

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MINUTES

March 16, 2011

A regular meeting of the Orange County Industrial Development Agency was convened in public session on March 16, 2011 at 3:00 P.M. at the Orange County Business Accelerator, New Windsor, New York.

The meeting was called to order by the Chairman, James Petro, and upon roll being called, the following were:

PRESENT: James Petro, Stephen Brescia, John Steinberg, Robert Schreibeis, [Mary Ellen Rogulski & Henry VanLeeuwen joining post roll call]

ABSENT: Robert Armistead

ALSO PRESENT: James O'Donnell – Executive Director
Joel Kleiman – Chief Financial Officer
Phil Crotty – IDA Attorney
Jennifer McDaniel – Administrative Assistant
Maureen Halahan – Orange County Partnership
Marge LaPerle – Orange County Partnership
Peter Gregory – OCBA
Michael DiTullo – OCBA
Robert Daly – Planner – G&M Orange, LLC
Henry Kroll – Orange County Choppers
Leigh J. Benton – OC Legislature 16th District
Roger Gray – Center Line Studios
Christian Livermore – Time Herald Record

Chairman, James Petro calls the meeting for the Orange County IDA, March 16, 2011 (Pledge of Allegiance is recited). Board consists of four of seven members. There is a quorum. Chairman Petro advises that any motions made would require all 4 “yes” votes. Chairman requests any applicant who would like to withdraw from the meeting to do so immediately.

Review of the prior February 16, 2011 meeting minutes. Motion made by Brescia, seconded by Steinberg to approve the minutes as presented. Affirmative votes of all members present resulted in motion carried.

FINANCIAL REPORT AND/OR REQUEST FOR PAYMENT

Joel Kleiman, Chief Financial Officer, advises that there are two informational items and two action items to review.

Kleiman hands out a list of the IDA's bank accounts and portfolios. There are two CDs with one maturing today. Also, Kleiman advises that the audit will be completed by March 31st and he will prepare the required reports on the PARIS System for NYS. There are numerous reports that need to be prepared and that will also be done electronically by the end of the month. Next month, a representative from the audit firm will present the audit to the Board.

[Fifth Member of Board – ME Rogulski joins the meeting]

Kleiman provides information on the West Point housing LLC. West Point had an agreement with the County, the Town of Highlands Falls, and the Village of Highland Falls, for a sales and use tax exemption. They are required to pay 25% of that exemption to those three entities which comes due March 15th of each year. Last year it totaled \$1.1M (35% \$500,000). This year it was reduced to total amount of \$156,000. Less purchases and therefore less of that PILOT payment or exemption. That check was received yesterday.

Information regarding the CD that matured today. List of bid results handed out for the board's review. Kleiman advises that the rates are still low. The amount was 1.4M – went out to 11 banks and it was a tie between HSBC money market @ .55% and OC Trust 12 mo. CD @ .55%. Chairman Petro and Kleiman decided to be flexible and go with the money market in case rates go up. Chairman Petro advises that bids for CDs is usually a simple decision but offers that if any board member would like to be part of this process to let him know.

The next CD is maturing in three months. The current rate for that CD is three-quarters percent. Kleiman will start calling banks month-to-month since money market rates are fluid. Kleiman will make the board aware of any changes as they arise.

Kleiman next reviews the March, 2011 Voucher and Payment Report. Crotty reviews payments received: Amscan (\$6,250), Millenium Pipeline's third installment of the 10 year grant (\$108,000), and the C&S Wholesale Grocers reimbursement for legal fees (\$29,103.08).

The IDA also has \$139,545.95 in payments for authorization by the Board. Chairman Petro requests clarification on the legal fees totaling \$850.05. Crotty explains that this is in connection with the OC Choppers litigation which is billed out quarterly for reimbursement to the IDA.

[Sixth Member of Board -- Hank VanLeeuwen joins the meeting]

Motion made by Schreibeis, seconded by Rogulski that the Board approve the authorization of payments and vouchers for March 2011 as presented. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Kleiman adds that the software for monthly financial reports should be arriving soon and the reports will appear in a slightly different format for next month.

Steinberg asks for clarification with regard to the West Point Housing numbers. Kleiman explains that the numbers are going down because they are building out and construction is winding down. Kleiman to check on status of construction.

Distribution of By Laws

Crotty explains the annual fiduciary form which states that they understand the mission of the Agency. The other form is a required board evaluation form. Chairman Petro polls the board on the completion of the ethic forms which are due March 31st.

Chairman's Report

Chairman Petro advises that he has nothing to add today. Things are going along nicely.

OCBA

Overview of P&L Statement for Feb. & Jan. 2011.

Total income over \$170,000. Received nearly \$11,000 in fees from our clients which is ahead of plan. Expenses for the year are \$106,581 which includes last quarter reimbursement to the IDA for the fees which are collected. Net income is just over \$63,000.

Last month the board was given a very comprehensive update but a lot has happened since then. Accelerator in the middle of its 69th week in business. Marketing and public relations will include some internal work. Activity with associate clients. YNN did a feature on the OCBA yesterday that coincided with the event scheduled at the same time.

Another new associate client signed on this Monday: "Tracking Systems, Inc." Great technology business and P. Gregory is working with them on their business plan.

On Sunday there was a feature on one of the Accelerator's clients, Frugaldoo, in the business section of the Herald. Frugaldoo is hiring and will be taking over a 500 sq. ft. office space in the Accelerator. They have 6 employees and will add 4 over the next couple of months.

Client, CLS is also hiring. The Accelerator has a total of 15 clients with 54 employees. 4e Productions started as an associate client and will be taking over Frugaldoo's old office space. 4e will be a resident client effective May 1st of this year. One other resident client, Eguardian, may move to an associate client status which would free up a premier office space in the front of the building.

Currently talking to two associate client prospects and two resident client prospects.

Intellectual infrastructure at the OCBA: 3 former IBM Phds, 2 West Point Graduates; a former executive producer at ESPN, and a former associate client of Microsoft for 8 years. This exemplifies the type of infrastructure that the OCBA has achieved.

P. Gregory – Programs

Event Series in full swing. Tracy Johnson introduces herself and the business opportunity that she would like to open up here. Ms. Johnson thanks the OCBA for introducing her to a lot of people in her own "subject area."

The trend that he is seeing has to do with keeping executive jobs in the County. The area is rich in CEO ability to trade cards and skills.

DiTullo advises that the teamwork has created tremendous synergy. At last month's meeting there was a reception afterwards for Shine Media. There were 160 people that came through the OCBA. A lot of real estate people from the City and NJ. Good collaboration and lead generation. Created awareness.

Chairman Petro asks how the IDA video is getting out to the people. DiTullo put the video on the OCBA website and its Facebook page. The video is getting a lot of action; well over 200 hits. They have circulated it and asked the chamber to email it to all of its members.

OCP Report

President Halahan advises that they have seen a tremendous increase in business activity this year. Last year 42 leads came into their office, or met with the IDA. This year to date there has been 30 leads. OCP very active.

"Project Park Place" is a research and dev. manufacturing company. They have many facilities in North America and Canada. Over 500 employees total. Looking for a 100,000 sq. ft. facility which would be a good fit for the Georgia Pacific Building in the Village of Warwick. They want a building for R&D for a new off-shoot type business. It would be his incubator for this product. Potential to grow into other opportunities and it is "Orange County's to lose." Empire State Development and the County met with this investor and they filled out the application. They are moving forward quickly for the purchase of that building. Crotty advises that he was impressed with the company and the owner. Young and energetic. Halahan shares that this lead came from one of her board members. That building is owned by Koch Industries and they are interested in selling.

"Project Red Box" is a company that picks up red syringe boxes in Orange County. They provide a high pressure steam cleaning system for sterilization. The company requires a facility that can provide high pressure water utilities. They are looking for 5,000 sq. ft. but willing to build a facility and leasing land. Looking at the Port Authority area properties.

"The Changling Corporation" is looking for a wind turbine manufacturing site. They seemed to already be far down the path of site selection but started to look in Orange County due to the advertisement card received in the mail from OCP. They require a 100-120,000 sq. ft. facility. Price is an issue. They are determined to be the lowest cost provider for this type of energy. They have already filled out excelsior application with ESD. Trying to reduce costs and see if they can station their business in NY. They estimate 124 jobs over a three year period with capital development of \$3M.

"Project Value" and Mike Mullis who is a site selector and part of the Walmart Projects and distribution centers. Found it difficult to break ground in NY because of union issues. Now moving into the market. This project is represented by the same site selection company. There was a two day site tour. Nine sites throughout the county were visited and it came down to five that were of interest. This would be for a food distribution company (not Walmart). Big retailers will be building smaller centers and more of them because of transportation costs and the cost of oil. This is a nationwide trend that is currently taking place.

Halahan is attending one of the largest retail trade shows in May. Megan is doing the larger site selector show in May. OCP is hitting the trade shows hard this year to show them the product. Information about incentives, why companies should come to Orange County and to introduce the new promotional video. Approximately 30,000 retailers estimated. OCP to go from booth to booth and give away materials.

Second largest computer storage company in the country interested in relocating from NJ to NY. Direct hit from the postcard distribution/mailing. They require a 150,000 sq. ft. site to house 600 employees. Want to move entire corporate headquarters to NY. Interested in a build to suit, 250-300,000 sq. ft. Average salaries range from \$75-125,000 because they are all software operators. Site tours coming up soon.

Next month they will focus on business retention and expansion.

MVP Breakfast is June 7th at the Faulkner Estate. Broker tour is also on June 7th immediately following. Spring Dinner is April 21st at Limoncello's, in Goshen, NY.

Crotty discusses the IDA video. Halahan would like to distribute as many as she can get. She would like to take 500-1000 dependant on the number of booths at the event in May.

Chairman's Report

Chairman Petro advises that all applications should be presented and done at the OCBA. He would like to have a resolution presented to the board for approval. Halahan advises that customers are sometimes unable to get to the OCBA and they often meet with companies at the OCP. Chairman Petro advises that if a company is interested in IDA benefits, they will come to the OCBA, however, there are always exceptions. Steinberg would like to know how OCP feels. OCP advises that sometimes all of the resources are at their place due to the technology and software that is now in place. Chairman would like the bulk of the client meetings to occur at the OCBA. Mr. O'Donnell also feels that with the amount of money invested in the Accelerator, combined with the location showcasing Stewart Airport, why would you not want the meetings to be at the OCBA.

Crotty reads through the resolution. Motion made by VanLeeuwen, seconded by Schreibeis that the Board approve the resolution as presented. Open for discussion. Steinberg would like further discussion of what "when possible" means. The main reason for this resolution is to showcase the facility and what the OCBA has to offer. Halahan feels that it is manageable to get the customer out to OCBA to negotiate, however, not always feasible. Mr. O'Donnell advises that meetings at the OCBA should be the norm and not the exception.

Affirmative votes of all members, with the exception of Steinberg abstaining, resulted in motion carried.

Centerline Studios

Roger Gray, President of Center Line Studios, is present and requests documents required for closing by March 28th. There will be no time to schedule a public hearing. Public Meeting currently scheduled for Monday, March 21st, in New Windsor. Board will not be able to vote on the final resolution so the bond counsel recommended an "interim inducement resolution." This will give Center Line authority to proceed to its closing on March 28th.

Motion read by Crotty. Motion made by VanLeeuwen, seconded by Steinberg, that the Board approve the resolution as presented. Open for discussion.

Rogulski asks if the interim resolution is subject to results from the public hearing. Chairman Petro advises that the IDA is acting in good faith and if something arises from the public hearing, he would call an emergency meeting. Gray has agreed to hold the IDA harmless. Hypothetical meeting would be held next Wednesday.

Affirmative votes of all members present resulted in motion carried.

Kolmar Revised Resolution

Mr. O'Donnell presents an update on the resolution passed a few months ago on the \$125,000 grant. NYESD asked that the money come directly from the IDA. Crotty has changed the resolution and the check will be sent to Kolmar directly from the IDA. Crotty reads the resolution.

Motion made by Steinberg, seconded by VanLeeuwen that the Board approve the resolution as presented. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Governance Committee on Procurement Policy

Crotty met with the Governance and OCBA directors and feel that as they exist, they are adequate and require no further change. No roll call required.

G&M Orange, LLC Preliminary Application

Mr. Daly makes the presentation for G&M, the owner of this site. 2.3 acre site in the Town of Newburgh, on 17K. Intention of site is for a build to suit for OC Choppers. Intended use is similar to what they currently have: manufacturing/fabrication, retail and café, ecommerce/warehouse. Property use for the site is as required by the Town. 25,000 sq. foot building. Intended development would provide for 51 jobs total, not including construction jobs (25-30). Estimated \$4.2M cost for the project and includes the building along with the site equipment. 45 jobs in present building. New construction project.

VanLeeuwen asks about the status of the other deal with OC Choppers. Board members advise that IDA presently in litigation. Daly explains that "G&M Orange, LLC" is not "OC Choppers." Defendant in other case is OC Choppers. G&M has had title to the new project site since 2007. Other site is owned by OC Chopper Realty LLC. This site is owned by G&M Orange. They are not the same owners. Crotty states that it might be better to ask if they are the same "principals." Daly advises that yes, they are the same principals.

VanLeeuwen feels that the other litigation should be resolved before IDA enters into any further business dealings with these principals. Steinberg inquires about product to be sold in the new proposed building. Chairman Petro explains that it would be the same: "Manufacturing and Tourism." Chairman Petro further explains that the incentives go with the section, lot and block number and not with the tenant. If OC Choppers moves out, the benefits could stay with the property.

Chairman Petro advises that if the IDA doesn't give out benefits and the second building doesn't get built, then there is a chance that OC Choppers could go out of business in the first building and they may go somewhere else. We don't get the 51 jobs, we don't get the \$4M in building and nothing happens.

Chairman Petro offers another way to look at this situation: GE takes over the old building and a business goes in there and creates more jobs. G&M has the right to ask for the benefits, it fits the guidelines of the IDA (manufacturing and tourism), 51 jobs created, \$4.2 million building and possibly the other building being utilized. If the other building is rented out under a different category, the IDA has the right to pull back some of the benefits that were offered.

Mr. O'Donnell acknowledges that this is a tough decision and probably won't be solved in one meeting. Leaving one building and opening up again next door requires more discussion and legal work to make a final decision. The issue of jobs is a very important factor to consider.

Rogulski asks if the IDA would become involved in avoiding a foreclosure which she feels is a possibility. Theoretically, OC Choppers is moving assets from one building to another and could protect the debtor and its assets from the creditors in a foreclosure action. She feels that it is not the function of the IDA to be a party of this situation. Not sure that these are the facts but it should be explored. Should not be a party to avoiding a creditor. A foreclosure could end with the bank

owning the property and its contents. The foreclosure action could take a couple of years and the debtor could strategically move its business to an alternative site. If the debtor has a viable business with debt that you don't want to deal with, relocation would be a solution. Rogulski advises that she has no factual information but is just looking at all of the various issues that could arise.

Daly reiterates that G&M has its own assets and will build to the specifications of the tenant. Not any more complicated than that. Daly offers that G&M Orange has none of this intent that the Board is referring to. They would be leasing it to OC Choppers.

VanLeeuwen feels that another month should be taken to decide.

Steinberg wants to explore the gray areas. Not sure that the IDA wants to facilitate the actions of OC Choppers. IDA shouldn't be participating in this type of activity to circumvent an obligation.

Chairman Petro felt it his obligation as Chairman to bring the applicant before the board. He sees it both ways. No action will be taken today. Crotty directed to review with Harris Beach or Golden and make a report back to the board. Maxwell has been asked to give legal advice on the foreclosure action. Bond counsel could also attend the next meeting.

IDA has not deposited check from applicant. If no action, the money will be returned to the applicant.

Directors Report

Roadlock's 5th annual board meeting is April 21st. Steinberg has been invited to that meeting and Mr. O'Donnell will be joining him. C&S sent in a letter to extend their sales tax to June 30th. Harris Beach will be preparing those documents. The Ondamed check was voided on the recommendation of Mr. Steinberg.

President Container has run into some tax problems. John McCarey talked to them and they sent a letter to the IDA requesting assistance. They received a school tax bill for \$780,000 and have had cost overruns of about \$2M, including a fire escape route renovation that cost \$250,000. Injected \$3M into the local economy. They are asking the IDA to subsidize them for 3 years – collateral of \$1M in securities in a separate brokerage account. Made improvements to the building which will need to be assessed. Mr. O'Donnell doesn't feel that the IDA would be inclined to do anything. Chairman Petro asks if they could lien something to assist them. Stock options is a possibility. Empire zone is going to be paying for the school tax bill but there is a delay and they need a loan until the money comes through. \$760,000 twice, possibly third year. President Container is a very good employer and IDA doesn't want to lose them. Discussion ended with the decision that there is no available avenue for the IDA to aid this organization with its tax issue.

Crotty ads that the OCBA is buzzing with activity. A lot of international affairs and the associate program is a great addition that wasn't even in the business plan.

Chairman Petro ads that he had Orange County Choppers come in and present their request because it was the right thing to do as chairman. He has mixed emotions about the request and it will be given some more thought to see where it goes. Executive Director O'Donnell also feels that it is worthy of more discussion. VanLeeuwen states that he is afraid where this project will go.

Meeting adjourned @ 5p.m.