

**Jefferson County Industrial Development Agency
Loan Review Committee Meetings Minutes
March 30, 2018**

Present: Robert Aliasso, David Converse, John Jennings

Also Present: David Zembiec, Lyle Eaton, Peggy Sampson, Paul Warneck, William Johnson, Lisa LeHuillier, Emily Herman (Scrub Hub), Fran and Paul Alberry (Mr. Rick's Bakery), Tim Scee, Tom Scozzafava, and Marcus Wolf from the Watertown Daily Times

- I. Call to Order:** Chair Aliasso called the meeting to order at 8:00 a.m.
- II. Pledge of Allegiance**
- III. Privilege of the Floor – None**
- IV. The Scrub Hub, LLC –** A request from the Micro Enterprise Loan Fund in the amount of \$18,656 to expand the facility located at US Route 11, Watertown. Staff reviewed the request and recommended approval of a loan in the amount of \$18,656 for a five year amortization with a rate of 5%. There are currently 4 employees with a projection to hire three part time employees over three years. Collateral will be a first position lien on the assets of the business and personal guarantee of Bonnie Herman. Contingencies of equity contribution and bank financing.

Ms. Herman said that she started advertising online and added online ordering yesterday and hopes to see potential growth from the online business. She also said that the expansion adds two fitting rooms and extra store space.

After review and discussion, a motion was made by Mr. Converse, seconded by Mr. Jennings to move the loan request to the full board of directors at the next monthly meeting. All in favor. Carried.

- V. Mr. Rick's Bakery, Inc. –** A request from the Micro Enterprise Loan Fund in the amount of \$20,000 to be used as working capital to assist in recovering from the road closure in 2017 and other unanticipated occurrences. Staff reviewed the request and recommended approval of a loan in the amount of \$20,000 for a five year amortization with a rate of 5%. There are currently 8 full time and 4 part time employees with a projection to hire five full time employees over three years. Collateral will be personal guarantees of the owners.

Mr. Alberry indicated that they had a couple of slow years and noted that they lost a contract with 17 Nice and Easy stores. He did say that they have had to expand out wider to pick up new customers and expects to get back on track for the wholesale part of the business. He noted that 15% of the business is retail and 85% is wholesale, which includes gas stations, restaurants, hospitals, etc.

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After review and discussion, a motion was made by Mr. Converse, seconded by Mr. Jennings to move the loan request to the full board of directors at the next monthly meeting. All in favor. Carried.

- VI. Wright Brothers, LLC** – A request for a 6 month principal moratorium retroactive to February 1, 2018 and a new maturity date. The Watertown Local Development Corporation as lead lender approved the request on March 15, 2018. Staff reviewed the request and recommended approval of the six-month principal moratorium retroactive to February 1, 2018 until July 1, 2018 as well as extending the maturity date by five years. The balloon payment will be due February 1, 2023.

Mr. Eaton noted that the building located at Faichney Drive is up for sale and has a potential buyer. Mr. Jennings asked if the value of the property will cover the loans. Mr. Eaton said the bank is ahead of the agencies and he does not know at this time.

After review and discussion, a motion was made by Mr. Converse, seconded by Mr. Jennings, to move the loan modification request to the full board of directors at the next monthly meeting. All in favor. Carried.

- VII. Carthage Specialty Paperboard** – Mr. Zembiec said that an application was received last yesterday afternoon.

Existing Loan ó Mr. Eaton said that DANC (lead agency) wrote off their portion of the loan the other day. He recommended that the committee recommend to the full board to write off the exiting loan. Mr. Converse said that as a creditor, he thinks it is too early to write the loan off until the company gets through the bankruptcy hearings/process. Attorney Russell said that there should be a determination by the end of the summer and said that just because DANC wrote off the loan, doesn't mean they discharged the lien.

New Request ó Mr. Zembiec said that the current management team who will create a new entity has applied for a \$250,000 RLF to be able to make a bid in the bankruptcy sale. Attorney Russell said that if the loan is approved, then the commitment letter will be contingent upon several things including being the successful bidder at the end of the bankruptcy sale. Mr. Jennings asked what is changing from the existing loan to the new loan. The answer is that the debt will be gone.

Mr. Zembiec said that the new money will be used to upgrade the current machine to address quality issues. Mr. Converse said that with the current loan and issues with the Bank, he is not prepared to make any recommendations today, but suggested letting the full board handle it.

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At 8:35 a.m. a motion was made by Mr. Converse to enter executive session to discuss personal financial information of a specific corporation, seconded by Mr. Jennings. Committee members, board members, staff and counsel remained.

At 8:57 a.m. a motion was made by Mr. Converse, seconded by Mr. Jennings to leave executive session and reconvene the loan review committee meeting.

The Committee did not make any recommendations, but rather pushed the item to the full board to discuss at the upcoming meeting on April 5th, where the applicant would attend to answer questions. It was noted that the \$250,000 would be co-terminus with the Key Bank loan.

VIII. Other/Unfinished Business:

- 1. Clayton Harbor Hotel, LLC** – Attorney Russell said Clayton Harbor Hotel has requested the IDA to execute four new mortgages as part of a cross-collateralization because they are in the process of building a new hotel. Attorney Russell said that he will be reviewing the mortgages and will have a resolution ready for the upcoming board meeting for board members to consider.
- 2. Galloo Island Wind, LLC** – Mr. Zembiec said that the developer has requested the agency to restart discussions on the proposed project. He said that the committee requested financial information and pro-forma's, but has not received them. He said that the developer is willing to provide that information, but is worried about keeping the personal financial information confidential. He suggested the agency sign a non disclosure agreement, which Attorney Russell is currently reviewing.

Mr. Aliasso recapped items previously discussed regarding the updated application. Mr. Zembiec said that the negotiated PILOT would not close until the Article 10 process has been completed. Mr. Warneck wanted to know what happens if the project changes as a result of the Article 10 process. Attorney Russell said that is why the PILOT would not close until that process is completed. Mr. Zembiec said that staff can start negotiations to come to basic terms. Mr. Converse agreed saying that staff can work with the municipalities to set procedure to move forward. Mr. Warneck wondered if the applicant should provide zoning approvals from the Town. Committee members said that the project should remain at the Loan Review Committee, but asked staff to keep the board informed during the negotiation process.

A motion was made by Mr. Converse, seconded by Mr. Jennings to give staff permission to start negotiations between the developer and the affected taxing jurisdictions. All in favor. Carried.

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Prime Rate – Mr. Jennings asked if we adjust since the prime rate is increasing. Mr. Eaton said we could, but haven't.

- IX. Adjournment:** With no further business before the committee, Mr. Converse made a motion to adjourn the meeting, seconded by Mr. Jennings. All in favor. The meeting adjourned at 9:36 a.m.