TOWN OF UNION
LOCAL DEVELOPMENT CORPORATION
MINUTES
THURSDAY, NOVEMBER 21, 2013

The Town of Union Local Development Corporation met for its regular meeting on Thursday, November 21, 2013 at the Town of Union Office Building, located at 3111 East Main Street, Endwell, NY 13760.

I. THE MEETING WAS CALLED TO ORDER AT 7:55 A.M.

MEMBERS PRESENT: Dr. Leslie Distin, Stephen Trichka, Diane Julian, Ross Peduto, Robert Corwin, Gary Leighton, David Roth

MEMBERS ABSENT: None

OTHERS PRESENT: Alan Pope (LDC Counsel)

STAFF PRESENT: Joseph Moody (LDC Director), Robin Shimer (LDC Administrative Assistant)

II. APPROVAL OF THE MINUTES

Minutes of the Regular LDC Board Meeting of September 19, 2013 were reviewed and approved.

Motion:	Steve Trichka
Motion 2nd:	Diane Julian
Motion:	To approve the minutes of the Regular LDC Board Meeting held on September 19, 2013 as written
Vote:	All yes, motion approved.

III. PRESIDENT'S REMARKS

Dr. Distin welcomed everyone to the meeting and wished all an enjoyable Thanksgiving.

IV. DIRECTOR'S REMARKS

Mr. Moody informed the Board members he has received proof of life insurance from Jewels of Java, LLC. The life insurance proof was requested by Board members at the September 19, 2013 LDC meeting as a condition for approving Jewels of Java, LLC's request of Board approval to release the LDC's 2nd mortgage lien position, in order to allow for the sale of property located at 401 North Street in Endicott. He said he will ask Counsel Pope's assistance to perform the necessary work to release the lien position. Ms. Julian asked if the conditional property valuation was undertaken. Dr. Distin asked if there were further questions. He noted that he had asked Mr. Moody to bring the issue forward, as the Jewels of Java request had been the primary aspect of the prior September 19, 2013 LDC Board meeting.

V. OLD BUSINESS

VI. NEW BUSINESS

Mr. Moody presented for Board consideration a resolution pertaining to a request from AYS LLC for Town of Union Business Assistance (TUBA) loan financing in an amount of $60,000 to be repaid over a twenty year (20) term at three (3) percent interest with a five (5) year call. The loan is to be used for acquiring a building (in order to house AYS LLC's businesses of Breathe With Ease, Disaster Cleanup, and Karpet King) located at 404 Airport Road, Endicott in the Town of Union.

Mr. Moody noted the request has received the appropriate environmental review by the Town's Planning Department. The Planning Department determined the 404 Airport Road, Endicott property is not within a flood plain as defined by current and proposed FEMA maps.

Mr. Moody distributed to the Board the property listing information. He noted that modest building size, and said AYS LLC now leases noncontiguous space on Watson Boulevard. AYS LLC's desire to further grow its businesses is primarily based on its duct cleaning work. Business profitability was greatest in 2006 and 2011 due to the flooding disasters. He circulated among Board members personal net worth statements, and referenced the narrative's financial details, the businesses' record of success, and its projected moderate growth. Mr. Trichka inquired about, and expressed his interest in, business growth base line establishment. Mr. Leighton, with input from Mr. Moody, suggested 2010 appeared to approximate the base line. Mr. Moody said First Niagara Bank already approved financing and has provided its commitment letter. Mr. Peduto noted the longevity uniqueness of a 20 year loan. Mr. Moody said the bank did not require life insurance from the principal as a condition of the loan.

Mr. Leighton asked about regional definition of business operations, particularly relating to Cortland where he and Ms. Julian noted property purchases. Mr. Moody said the principal's territory covers New York state and Pennsylvania. In assessing loan repayment probability, Mr. Peduto shared his belief that the business has historically generated negligible annual revenue. Mr. Moody noted the 2006 and 2011 disasters provided significant income. Mr. Corwin commented that First General Services provides service similar to that of the loan applicant. He also asked if an appraisal was done on the loan applicant's property. Mr. Moody said the bank did not require an external appraisal, but would be conducting an internal appraisal only. Mr. Moody said the assessment of the building seems to be relatively low.

Ms. Julian asked what the building was previously used for. Mr. Moody said the prior occupant was an on-line hair products business. Ms. Julian asked about the business cash flow quality of the loan applicant. Mr. Moody said the cash flow was fine and had been reviewed by First Niagara Bank. Mr. Peduto, who noted his prior experience in the same type of business, believed the loan applicant has significant debt, and he questioned the applicant's ability to generate payments. Mr. Peduto suggested reducing both the requested $60,000 loan amount and the proposed 20 year repayment period.

Mr. Leighton inquired about the amount of money the applicant took out as income in 2011 and 2012. Mr. Roth then asked what the approximate proposed monthly loan payment amount would be. Mr. Leighton's review of income tax filings showed the amount identified as salary in 2011 was $35,000 and $110,000 in 2012. Mr. Moody noted the applicant would save $2,000 monthly by purchasing the building instead of leasing at

his previous site. Mr. Corwin shared his trepidation with the proposed loan, based on historic modest income level, amount of the requested $60,000 loan and lack of building appraisal. Mr. Moody said the requested sale price was $195,000. Ms. Julian inquired about the selling price. Mr. Moody said $170,000 was the purchase price. Mr. Leighton asked how many employees work for AYS LLC. Mr. Moody said five people are now employed, twenty four individuals were employed at the business' peak time, and two new employees will be hired over the next three years if the requested loan is approved.

Ms. Julian said her primary concern is the lack of life insurance on the principal. Supplemental to that concern is determining if the principal's spouse's would have the ability to continue on the business.

Dr. Distin asked the Board members if their many concerns were sufficient to deny the loan request, or did they desire consideration of approving the loan request with either or both of the applicable conditions of offering a shorter loan term or requiring provision of life insurance on the principal, or approving the loan at the requested amount and repayment period. Mr. Corwin further asked Ms. Julian about her concern about the absence of life insurance on the principal. Ms. Julian shared that the net effect of the principal's potential death would effect an instance of undetermined ability of the spouse to successfully run the business, and it also would not provide the surviving spouse with the extra cash generated by a life insurance policy that may be operationally needed. The consequence of those potential occurrences would jeopardize the LDC's recouping of its loan. Mr. Roth said he agreed with Ms. Julian, stating she had a valid point.

Mr. Peduto expressed reservation about approving the entirety of the requested $60,000 loan amount and the length of the 20 year repayment period. He suggested reducing both proposals. Dr. Distin then sought definition by the Board of what such revised terms would be. Mr. Moody recommended adding either a 10 year call or a 5 year call to the 20 year amortization schedule. Ms. Julian affirmed, and Mr. Moody's concurred, such a revised term would allow the Board to review the loan upon reaching the defined call year. She also noted the significant $2,000 monthly savings achieved via building ownership. Mr. Corwin commented on the profitability challenges the applicant may have previously encountered, with the prior higher space rental cost being a key factor. Mr. Peduto shared his belief that business expansion into related services is an attribute from which the applicant may achieve further growth, and noted his perception of an historical absence of such expansion by the applicant. Mr. Moody said the loan request presently before the Board would in fact be a contributing resource for helping the applicant diversify and would complement the other d/b/a's. Mr. Roth asked if AYS LLC has an established line of leadership transition. Mr. Moody said he is aware of at least one long term employee that has extensive knowledge of the business, but was not sure if there is an official line of transition.

Mr. Leighton asked Mr. Moody for his opinion of the building's condition. He also inquired about how long the building had been for sale, if the seller had sought the 20 year payment period, and whether the Board should shorter the repayment phase. Mr. Moody said the building's condition is good and it has been available for sale for three to four months. The seller did in fact request the 20 year time frame. Mr. Pope noted the value of call utilization as a loan approval option. Mr. Moody shared with the Board his comfort with adding a 5 year call to the loan payment term. Mr. Roth agreed. Mr. Trichka noted his concern about the possibility of business cessation upon the now 68 year old principal's death within the proposed 20 year loan period, the level of sufficient remaining business assets should that instance occur, and the consequential heightened likelihood of incomplete loan repayment. Mr. Trichka sought from Mr. Moody the coverage amount of the principal's spouse's life insurance policy. Mr. Moody said $50,000 is the policy's current amount. Messrs. Corwin,

Peduto and Roth sought affirmation that the life insurance of the spouse, as a non-owner of the business, would be applicable to loan recovery. Mr. Pope noted the proposed guarantor status of the principal's spouse is useful for loan recovery purposes. The spouse's personal guarantee provides a retrievable form of security if the business failed subsequent to the owner's passing.

Since there was no further Board discussion on the matter, Dr. Distin requested a motion to approve a Town of Union Business Assistance (TUBA) Loan Program loan to AYS LLC in the amount of $60,000 to be paid back over a twenty (20) year term with a five (5) year call at 3.0% interest.

Motion:	Bob Corwin
Motion 2nd:	Steve Trichka
Motion:	To approve a Town of Union Business Assistance (TUBA) Loan Program loan to AYS LLC in the amount of $60,000 to assist in the acquisition of the property and building located at 404 Airport Road, Endicott, NY to be paid back over a twenty (20) year term with a five (5) year call at 3.0% interest. The loan is to be secured with 2nd mortgage lien position on the property and building behind the primary lender. Additionally, life insurance will be required on Debra R. Coyle only.
Vote:	All yes, motion approved.

Following the Board's vote, Dr. Distin thanked the members for their careful deliberation on the loan request, and the importance of such thorough work.

Mr. Moody then presented for the Board's discussion a request by Beautiful Streamer, LLC/ Spectra Office Products, LLC to extend the three year job creation performance period of June 24, 2010 to June 24, 2013 by two years, to achieve a June 24, 2015 satisfaction date. Mr. Moody noted Spectra Office Products merged with Specialists Marketing Solutions, LLC on February 5, 2013. One and one-half jobs of the required seven full-time equivalent (FTE) jobs have been created since the original $140,000 loan was approved. At that time the LDC required creation of one FTE job for every $20,000 loaned. The current balance is slightly over $100,000. Mr. Moody said the business has made timely payments. The major principal at the time of the loan is no longer with the primary tenant, Spectra Products, but is still owner of Beautiful Streamer with two minor owners. Mr. Moody feels the LDC is not authorized to approve the extension request without the U.S. Department of Housing and Urban Development (HUD) approval first. Mr.Moody recently sent the LDC's annual job creation report for all loan recipients to the local HUD grant administrator in the Town of Union Community Development Department. Mr. Moody will follow-up by forwarding the Beautiful Streamer, LLC/ Spectra Office Products, LLC request to the local grant administrator. Mr. Moody hopes HUD will recommend a course of action that the LDC should take in regards to this request and one other request as we are looking for their guidance. Mr. Moody said, in response to a question posed by Counsel Pope, the LDC holds the mortgage on the company's property through Beautiful Streamer, LLC, which is the real estate holding company and the primary tenant is, Spectra Office Products, LLC. Again, Mr. Moody added that the only other LDC loan recipient who has not fulfilled its job creation requirement on time is The Magic Needle. Mr. Moody said the only action needed by the LDC pertaining to the Beautiful Streamer, LLC/ Spectra Office Products, LLC request, at this time, is for the Board to approve to forwarding the request to HUD via the Town Community Dev. Department. Dr. Distin requested a motion to forward the loan request to HUD.

Motion: Gary Leighton

Motion 2nd:	Diane Julian
Motion:	To approve forwarding to the U.S. Department of Housing and Urban Development, via the Town of Union Community Development Department, the request by Beautiful Streamer, LLC/Spectra Office Products, LLC to extend the three year job creation performance period (that currently ran 6/24/2013-6/24/2013) by two years, to reflect a new job creation satisfaction date June 24, 2015.
Vote:	All yes, motion approved.

VII. OTHER BUSINESS

VIII. ADJOURNMENT

Dr. Distin declared the meeting adjourned at 8:20 a.m.

Respectfully submitted,

Joseph M. Moody
Director