

Jefferson County Industrial Development Agency

800 Starbuck Avenue, Suite 800
Watertown, New York 13601
Telephone 315-782-5865 / 800-553-4111
Fax 315-782-7915
www.jcida.com

TO: **JCIDA Loan Review Committee**
David Converse, Chair
Robert E. Aliasso, Jr.
Christine Powers
Kent Burto
John Condino

FROM: David J. Zembiec, CEO

DATE: October 18, 2023

SUBJECT: **JCIDA Loan Review Committee Meeting**

A JCIDA Loan Review Committee meeting has been scheduled for **Wednesday, October 25, 2023 at 8:00 a.m.** in the board room, 800 Starbuck Avenue, Watertown, NY.

Please confirm your attendance with Peggy Sampson pssampson@jcida.com at your earliest convenience.

Thank you.

pss

C: Lyle Eaton
Joy Nuffer
Marshall Weir
Jay Matteson
Robin Stephenson
W. Edward Walldroff
Paul Warneck
William Johnson
Lisa L'Huillier
Greg Gardner
Rob Aiken
Justin Miller, Esq.
Media

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JCIDA LOAN REVIEW COMMITTEE

Wednesday, October 25, 2023

8:00 a.m.

AGENDA

- I. Call to Order**
- II. Pledge of Allegiance**
- III. Loan Request**
 - 1. Sackets Harbor Brew Pub LLC d/b/a 1812 Brewing Company (RLF Request)**
- IV. Other/Unfinished business**
 - 1. Review Lending/Collection Policy and Procedures**
- V. Adjournment**

**Jefferson County Industrial Development Agency
Loan Review Committee**

Date: 10/19/2023

Borrower: Sackets Harbor Brew Pub LLC DBA 1812 Brewing Company
Thomas W. Scozzafava - 100% owner

Amount: \$250,000.00

Project: Purchase Maggie's on the River to expand
the retail side of business for 1812 Brewing Company

Details:

1812 Brewing Company moved their 7 barrel brewing operations from Sackets Harbor to Watertown in 2020 with significant investment over the last 3 years to build production brewery and packaging plant. The 1812 Brewing Company has won numerous awards over the years for its beer not only in the US but worldwide as well. The expansion has definitely been a major asset to the increased production but the site is not appealing for retail, thus the reason to purchase Maggie's on the River. Maggie's is the only waterside restaurant in Watertown and will allow 1812 Brewing Co to showcase their products with its "beer-forward" restaurant. The prior owners had done major renovations to the 2nd and 3rd floors for additional dining space, special events and/or private parties. They also put in a 12-tap "bottoms up" beer system and a wood fired brick oven opening up new revenue streams for pizza and offering food deliveries along with packaged 1812 products. Purchasing this business will save 57 jobs and create a total of 17 new jobs over the next 3 years.

Personnel:	Current	57	
	Jobs Created	17	(over 3 years)

Sources and Uses:

Personal Equity	\$200,000	Purchase of property	\$1,000,000
WSB Loan	\$800,000	Maggie's Business Assests	\$400,000
WLDC Loan	\$300,000	Working Captial	\$150,000
JCIDA Loan	\$250,000		
Total Project	<u>\$1,550,000</u>	Total Expenses	<u>\$1,550,000</u>

Terms:

20 year amort. loan with a 10 year call,
at 6% interest

Financials:

Financial statements provided show ability to repay
this JCIDA RLF loan.

Collateral:

Loan will be secured with a second co-proportional position mortgage with WLDC (Subordinate to WSB) on commercial property located at Maggie's on the River, Newell Street, Watertown, NY. A second co-proportional position lien with WLDC on all assets of the business and personal guaranty of Thomas W. Scozzafava as well as key person life insurance up to the amount of the loan.

Proforma- 1812 Brewing Company & Maggie's on the River

Proforma Sales	2024	2025	2026
Sales	\$ 3,140,634	\$ 3,460,814	\$ 3,866,284
COG	\$ 1,000,283	\$ 1,109,306	\$ 1,252,299
Gross Profit	\$ 2,140,351	\$ 2,351,508	\$ 2,613,985
Expenses	\$ 1,644,516	\$ 1,756,325	\$ 1,867,230
Net Profit	\$ 495,835	\$ 595,183	\$ 746,755
Depreciation	\$ 25,641	\$ 25,641	\$ 25,641
Net Available	\$ 521,476	\$ 620,824	\$ 772,396
Debt Service (existing)	\$ 77,026	\$ 77,026	\$ 77,026
Debt Service (new)	\$ 136,278	\$ 136,278	\$ 136,278
Excess Cash	\$ 308,172	\$ 484,546	\$ 636,118

Monthly Debe Svc (new)

WSB Loan	\$ 7,416
WLDC Loan	\$ 2,149
JCIDA Loan	\$ 1,791
Total Monthly	\$ 11,356

DRAFT

**JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Resolution Number 11.02.2023.01**

**RESOLUTION FOR AUTHORIZING A
REVOLVING LOAN TO
SACKETS HARBOR BREW PUB LLC D/B/A 1812 BREWING COMPANY**

WHEREAS, Sackets Harbor Brew Pub LLC d/b/a 1812 Brewing Company has requested a Revolving Loan in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) to be used to purchase Maggie's on the River located at 500 Newell Street, Watertown, NY, to expand the retail side of business for 1812 Brewing Company, and

WHEREAS, Staff reviewed this request and recommended approval of a loan in the amount of \$250,000 for a 20-year amortization with a 10-year balloon at a rate of 6%. Retention of 57 employees with a projection to create another 17 new jobs over the next three years. Collateral will be secured with a second co-proportional with the Watertown Local Development Corporation (WLDC) (subordinate to Watertown Savings Bank) on real estate located at 500 Newell Street, Watertown, NY, a second position co-proportional with the WLDC on all assets of the business, personal guaranty of Thomas W. Scozzafava as well as key man life insurance up to the amount of the loan, and a business guaranty of Maggie's on the River. The loan will be contingent upon approval of the WLDC and Watertown Savings Bank loans, and

WHEREAS, on October 25, 2023, the Loan Review Committee of the Jefferson County Industrial Development Agency reviewed the request and recommended approval of the loan and terms to the full Board of Directors, and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Jefferson County Industrial Development Agency that it herein approves the request for a Two Hundred Fifty Thousand Dollar (\$250,000) loan to Sackets Harbor Brew Pub LLC d/b/a 1812 Brewing Company with all terms and conditions as set forth in this Resolution, and be it further,

RESOLVED, that the Chairman, Vice Chairman, Secretary and/or Chief Executive Officer are authorized and directed to execute any and all documents necessary to carry out the purposes of this Resolution.

This resolution shall take effect immediately.

W. Edward Walldroff
Secretary

Inter-Agency Public Financing Programs

The following is a compilation of public financing program opportunities currently available within Jefferson County.

Please contact the agency listed for each financing program for more information regarding project eligibility and application process

An Application for Financial Assistance is enclosed.

Applicant (Company) Name: 1812 Brewing Company

Applicant Address: PO Box 6192, 981 Waterman Drive, Watertown, NY 13601

Phone: 315-788-1812

E-mail: tom@1812ale.com

Application Date: September 14, 2023

Internal Use Only

Staff Signature and Date of Submission: _____

Revised Date: _____, Revision #: _____

Completed Application Date: _____

Document Date: November 28, 2022

Application for Financial Assistance

Date of Application: September 14, 2023

Applicant (Company) Information:

Applicant Name: Sackets Harbor Brew Pub, LLC dba "1812 Brewing Company"
 Applicant Address: PO Box 6192, 981 Waterman Drive, Watertown, NY 13601
 Phone: 315-788-1812 Fax: _____
 Website: www.1812ale.com E-mail: tom@1812ale.com
 Federal ID#: 27-1451011 NAICS: 312120
 State and Year of Incorporation/Organization: New York State 2009
 List of stockholders, members, or partners of Applicant: Thomas W. Scozzafava

Individual Completing Application:

Name: Thomas W. Scozzafava
 Title: Owner & Managing Member
 Address: 251 Rowley Street, Gouverneur, NY 13642
 Phone: 315-771-3034 Fax: _____
 E-Mail: tom@1812ale.com

Company Counsel (if applicable):

Name of Attorney: _____
 Firm Name: _____
 Address: _____
 Phone: _____ Fax: _____
 E-mail: _____

Company Acknowledgment and Certification: The contents contained in this Application to the best of my knowledge and belief are true, accurate and complete.

Thomas W. Scozzafava
 Print Name

Thomas W. Scozzafava
 Signature

Managing Member
 Title

September 14, 2023
 Date

Internal Use Only:

 Signature of Agency Representative

 Date

Revised Date: _____, Revision #: _____

Document Date: November 28, 2022

Schedule B

Bankruptcy, Litigation and Felony History

Describe any bankruptcy history, litigation history having a material effect on the business solvency, or convicted felony activity associated with the owners, management, or officers of the business.

- | | YES | NO |
|--|------------|----------------------------------|
| 1. Are any of the officers, owners, or management of the business presently under indictment, on parole, or probation? If yes, describe below: | _____ | X
_____ |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| 2. Have any of the owners, officers, or management of the business ever been charged with or arrested for any criminal offense other than a minor traffic infraction? If yes, describe below. | _____ | X
_____ |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| 3. Have any of the owners, officers, or management of the business ever been convicted of any criminal offense, other than a minor traffic infraction? If yes, describe below. | _____ | X
_____ |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |
| 4. Has the business, its present owners, officers, or management ever been the subject of bankruptcy proceedings? If yes, describe below. | X
_____ | _____ |
| <u>I was a personal guarantor of the corporate debts of Patrick Hackett Hardware Company, which was severely impacted buy the great recession of 2008-2009.</u>
<u>The Company ceased operating via Chapter 7, and I ultimately filed myself</u>
<u>several years later. A settlement with creditors was reached, the debts repaid and discharged.</u>
<u>Thomas W. Scozzafava</u>
Signature _____ | | |
| | | September 14, 2023
Date _____ |
| <u>Thomas W. Scozzafava, Managing Member</u>
Printed Name and Title _____ | | |

Revised Date: _____, Revision #: _____

Document Date: November 28, 2022

Schedule C

Confirmation Documentation:

The applicant understands and agrees that if the Project receives assistance from the Agency/Corporation---either tax incentives or loans---the applicant agrees to provide the Agency/Corporation, if requested, with a copy of their 'Annual Report' , their 'Annual Audit Report', their corporate or personal tax returns and/or their New York State Form 'NYS-45' (Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return), as appropriate, throughout the period that benefits are provided the company. These reporting requirements---specifically identified in Closing Documents, Loan Documents or other project specific agreements---may be used by the Agency/Corporation to assist us in verifying that commitments made as part of this application---regarding stated goals for employment or capital investment in the project---are being achieved.

Thomas W. Scozzafava

Signature of Applicant

September 14, 2023

Date

Revised Date: _____, Revision #: _____

Document Date: November 28, 2022

Schedule D

Employment Plan

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Job Title	Annual or Hourly Wages	Current Number of Positions	Jobs Created: Year One	Jobs Created: Year Two	Jobs Created: Year Three	Total Jobs to be Created
Head of Food Operations	\$65-\$75k	0	1	0	0	1
Head of Events/Social Media	\$45k	0	1	1	0	2
Head of Purchasing	\$45k	0	1	0	0	1
Assistant Brewers	\$35k	1	1	1	1	3
Production Manager	\$55k	0	0	1	0	1
Restaurant hourly	\$20-\$35k	55	3	3	2	8
Accounting	\$35k	1	0	1	0	1
TOTALS:		56	7	7	3	17

Instructions:

Column A: Insert the job titles that exist within the company at the time of application, as well as any job titles that will be established as a result of the project.

Column B: Indicate the entry level wage for each listed job title either in terms of hourly pay or annual salary.

Column C: For each listed job title insert the number of positions that exist at the time of application.

Column D: Insert the number of jobs to be created during year one of the project for each listed job title.

Column E: Insert the number of jobs to be created during year two of the project for each listed job title.

Column F: Insert the number of jobs to be created during year three of the project for each listed job title.

Column G: Indicate the total number of jobs to be created for each listed title as a result of the project. (Column D + Column E + Column F = Column G)

Use as many copies of this form as necessary.

Revised Date: _____, Revision #: _____

Document Date: November 28, 2022

Business Name and Form

- Sackets Harbor Brew Pub, LLC dba "1812 Brewing Company"
- PO Box 6192
981 Waterman Drive
Watertown, NY 13601
- 315-788-1812
- EIN: 27-1451011
- NYS Employer Reg. No.: 54-43106 9
- New York State limited liability company
- Formed in 2009
- SIC #: 2082 (Breweries)

Principals and Officers

Thomas W. Scozzafava – 100%
251 Rowley Street
Gouverneur, NY 13642
DOB: 11/13/1968

Resumes

Resumes of principals - Attached

Personal Financial Statements (Schedule Included) & Tax Returns - Attached

Including All Supporting Data

Copies of personal tax returns for the last three (3) years - Attached

Bankruptcy, Litigation, Felony History (Schedule Included)

Attached

Physical Description of Project

See attached Presentation

Thomas W. Scozzafava
Chairman & Chief Executive Officer
1812 Brewing Company, Inc.

Mr. Scozzafava has over 30 years of experience in venture capital and buyout investing with the last 15 years focused within the restaurant and beverage industries. Since 2007, Mr. Scozzafava has been the Chairman and CEO of 1812 Brewing Company.

Prior to acquiring 1812 Brewing Company, Mr. Scozzafava was a senior Director of Prudential's Merchant Banking Group, where he helped find, evaluate, negotiate, and structure leveraged buyouts of over \$100 million in companies in industries that included telecommunications, media, business services, and manufacturing industries. Mr. Scozzafava also held a senior management position at Prudential Security's employee limited partnerships, where he completed approximately 40 venture capital and LBO investments. Prior to joining Prudential, Mr. Scozzafava was member of Lehman Brothers' Merchant Banking Group, where he analyzed leveraged buyout and growth equity investments across various industries. Mr. Scozzafava began his career with GE Capital Corporation, where he completed the company's Financial Management Program while serving various analyst positions with GE Investments, GECC Vendor Financial Services, and Kidder Peabody.

From 2006 to 2007, Mr. Scozzafava co-founded and served as Vice President of Acquisitions at GreenShift Corporation, a clean-technology investment company. Mr. Scozzafava was also a founder of WiseBuys Stores, Inc. in 2003, which was acquired by Hackett's in 2007.

In March 2006, New York State Governor George E. Pataki appointed Mr. Scozzafava to the Board of Trustees to the New York State Power Authority ("NYPA"). Mr. Scozzafava also sat on the Governance and Audit Committees of NYPA, whose mission is to provide clean, economical and reliable energy while promoting energy efficiency and innovation. NYPA had revenues of over \$2.7 billion in 2007.

Mr. Scozzafava received a Bachelor of Arts cum laude (3.7 GPA) with concentrations in Economics and Mathematics with Honors distinction from Hamilton College in 1992. Mr. Scozzafava was accepted into Columbia University's Master's Program of Applied Mathematics in 1994 but elected not to pursue an advanced degree in Mathematics.

Since entering the hospitality industry, Mr. Scozzafava has deepened his knowledge of the industry with both hands-on experience and through the following:

- UC Davis' *Intensive Brewing Science for Practical Brewing* – Davis, CA
- Lallemand Biofuels and Distilled Spirits' *The Alcohol School* - Toulouse, France
- French Culinary Institute's *Artisan Breads Certificate* - NYC
- San Francisco Baking Institute – *Artisan Baking I and II Certificates*

Employment Plan (Schedule Included)

See attached.

Project Costs and Financing Sources

Provide details on total project costs and sources of financing. Indicate the order of lien preference and all sources of financing (include participants, amounts, percent of total, interest rate, and term). IN ALL CASES, where other lenders are proposed in the capital structure of the project, attach commitments from banks or other lending institutions. Where funding from these programs are the only lending source, provide documented evidence of the unavailability of other funding.

Profit and Loss Statements/Balance Sheets

For existing businesses, provide profit and loss statements and balance sheets for the last three (3) fiscal years. Attached.

Projected Profit and Loss Statements

Provide projected profit and loss statements for three (3) years. Statement must include projected interest payments and depreciation expenses. Describe assumptions on which projections were based. The projections should be supported by and be relevant to the narrative.

Projected Cash Flow Statement

Provide projected cash flow statements, by month, for the first year of operation of the project.

Note:

Security Collateral

Attached Currently I have Sackets Harbor Brew Pub's asset list. I have requested Maggie's.

Presentation

Acquisition of:

Maggie's on the River



By:

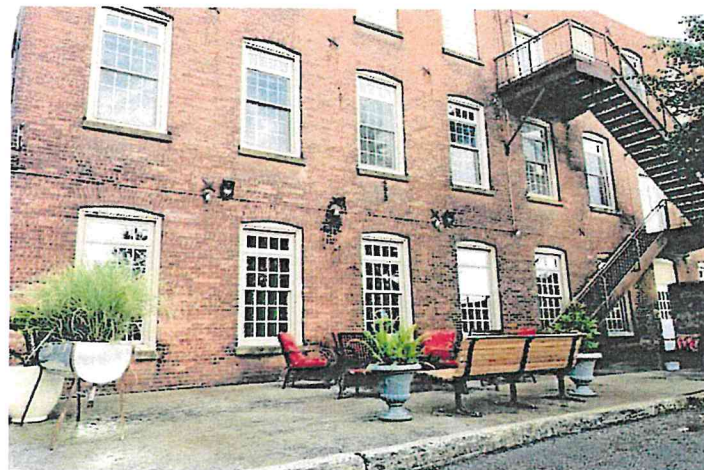
1812 Brewing Company

Maggie's on the River

Background



- 500 Newell Street renovated industrial space by Red Lion Brewing Company in late 1990s (former Sackets Harbor Brewing Company assistant brewer.)
- “Maggie’s” formed in 2012 and re-establishes restaurant operations.
- Full-service dining with 44 draft beer lines & \$325k in 2022 beer sales.
- City’s only waterside dining formalized with riverside deck.
- 2nd and 3rd floors renovated for full use for dining and/or private parties.
- 2022 revenues of approximately \$1.8 million.

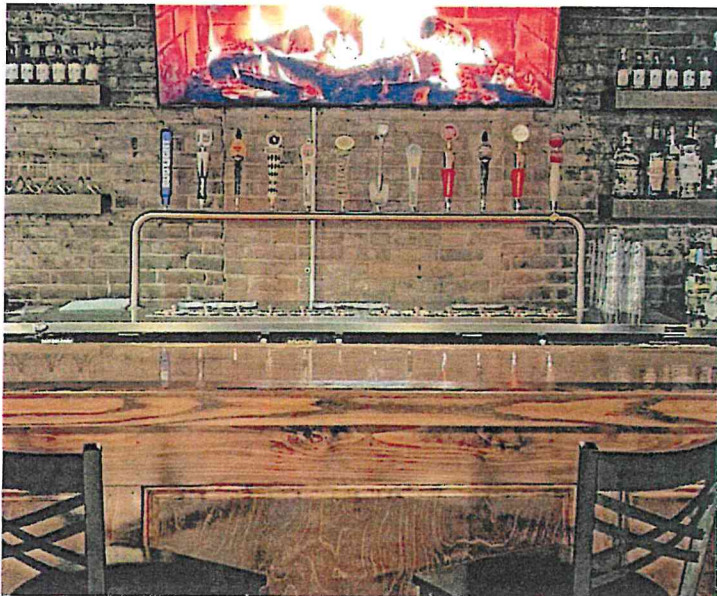


Maggie's on the River

Background Continued



- Significant recent investment on 2nd floor.
- 12-tap "Bottoms Up" beer system and wood fired brick oven.
- Private parties and events as a focused business division.
- Brick oven opens door to pizza & other food deliveries ... with packaged 1812 products as well.
- Big growth opportunity in private parties & deliveries.



1812 Brewing Company

Background

- Building at 212 W Main Street, Sackets Harbor renovated 1850s former train depot & acquired by Sackets Harbor Brewing Company in late 1995.
- Building and deck renovations expand outdoor seating by 10x in 2013.
- 1 of 2 waterside restaurants in Sackets Harbor.
- Name changed to “1812 Brewing Company.”
- \$2-plus million investments to build a full production brewery at 981 Waterman Drive in Watertown, NY in 2020-2022.
- 2022 revenues of approximately \$900k.



1812 Brewing Company

Background Continued

- 7-barrel brewing operations moved from Sackets Harbor to Watertown in 2020.
- \$500k GAI beer bottle filler & makro bottle labeler acquired in 2020 (3k bottles per hr.).
- \$450k 30-Barrel Premier Systems brewery and large-scale tanks acquired from breweries in Milwaukee, WI and Detroit, MI and moved to Watertown brewery in 2020-2021.
- \$400,000 Wild Goose canning line acquired in 2022.
- Over \$2 million investment to build production brewery & packaging plant in Watertown from 2020 to 2022.
- 1812 Brewing Company receiving numerous awards for its beer on the US and world stage.



1812 Brewing Company

Background Continued

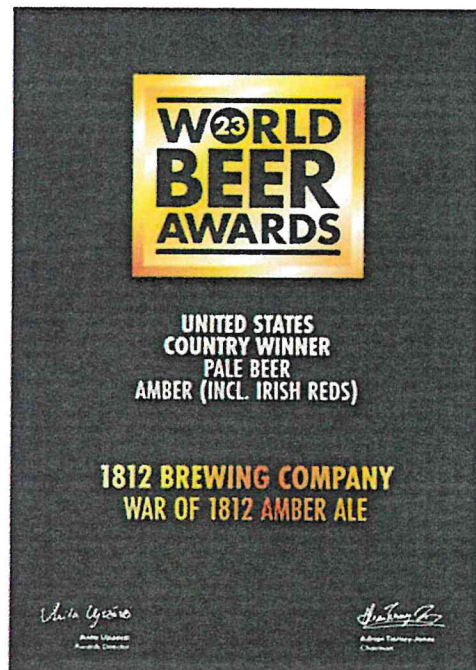


1812 Brewing Company

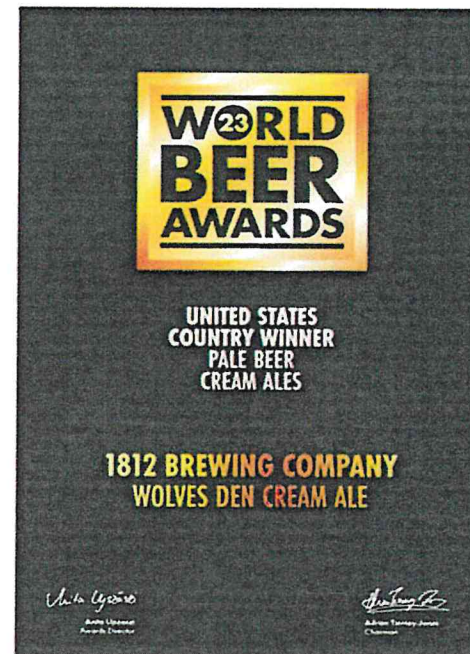
Background Continued

Recent Awards

2023 World Beer Awards
United States Winner / Gold Medal Winner
War of 1812 Amber Ale



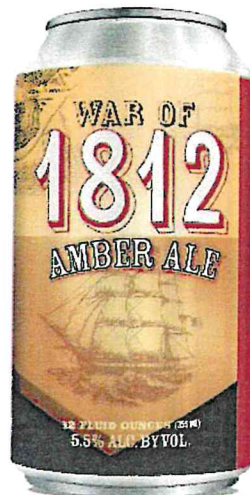
2023 World Beer Awards
United States Winner / Gold Medal Winner
World Winner / World Gold Medal Winner
Wolves Den Cream Ale



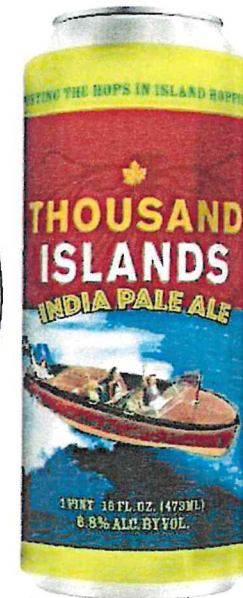
1812 Brewing Company

Background: Recent Awards continued

**2023 New York Int'l Beer Competition
Amber Ale Brewery of the Year
War of 1812 Amber**



**2023 New York Int'l Beer Competition
Silver Medal
Thousand Islands IPA**



1812 Brewing Company

Background: Recent Awards continued

**2022 World Beer Championships/
Beverage Testing Inst.
Gold Medal Winner
War of 1812 Amber**



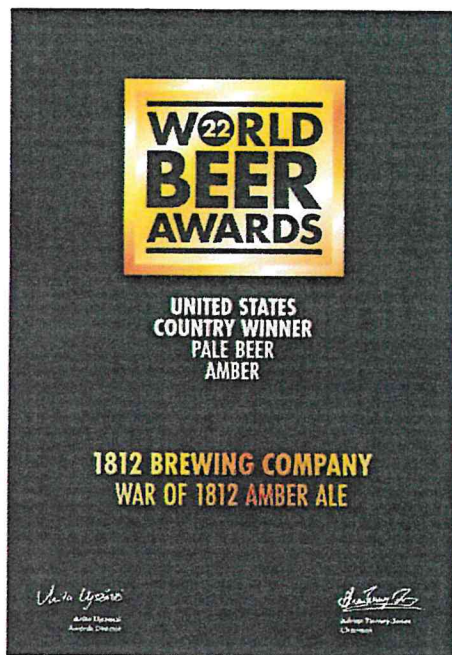
**2022 Great Int'l Beer, Cider, Mead & Sake
Competition
Gold Medal Winner
War of 1812 Amber**



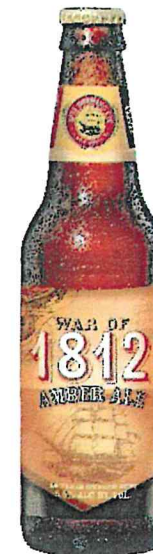
1812 Brewing Company

Background: Recent Awards continued

**2022 World Beer Awards
United States Winner / Gold Medal Winner
War of 1812 Amber Ale**



**2022 Brewski Awards
Silver Medal Winner
War of 1812 Amber Ale**

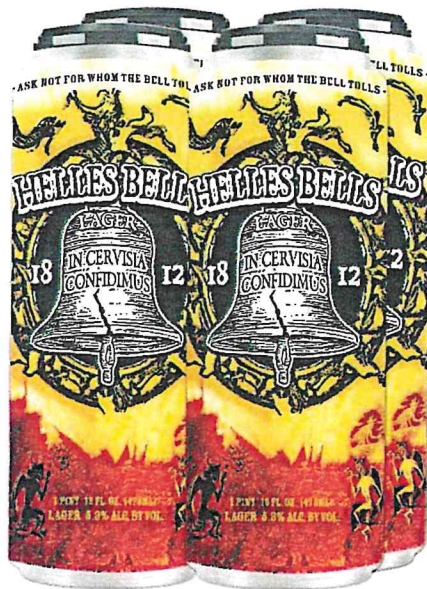


1812 Brewing Company

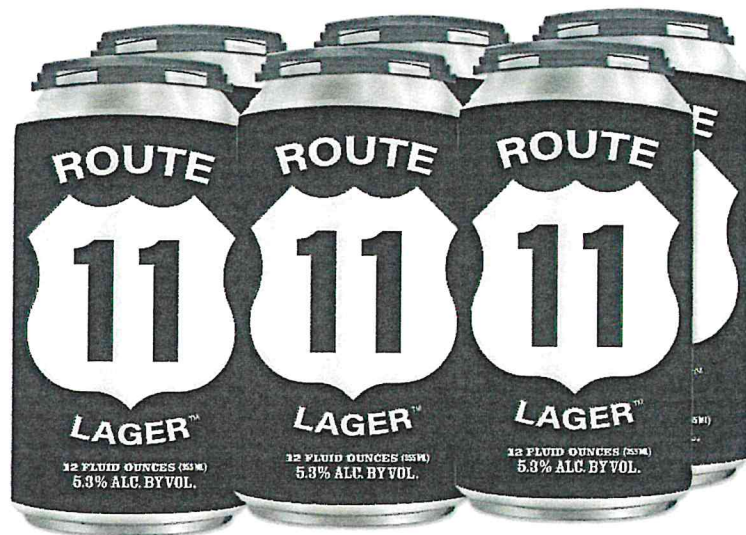
Background: continued

New Products

Helles Bells Lager
(to be launched in Price Chopper)



Route 11 Lager
(to be launched in Price Chopper)



1812 Brewing Co. & Maggie's

Rationale



- As the City's only full-scale production and packaging facility, 1812 Brewing Company seeks to establish itself as "Watertown's Brewery" to consumers.
- 13,000 square foot Waterman facility is not appealing for retail ... Maggie's represents high visibility retail with excellent reputation and staff.
- Maggie's, with 44 draft beer lines, is an ideal operation to showcase 1812's products as Maggie's has established itself as a "beer-forward" restaurant.
- As more Maggie's draft lines become dedicated to 1812 products, immediate profit margin expansion materializes.
- 1812 merchandise (shirts, hats, etc.) and packaged products "to-go" (six packs and cases of bottles & cans plus growlers) are an immediate additional revenue line at Maggie's.
- 1812 Brewing Company in Sackets is one of two waterside restaurants in Sackets. Maggie's is the City's only waterside restaurant.

1812 Brewing Co. & Maggie's

Rationale continued ...

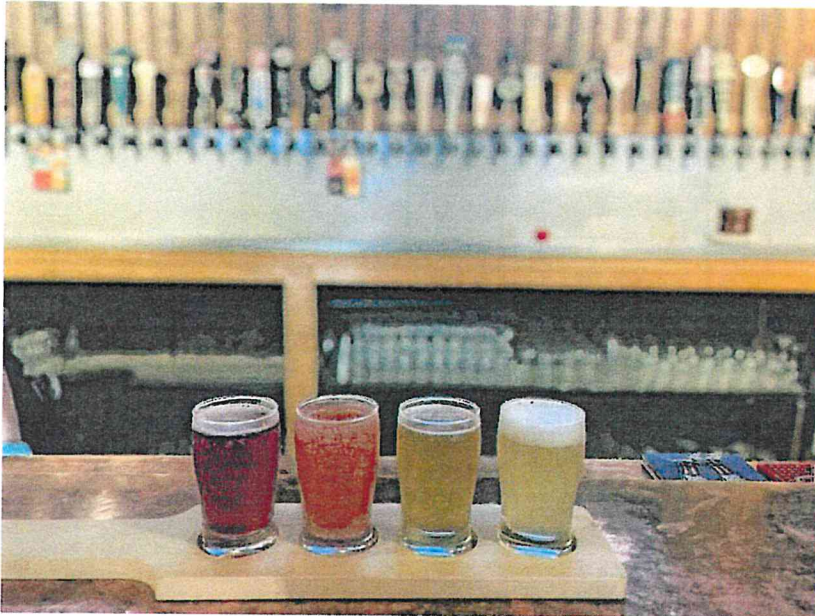


- The building's aesthetic & atmosphere perfect for "craft brewery" affiliated operation Exposed brick Former industrial space ... (Hence why it was chosen for the home of Red Lion Brewing.)
- Sackets Harbor highly seasonal. Maggie's – although seasonal – seasonality isn't nearly as dramatic ... smooths out cash flow.
- Combined advertising, marketing & social media effort & dollar spends can include both retail locations & the 1812 products at 3rd-party retailers.
- Shared personnel (managerial & hourly staff) between two retail locations.
- Scaling operations at the Waterman Drive brewery: Brewery can & will produce 3x the beer at a ratio of 2:1 (Watertown: Sackets) with virtually the same time & effort as Sackets alone (i.e. scaling the brewing operations).
- Watertown joins Sackets as a "spoke" on its "hub and spokes" operating strategy ... produce at Waterman Drive facility & transfer product to retail locations.

1812 Brewing Co. & Maggie's

Rationale continued ... Similar Approach to the Business

Maggie's on the River



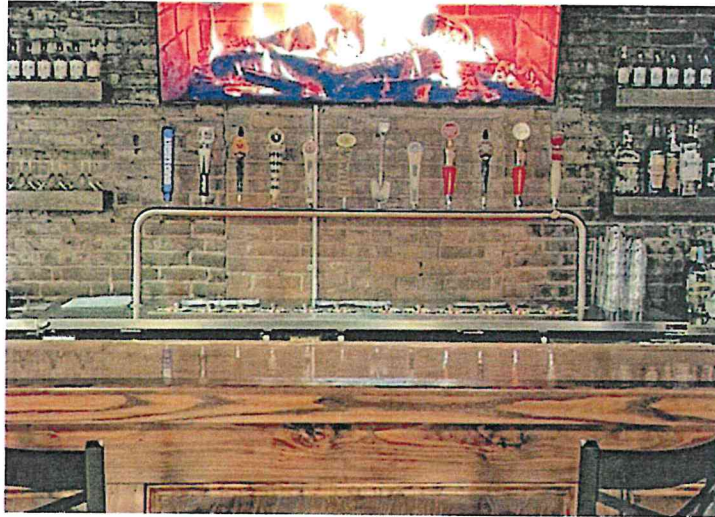
1812 Brewing Company



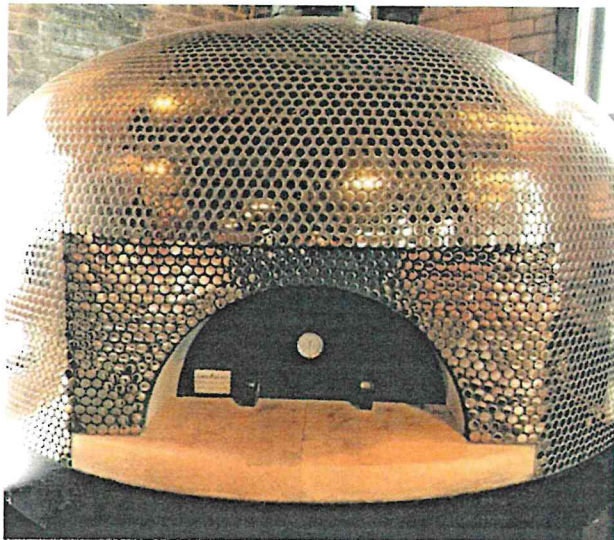
1812 Brewing Co. & Maggie's

Rationale continued ... Private Parties: "Home or Away"

Maggie's on the River



1812 Brewing Company



1812 Brewing Co. & Maggie's

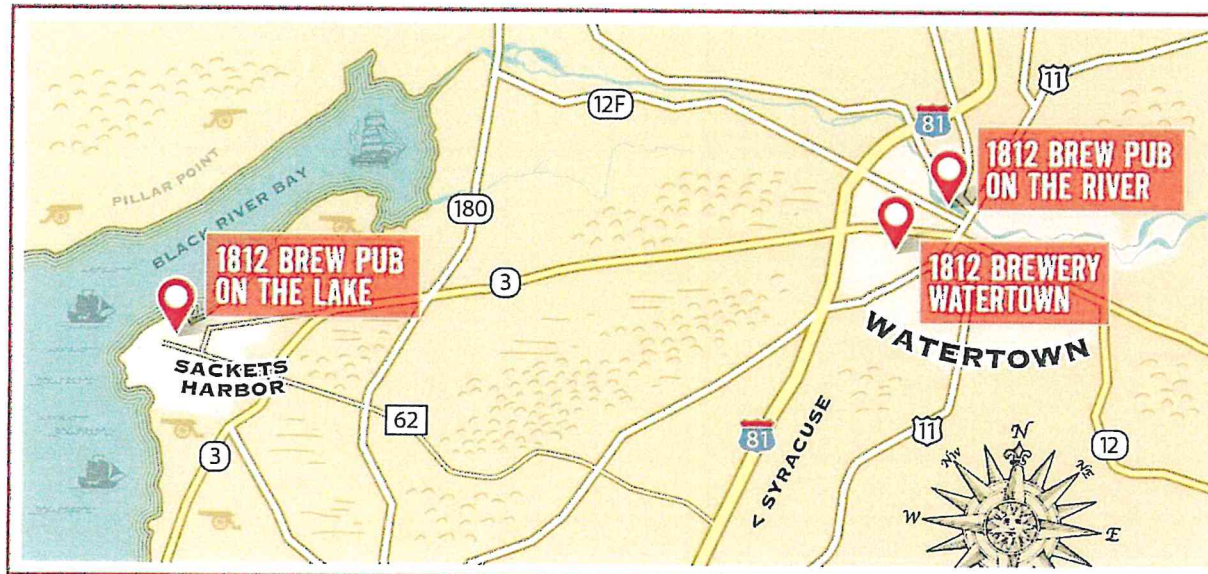
Rationale continued ... Combined Operating Result Projections

Growth & Profitability Drivers

- Maggie's marketing and sales benefit from affiliation with the brewery ... excitement re. transaction.
- Maggie's added revenue stream of merchandise and packaged beer "to-go."
- Maggie's initiates full effort to begin delivering, catering and driving private parties using both companies' assets: (1) Isuzu beer truck, (2) Lang 15' Smoker and BBQ trailer, (3) brick oven pizza and (4) 3 private rooms at Maggie's and/or the restaurant in Sackets.
- Maggie's beer profitability expands as cost of internally produced beer goes down.
- Both restaurants increase efficiency and profitability from shared personnel, professional services and advertising/marketing expenditures.
- 1812 brewery operations increase profits and sales as more beer produced for both Sackets and Watertown retail locations.
- 1812 Brewing Company beer growth – now that the packaging plant construction is virtually complete, the beer distribution is poised for significant growth. We expect beer sales through distribution to double annually for several years.

1812 Brewing Co. & Maggie's

Rationale continued ... Combined



Come visit the site of one of the most fearsome battles of the War of 1812!

Visit our brewery and tasting room:

981 Waterman Drive
Watertown, NY 13601

Relax on river:

500 Newell Street
Watertown, NY 13601

Or stop by the brew pub:

212 West Main Street
Sacket's Harbor, NY 13685

**JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
LENDING/COLLECTION POLICY AND PROCEDURES**

Amended: June 3, 2010,
September 6, 2012
Amended 11/6/14
Amended 3/5/15
Amended 12/3/15
Reviewed 10/1/20
Amended 12/1/22

1. GENERAL STATEMENT

The Jefferson County Industrial Development Agency (JCIDA) functions, among other activities, as a lending institution, making loans for economic development purposes to qualified applicants. Loan procedures will be reviewed periodically to insure that all rules and regulations are being complied with.

The JCIDA will review applications for need of JCIDA funds, appropriateness of project and ability to attain the stated goals.

The Board of Directors (BOD) has the ability to approve exceptions to the lending policy in order to enhance the agency's ability to stimulate economic development and help spur job creation/retention.

2. LENDING AREA

The loans will be made to businesses and industries situated in or having a significant positive economic impact in Jefferson County.

3. TYPES OF LOANS

The JCIDA may lend funds to businesses and/or non profit entities for the following purposes:

Business/real estate acquisition
Working Capital
Fixed assets
Inventory

There must be a positive economic benefit to Jefferson County as defined by:

- a. job creation
- b. job retention
- c. community redevelopment
- d. community enhancement
- e. generate positive net cash flow as defined – businesses that generate a substantial portion of their revenue from sales outside the County

4. DESCRIPTION OF LOAN PROGRAMS

Currently, the JCIDA oversees three loan programs. These programs are defined in Exhibit A.

5. EQUITY CONTRIBUTION OF BORROWER

A minimum equity contribution of 10% of the total eligible project costs is required of the Borrower. The equity contribution required for a start-up business may be greater, depending upon the circumstances. The equity contribution can be in the form of cash or substantial equity in collateral being offered.

6. INTEREST RATES AND REPAYMENT TERMS

Interest rates on the JCIDA loans will be determined by the Board of Directors. The interest rates will generally range from prime minus 3 to prime plus 2 and will generally be on fixed rate basis adjusted every 5 years, when applicable. Recommendations will be made to the Loan Review Committee for applicable loans. Repayment terms for real estate loans will generally range from 10 to 20 years; repayment terms for machinery and equipment purchases will generally range from seven to 10 years. Each RLF and Microenterprise loan will include a balloon payment at the end of a five (5) year period equal to the remaining principal and interest charges.

7. CLOSING FEES

The Borrower shall pay all costs connected with the issuance of the loan.

Specific fees are outlined in Exhibit A for each loan program.

8. DOCUMENTS

The JCIDA will require the completed written business plan and application to include three years of personal financial statements, three years of tax returns and/or business financials. Closing documents necessary to perfect its security interest are required by its commitment letter to fully comply with all Federal regulations and will include personal guarantees.

9. RESPONSIBILITY OF LOAN REVIEW COMMITTEE

The Chairman will appoint up to three representatives of the Board to serve on this Committee for the purpose of initially determining the eligibility of a prospective loan and analysis of the application for presentation to the Board. Upon completion of this analysis the committee will provide a recommendation to the Board at the next scheduled meeting.

10. RESPONSIBILITY OF BOARD OF DIRECTORS

The Board will maintain an active Loan Review Committee. The Board will act on the recommendations of the Committee at their regular scheduled meetings. The Chief Executive Officer will prepare a letter advising the Borrower of the Board's decision. If approved, the letter, among other things, will set forth the general and specific terms and conditions under which the JCIDA is willing to grant the loan; such as the interest rate, repayment period, expected collateral, etc. The letter will also advise the proposed Borrower that he will be obligated to pay all costs incurred by the JCIDA in connection with his application, even if the loan does not close as expected. The letter must include an acceptance of the letter within two

weeks. The offer shall expire in 120 days from the date of the letter allowing a reasonable time for the proposed Borrower to meet the terms and conditions of the loan. An extension of the letter must be approved by the Board of Directors. For JCIDA loans for projects which will have construction financing, the commitment shall be for the anticipated construction period plus two months, and the construction must start within 180 days. An extension of the commitment must be approved by the Board of Directors. The Chief Executive Officer will present to the Board a written report of all delinquent accounts for the Board's review.

11. COLLECTION PROCEDURE

The following collection policy will be administered by the JCIDA:

A. 15 days delinquent

When a loan is 15 days delinquent, a late payment notice is sent by the staff to the Borrower requesting the loan be brought current or may otherwise be placed in default.

B. 30 days delinquent

When a loan is 30 days delinquent, a telephone call is made to the Borrower from the JCIDA staff in order to define the reason for the delinquency. The regular monthly billing is sent to the Borrower, which will include two months payment due plus a late fee, as stated in the Note. A second delinquent letter will be sent requesting the loan be brought current as is subject to be placed in default. **The JCIDA Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of the default letter.**

C. 60 days delinquent

A third delinquent letter will be sent demanding the loan be brought current immediately; otherwise, the loan is subject to being placed in default and will be turned over to JCIDA attorney within a certain period of time. At this time, the staff will determine the best collection course to pursue.

12. REPORTS TO BE KEPT

The original loan documents should be kept in the Office of the JCIDA. In addition to these, the following reports are to be kept and updated as needed:

1. current financial reports – updated annually
2. evidence of insurance (includes hazard insurance and flood insurance, if required by the loan documents) – updated annually
3. UCC-1 Financing Statements – updated every five years
4. Annual Employment Report
5. Periodic site visits
6. Annual financial statements and/or personal financial statements and tax returns

It is the responsibility of the JCIDA staff to attempt to receive and update the above documents.

13. ENVIRONMENTAL RISK CONSIDERATION

To reduce the JCIDA's potential liability the JCIDA will require Environmental Site Assessments which satisfy the standards set forth by the United States Environmental Protection Agency's "All Appropriate Inquiry" Final Rule, 40 C.F.R. Part 312.

14. APPRAISALS

The loan amount cannot exceed the appraisal of real estate or equipment unless approved by the Board. All real estate loan requests will require an acceptable appraisal report determined by the loan review committee.

15. RESERVE FOR BAD DEBT

Customer account balances are considered on a case-by-case basis. Management individually reviews all accounts receivable balances and based on an assessment of current creditworthiness, estimates the accounts, if any, that will not be collected, and uses this amount to establish the annual reserve.

EXHIBIT A

JCIDA Loan Programs

Jefferson County Industrial Development Agency (JCIDA) Microenterprise Loan Fund

Purpose: The loan fund targets small businesses to create and retain job opportunities, for low to moderate-income residents, in all sectors of the local economy. The program provides equal access to public loan funds and stimulates small business development activity, through start-up and expansion projects.

Area of Availability: Businesses in Jefferson County.

Eligible Activities: Business owners must be income eligible or plan to create jobs that will be held by income eligible individuals.

Employment Eligibility: Businesses having five (5) or less employees including the owner(s).

Funding Uses: Acquisition of machinery and equipment, working capital, furniture, fixtures, and real property.

Funding Limitations: Loans can be up to \$40,000 (including any amounts provided for technical assistance), and will not exceed 40% of total project costs, which ever is less. Multiple loans can be made with a maximum aggregate amount not to exceed \$120,000.

Equity Participation: Equity participation of at least ten (10) percent of the total project costs.

Interest Rate: Generally, interest rates range from Prime minus 3% to Prime plus 2%. Rates determined on a project specific basis and reviewed after five years.

Repayment Terms: Amortization of the loan shall not exceed 12 years. The loan will be amortized over a 12 year period to include a balloon payment at the end of a five (5) year period equal to the remaining principal and interest charges.

Applicant agrees to provide timely repayment of any loan associated with this application according to the terms and conditions found in Loan Documents and as agreed to by participating parties. Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of a default letter.

Loan Fund Requirements: Start up business owners (20% or more ownership) are required to participate in the Entrepreneur Training Course provided by the New York State Small Business Development Center sbdc@sunyjefferson.edu within one year of the loan closing and provide the JCIDA with a certificate of completion. If the business owner does not meet the requirement within one year of loan closing, the loan will default to the default interest rate as it states in the Note.

Existing business owners may be required to participate in the Small Business Development Center classes.

Jefferson County Industrial Development Agency (JCIDA)
Microenterprise Loan Fund – Cont.

Application Deadline: Must be submitted by the fifteenth day of the month and will be reviewed by the board on the first Thursday of the following month.

Fees: Application fee of \$100.00 is payable to the JCIDA at the time the application is submitted. A loan closing fee of 1.5% is due at the time of closing. A ½% fee is for any loan modification request is due at the time of request.

Point of Contact: Lyle Eaton
800 Starbuck Avenue, Suite 800
Watertown, NY 13601
315-782-5865

Jefferson County Industrial Development Agency (JCIDA) Revolving Loan Fund (RLF)

Purpose:	The loan fund targets manufacturing and eligible service businesses.
Area of Availability:	Businesses in Jefferson County.
Eligible Activities:	Manufacturing businesses either start-up or expanding; however, deviation for service based businesses will be addressed on a case by case basis. Also, entities that will enhance the community and economic development initiatives of the County.
Employment Eligibility:	None.
Funding Uses:	Fixed assets, working capital and inventory.
Funding Limitations:	Loans generally range from \$25,000 to \$250,000 or 40% of the total project costs, whichever is less. Multiple loans can be made with a maximum aggregate amount not to exceed \$500,000.
Equity Participation:	Equity participation of at least ten (10) percent of the total project costs.
Interest Rate:	Generally, interest rates range from Prime minus 3% to Prime plus 2%. Rates determined on a project specific basis and reviewed after five years.
Repayment Terms:	<p>Loans shall be amortized as follows: Working capital – up to five (5) years; Equipment 7 to 10 years; and Real Estate 10 to 20 years. The loan will include a balloon payment at the end of a five (5) year period equal to the remaining principal and interest charges.</p> <p>Applicant agrees to provide timely repayment of any loan associated with this application according to the terms and conditions found in Loan Documents and as agreed to by participating parties. Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of a default letter.</p>
Application Deadline:	Must be submitted by the 15 th day of the month.

**Jefferson County Industrial Development Agency (JCIDA)
Revolving Loan Fund (RLF) – Cont.**

Fees: Application fee of \$250.00 is payable to the JCIDA at the time the application is submitted. A loan closing fee of 1.5% is due at the time of closing. A ½% fee is for any modification request is due at the time of request.

Point of Contact: Lyle Eaton
800 Starbuck Avenue, Suite 800
Watertown, NY 13601
315-782-5865

Watertown Economic Growth Fund (WEGF)

Purpose:	The loan fund targets eligible businesses in all sectors.
Area of Availability:	Businesses located within the Watertown City Limits.
Eligible Activities:	All business sectors are eligible to apply.
Employment Eligibility:	None.
Funding Uses:	Fixed assets and working capital.
Funding Limitations:	Limited to a maximum of 40% of the total project costs or \$250,000 whichever is less.
Equity Participation:	Equity participation of at least ten (10) percent of the total project costs.
Interest Rate:	Rates are determined on an individual project basis and reviewed after five years.
Repayment Terms:	<p>Loans shall be amortized as follows: Working capital - up to five (5) years; Equipment 7 to 10 years; and Real Estate 10 to 20 years. The loan will include a balloon payment at the end of a five (5) year period equal to the remaining principal and interest charges.</p> <p>Applicant agrees to provide timely repayment of any loan associated with this application according to the terms and conditions found in Loan Documents and as agreed to by participating parties. Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of a default letter.</p>
Application Deadline:	Must be submitted by the 15 th day of the month.
Fees:	Application fee of \$250.00 is payable to the JCIDA at the time the application is submitted. A loan closing fee of 1.5% is due at the time of closing. A ½% fee is for any modification request is due at the time of request.
Point of Contact:	Lyle Eaton 800 Starbuck Avenue, Suite 800 Watertown, NY 13601 315-782-5865