

# LOAN REVIEW BOARD MEETING

## May 13, 2015

Present: Rich, Schwandt, Werch, Will  
Absent: Liddicoat, Rockwood

Will called the meeting to order at 3:03 p.m.

### **Approve meeting minutes – October 7, 2014**

Schwandt moved and Werch seconded a motion to approve the October 7, 2014 minutes as presented. Motion carried.

### **Request for new loan – Dear Prudence, LLC**

Ellen Sorensen was present to address the board regarding Dear Prudence, LLC's request for a \$40,000 loan to assist in opening a women's boutique. The business would be run with her son, Andy. With the loss of Only Her, the intent of the business is to span a broader demographic. The target market would be residents within a 10 mile radius. Product would be American made. Locally sourced product would be sold as well, such as soap, jewelry, textiles, and work from artisans of Ripon. Opening in April was strategic, as after the holidays January through March is slow. The location is 210 Watson, which is a good fit for a boutique. Schwandt inquired about the clientele broadening. Sorensen replied that instead of being skewed young, the target market would be ages 55-60. Hamilton's typically targets the more retired older population. The two stores plan to work together to complement each other. Schwandt inquired about job creation projections. Sorensen replied that 4 FTE's are expected over the next 3 years. Andy is working 40-50 hours/week, and Ellen is not taking a salary. One new part-time position is anticipated in June, and another 1.5 in one year. E-commerce, Andy's graphic designs, is anticipated to create the need for one additional FTE. So over the next 3-4 years, 4 FTE's are expected, which is about the time when Ellen plans to retire. Werch inquired about the purpose of the loan. Sorensen explained the funds would be used for inventory. Approximately \$75,000 is needed for the first twelve months. She prefers not to do consignment. Werch inquired if there are purchase agreements, and Sorensen replied there are some. Will inquired about collateral. Ellen responded the POS system is worth about \$2,000, and there are also antiques, clothing inventory, and about \$3,000 in fixtures. The property is not owned; rent is \$450 per month. Life insurance is term. The Board agreed that whole life is not a good option, as it is too expensive. Sorensen explained she has two private investors totaling \$35,000. \$20,000 is due in 3 years on 4/15/2018 with no payments, and the other is \$166/month at a low interest rate. Sales need to be \$3,600 to break even. Markup is 2.5, which is industry average. Werch was concerned the city is providing half of the startup costs, and inquired about other collateral. Sorensen said her retirement cannot be used, but she does have some fine jewelry. She does not own any property. Sorensen stated that the \$40,000 gives her the basis that she needs to make her business profitable in 3 years.

Will moved and Schwandt seconded a motion to recommend approval of the \$40,000 loan to Dear Prudence LLC with terms set at 4% interest for 7 years, personal guarantees from both Ellen and Andy, collateral to be equipment and inventory, copies of purchase agreements to be provided to the City, and going forward quarterly inventory reports to be provided to the City with the goal of having \$40,000 in inventory by the fall. Motion carried 4-0.

With no other business before the Board, Werch moved and Will seconded a motion to adjourn. Motion carried 4-0. Will declared the meeting adjourned at 3:50 p.m.

Respectfully submitted,  
Lori Rich, City Administrator