

APS Board of Directors Meeting

Electronic Vote

March 6, 2018, 2018

On Tuesday, March 6, 2018, Executive Director Scott English presented a report from the Joint Finance Committee (See attachment #1) to the Board of Directors recommending that \$326,000 of funds from a source identified by the Executive Director be used to advance pay the mortgage known as First National Bank Loan #4, originally borrowed in 2013 for renovations of the Match Factory for tenant space. Executive Director English indicated the funds would be available from undesignated contributions from the Campaign for Philately contributions. This action would mitigate the impact of increased interest for the APRL for FNB #4. English also indicated a separate action would be required by the American Philatelic Research Library Board of Trustees in a meeting scheduled for 12 March 2018.

Action: Trish Kaufmann motioned the APS transfer the money to the APRL for the purposes of advance paying down FNB#4. **Mark Schwartz** seconded.

Following the motion and second, the Board unanimously adopted the motion in an electronic vote completed on March 6, 2018.

APS Board Minutes

March 6, 2018

Submitted on behalf of Stephen Schumann, Secretary of the Board

American Philatelic Society



Memo:

To: APS / APRL Board
From: Rick A. Banks, Controller
CC: Scott D. English, Executive Director, Ken Martin, COO
Date: 3/6/2018
Re: Proposal for principal pay-down FNB Loan #4

The Joint APS/APRL Finance Committee met on Wednesday, March 6, 2018, to discuss the proposal set forth by the APS Treasurer to pay-off First National Bank (FNB) Loan #4 from APS unrestricted funds.

Background Information – FNB Loan #4 was taken out by the APRL in 2013 to assist with the funding of the Phase VII renovation of Building 5, a three-story structure that houses our largest tenant (Universal Community Behavioral Health) on the second and third floors. The original loan was for \$1,200,000 with an initial interest rate of 3.68%, a 20 year term, and monthly payments of \$7,067. The interest rate will reset every five years with the first reset date being 4/24/2018, at which time the outstanding principal balance will be ~\$975,000. Our anticipation is for the interest rate to rise to ~5.50% at which time our monthly payments would increase to ~\$8,050.

Proposal – The proposal presented to the committee was as follows:

1. The APS take \$400,000 from the Campaign for Philately and \$575,000 for the Insurance Fund and payoff the \$975,000 APRL to eliminate the effect of the April 24th rate reset.
2. Secure a \$1,000,000 line of credit from FNB to be used in the event operating cash flow were to be affected by said use of funds above.

After discussing this proposal, which included but was not limited to cash available, restricted vs. unrestricted funds, effect of the interest reset on the APRL, etc. the committee voted to reject the proposal.

Alternate Proposal – An alternate proposal, put forth by committee member Ned Case, is to take \$326,000 from APS funds and make a principal pay-down on FNB Loan #4. This pay-down would mitigate the expected interest rate increase on 4/24/2018. The source of said funds is to be determined by the APS Executive Director and would be recorded on the APS / APRL books as part of the intercompany payables, which is non-interest bearing.

After discussion, it was concluded that this proposal would not have a detrimental effect on the operating cash balance of the APS, it would mitigate the expected interest rate increase, and was therefore unanimously approved by the committee. In addition, management also supports said proposal.

As such, this “alternate proposal” is therefore presented to both the APS and the APRL boards for their consideration.