



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** April 20, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Barbara Allivato, Business Finance, 612-673-5232

**Presenter in Committee:** Barbara Allivato, Business Finance

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Working Capital Loan Defaults – Slater Publishing and Fresh Fanny

**RECOMMENDATION:** Approve a guaranty payment in the amount of \$24,278.95 to Cherokee Bank for Slater Publishing and \$6,289.09 to TCF National Bank for Fresh Fanny.

**Previous Directives:** N/A

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** Working Capital Guaranty Program is city-wide

**Neighborhood Notification:** N/A

**City Goals:** Create an environment that maximizes economic development opportunities by building capacity within the business community.

**Comprehensive Plan:** N/A

**Zoning Code:** N/A

**Living Wage/Job Linkage:** N/A

**Background/Supporting Information:**

Slater Publishing is a minority owned graphic design and marketing firm located at 400-1<sup>st</sup> Avenue North. The business is owned and operated by Stephen Slater as a Sub S Corporation. Slater Publishing specialized in advertising and packing design. At the time the loan was approved their major clients were General Mills, Glory Foods, and Target. In May 2001 Cherokee Bank extended a \$110,000 line of credit to Slater Publishing with a 28% MCDA Guaranty. In April 2002 the borrower became delinquent and the bank demanded payment. Arrangements were made for the borrower to pay down the loan in monthly installments of \$5,000. The payments were sporadic and in August 2003, after several extensions, the bank consulted with their attorneys and a Replevin Action was issued. In October of 2003 the bank entered into a Forbearance Agreement requiring a \$7M up front payment with \$8M in the following two weeks. The \$7M was used to cover over \$3M in legal fees and the rest was applied to the delinquent payments. In November the bank discovered that the borrower had moved much of the assets out of the business location and determined that it was not worth the cost of have a Sheriff Replevin the assets and a judgment was filed on Slater Publishing and Steven Slater. The bank has charged off the balance of \$86,710.56 and is requesting the 28% guarantee payment in the amount of \$24,278.95

Fresh Fanny is a diaper service located at Penn and Lowry that was established by Tina Latimer in 1996. In 1998 the Consortium of Community Developers made a \$10,000 Urban Initiative loan to the company and TCF National Bank extended them a \$15,000 revolving credit line guaranteed 75% through the MCDA Working Capital Loan Program. The last payment was made on the loan in July of 2001, at which time Ms. Latimer informed the bank that she was going out of business and was liquidating the business assets. After several attempts to contact the borrower failed, the bank went to the business location to find it deserted. A skip trace has located Ms. Latimer in Overland Park, Kansas. The account was turned over to a collection agency with no results. The bank has charged off the balance of \$8,385.45 and is requesting the 75% guarantee payment in the amount of \$6,289.09.

Since the start of the Working Capital Program in 1989, the program has facilitated \$11,568,000 in private financing for more than 308 Minneapolis businesses. We have paid out \$455,476 in guaranty payments for 32 defaulted loans. Guaranty payments are paid out of the Working Capital Default Reserve which has a current balance after these defaults of \$565,328. The Business Finance section is no longer originating loans under this program. We are monitoring and working out the remaining 40 loans in portfolio.

