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To: James Maloney, Chair
Members of the Ulster County Revolving Loan Fund Committee

From: Tim Weidemann, Senior Economic Developer

Re: Clarification of Collateral for Loan to The Farm Bridge

Date: June 16, 2017

At your March 20, 2017 meeting, the Ulster County Revolving Loan Fund (UCRLF) Committee unanimously approved a loan application in the amount of \$150,000 from The Farm Bridge. The Committee's approval was contingent on clarification of the collateral that would be available to secure the loan.

This memo is to clarify the result of subsequent conversations with the applicant to determine the collateral available and the UCRLF's lien position on equipment offered as collateral.

Collateral in First Position

The estimated value of the assets to be purchased with the loan proceeds is \$120,000, with the remaining \$30,000 of loan proceeds expected to cover taxes, delivery and installation of the equipment. Based on the UCRLF's Underwriting Guidelines, the collateral value of this equipment is 50% of the fair market value, or \$60,000. The UCRLF will have a first-position security interest on these assets

We received verbal commitments from NYBDC and Catskill Hudson Bank indicating that these lenders will consent to subordinate their security interest on any new equipment purchased with the proceeds of the UCRLF loan to The Farm Bridge.

Collateral in Subordinate Position

Based on the most recent information available, the company's existing business assets have an estimated value of approximately \$1,200,000, including existing capital equipment valued at \$489,000 (after depreciation), receivables in the amount of \$437,000 (as of February 2017) and inventory valued at \$285,000.

The company has several outstanding loans, which are secured with liens against these existing assets. A loan from NYBDC, under the SBA 7(a) loan guarantee program, has an outstanding balance of \$171,000 as of April 30, 2017. This loan is secured by a blanket lien on all business assets. A \$500,000 line of credit from Catskill Hudson Bank, which the company has fully drawn and is in negotiations with the lender to convert to a term loan, is secured by the company's accounts receivable. A term loan from Catskill Hudson Bank had a balance of \$75,000 as of December 31, 2017. This loan is secured by a blanket lien on all business assets.

The following table summarizes the business's current assets and the outstanding loan balances secured by these assets. The total remaining value available to secure the UCRLF's loan is estimated at \$243,000. The UCRLF will be in junior position on the assets that comprise this value.

Asset	Fair Market Value	Prior Lien Loan Amt	Available Value
Existing capital equipment	\$489,013	\$246,000	\$243,013
Accounts Receivable	\$436,727	\$436,727	\$0
Inventory	\$284,724	\$284,724	\$0
Total Value	\$1,210,464	\$967,451	\$243,013

After applying a 50% discount on the available value, the existing business assets are estimated to provide an additional \$121,500 of collateral value. Combined with the collateral value of the new equipment, this amount increases the total collateral value to \$181,500, which is 21% greater than the value of the UCRLF's loan amount.

Based on this analysis, it is requested that the UCRLF Committee reconfirm its approval of The Farm Bridge's loan application.