais, to adjourn the meeting at 8:55 a.m.

Motion was approved unanimously.

APPROVED:

TIM KOBASIC, CHAIRPERSON

KIMBERLY PETERSON, RECORDER