

ORIGINAL

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY/
ORANGE COUNTY FUNDING CORPORATION
STATE OF NEW YORK

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In The Matter of

RE: FAIRBANKS MFG. LLC

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Town of Wallkill Town Hall
99 Tower Drive
Middletown, New York
June 17, 2013
10:05 a.m.

B E F O R E: ROBERT T. ARMISTEAD
ORANGE COUNTY IDA

FRANCES ROTH
Court Stenographer
168 North Drury Lane
Newburgh, New York 12550
Telephone (845) 566-1641

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3 A P P E A R A N C E S:

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5 LAW OFFICE OF KEVIN T. DOWD
6 Attorney for ORANGE COUNTY IDA
7 46 Daisy Lane
8 Montgomery, New York 12549

9 RONALD KOSSAR, ESQ.
10 Attorney for FAIRBANKS MANUFACTURING LLC
11 402 East Main Street
12 Post Office Box 548
13 Middletown, New York 10940

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2 MR. ARMISTEAD: Good morning. Please stand
3 for the Pledge of Allegiance.

4 (Whereupon, the Pledge of Allegiance was recited.)

5 MR. ARMISTEAD: And we're here for the
6 public hearing on the proposed issuance of bonds
7 at basically a joint public hearing and it's for
8 the Fairbanks Manufacturing LLC, a New York
9 limited liability company with the project within
10 the Town of Wallkill. I'd ask our IDA attorney,
11 Kevin Dowd, to read the public hearing notice.

12 MR. DOWD: Thank you, Mr. Chairman. Notice
13 of joint public hearing on proposed issuance of
14 bonds. Notice is hereby given that a joint
15 public hearing pursuant to Section 147(f) of the
16 Internal Revenue Code of 1986, as amended and
17 subdivision 2 of Section 859-a of the New York
18 General Municipal Law will be held by the Orange
19 County Funding Corporation and the Orange County
20 Industrial Development Agency on Monday, June 17,
21 2013, at 10:00 a.m. at the Wallkill Town Hall, 99
22 Tower Drive, Building A, Middletown, New York
23 10941 in connection with the following matter.
24 Fairbanks Manufacturing LLC, a New York limited
25 company has submitted applications to each of the

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Issuer and the Agency requesting the Issuer to issue up to \$7,000,000 of its Tax-Exempt and/or Tax Revenue Bonds (Fairbanks Mfg. LLC Project), Series 2013 to assist in financing all or a portion of the cost of a certain project consisting of: (A) The acquisition by the Agency of a leasehold or other interest in an approximately 5.7 acre parcel of land located at 79 Industrial Place Ext. in the Town of Wallkill, Orange County, New York and the existing improvements located thereon consisting principally of an approximately 51,408 square foot building, parking and related improvements, (B) The renovation of the Existing Improvements and construction on the Land of an approximately 16,860 square foot addition to the Existing Improvements to accommodate the Company's expanding food manufacturing and distribution business; (C) The acquisition and installation in and around the Existing Improvements and the Improvements of certain items of equipment, machinery and other tangible personal property; all to be used by the Company in its business of manufacturing and distributing snack foods; and

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(D) The paying of certain costs and expenses incidental to the issuance of the Bonds (as defined below (the costs associated with items (A) through (D) above being hereinafter referred to as the "Project Costs"). The Company will be the initial owner and operator of the Project. The Issuer is contemplating providing financial assistance to the Company with respect to the Project in the form of: (1) the issuance of the Bonds and (2) an exemption from all mortgage recording taxes imposed by the State of New York with respect to any qualifying mortgage on the Facility to secure the Bonds and/or any other indebtedness incurred by or for the benefit of the Company in connection with the Project. The Agency is contemplating providing financial assistance to the Company with respect to the Project in the form of: (1) a sales and use tax exemption for purchases and rentals related to the acquisition, construction and equipping of the Facility and (2) a partial real property tax abatement structured within a PILOT Agreement in connection with the Project. If the issuance of the Bonds is approved (i) it is intended that

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interest on the Bonds will be excluded from Gross income for Federal income tax purposes, pursuant to Section 103(a) of the Code, (ii) the proceeds of the Bonds will be loaned by the Issuer to the Company pursuant to a loan and other similar agreement, which shall require the Company to make payments equal to debt service on the Bonds and make certain other payments and (iii) the Bonds will be special obligations of the Issuer payable solely from certain of the proceeds of the Agreement and certain other assets of the Issuer pledged to the repayment of the Bonds. The Bonds shall not be a debt of the State of New York or Orange County, New York and neither the State of New York nor Orange County, New York shall be liable thereon. The Issuer and the Agency will, at said time and place noted above, provide a reasonable opportunity to all interested persons to present their views, either orally or in writing, on the Project, the Issuer Financial Assistance and the Agency Financial Assistance. This public hearing is being conducted in accordance with Section 147(f) of the Code and subdivision 2 of Section 859-a of

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2 the New York General Municipal Law. Dated: May
3 28, 2013, The Orange County Funding Corporation
4 and Orange County Industrial Agency.

5 MR. ARMISTEAD: Thank you, Kevin. Ron, I'd
6 ask, you're representing the applicant, if you
7 want to give us a brief, make some comments or
8 give us brief information on the project.

9 MR. KOSSAR: Gladly, Mr. Chairman. My name
10 is Ron Kossar, I'm an attorney representing the
11 applicant, Fairbanks Manufacturing LLC. My
12 offices are 402 East Main Street in the Town of
13 Middletown, New York. Fairbanks Manufacturing in
14 accordance with the application before the board
15 is seeking financial assistance to assist it in
16 the acquisition of real property located at 79
17 Industrial Place. It was originally a 51,000
18 plus square foot industrial building located on
19 5.3 acres. What the project costs are is the
20 purchase price of the building, \$2.2 million, the
21 completed addition \$750,000, the proposed new
22 second addition which is going to be \$1.3
23 million, soft costs of approximately 50,000 and
24 equipment of approximately \$2.7 million. So
25 total package of up to \$7 million in other words,

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might not be that much but that's what the bonding is for. The original building was 51,408 square foot. While we were a tenant in accordance with the lease, we put a first addition up which was 16,680 square feet and we have pending site plan approval which hopefully will be granted this Wednesday by the Town of Wallkill Planning Board for the second addition which is 19,910 square feet. So that comes to a total of 87,998 square feet. And if you add approximately 5,000 square foot mezzanine space in the first addition, it's a total project of about 93,000 square feet. The nature of the request for financial assistance that we're seeking is the real property tax abatement which is a standard 10 year PILOT program, mortgage tax exemptions, sales and use tax exemptions and issuance of tax exempt bonds. Madora Snacks, which is the parent company of Fairbanks Manufacturing, was formed in 2008. It's the, in addition to being the parent company, it's the marketing and distribution entity of the corporate structure. Fairbanks Manufacturing is the manufacturer of the food snack product known

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at Popcorners, which I'll get into later. And they're located in the Town of Wallkill at their present building. Fairbanks commenced leasing the space in May of 2011 and during those, we have a calendar fiscal year, and during those eight, I think it would be eight months or so, they did in 2011 \$6,261,000 in sales volume, 2012 they increased to 18 million and in 2013, I know at the last meeting we, I stated we projected 30 million but we're on a run rate to do 40 million for this fiscal year. This is what we make, for members of the audience, and you're welcome to have samples here. It's a natural grain product, it's gluten free, it's a gluten free chip made with sunflower oil. They have a whole wheat grain based natural gluten free made with sunflower oil, that's the difference between potato chips and this kind of product. If you go through the plant, it's interesting to go through the manufacturing process. You start with a drum that softens either the whole grain or the corn grain and it's shot up into these tubes that ultimately, you know, go through the ceiling and ultimately goes down into these high pressure

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2 poppers and the poppers make the either the
3 hexagon shape or with the corn based the
4 triangular shaped food product and then it goes
5 in a conveyer belt until it gets to another
6 section where they do the seasoning. It goes
7 through more conveyer belts and goes into these
8 weighted scale machines and they weigh whatever
9 is necessary for a particular bag, whatever the
10 product run is, they then shoot it into the bag
11 after it's properly weighted, it's sealed and
12 then it goes to the, down to another conveyer
13 belt to where there's people packaging the
14 product into boxes. They then shrink wrap it and
15 ship it, put it on pallets and ship it. And it's
16 a very, very, very efficient, it's a very
17 impressive manufacturing operation. We have to
18 date approximately 193 customers. We sell all
19 over the country and to 14 countries outside the
20 U.S. Representative customers are Jet Blue,
21 BJ's, T.J. Maxx, Weiss Markets, Costco, Whole
22 Foods, Shop Rite, but we have 13 very large
23 customers and the rest are medium and the sales
24 volume is mixed, about 50-50 between the core
25 customer base and the others. So it's well

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2 diversified in case you lose an account or
3 something like that. But so far, we haven't lost
4 any accounts. As far as the number of jobs
5 created in the original building that we first
6 leased we created 75 jobs. In the first
7 addition, we created an additional 24 jobs and
8 the second addition projected at 20 jobs for a
9 total work force of 119 employees. We're
10 working, when I was making the presentation this
11 past April, we were working two shifts a day.
12 We're now working three shifts a day. And the
13 average salary is \$36,000 of approximately \$700 a
14 week so they're pretty good paying jobs. And
15 based on the presentation we just made and based
16 upon the application we have submitted, we would
17 respectfully request that our relief for
18 financial assistance be granted by both the
19 Orange County IDA and the Orange County Funding
20 Corporation. We believe we meet all of the
21 requisites to carry out the IDA goals of job
22 preservation here. We have 99 jobs being
23 preserved and job creation another 19 jobs. And
24 we also think it's, you know, we're supporting
25 American manufacturing, which is always a good

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2 thing right here in Orange County. The payroll
3 is approximately \$3.7 million. I just want to
4 doublecheck that, yes, it's in excess of \$3.7
5 million. So when you do your multiplier, it's a
6 huge amount of cash being infused into the Town
7 of Wallkill and the City of Middletown economy so
8 it's a good thing. It's also resurrecting a
9 tired, old industrial area in the City and Town
10 of Middletown. So we think all in all, it's an
11 excellent project and we would request your
12 support. And I would entertain any questions if
13 anybody in the audience has any questions.

14 MR. ARMISTEAD: Ron, we have a letter from
15 the Town Supervisor.

16 MR. KOSSAR: Yes, Town Supervisor DePew in
17 the Town of Wallkill strongly, strongly supports
18 this project. There's a letter written to Jimmy
19 O'Donnell but I've spoken to him, I know my
20 client has spoken to him, he's been very, very,
21 very helpful facilitating approvals and he's all
22 for it. And he's addicted to the product as well
23 so--

24 MR. ARMISTEAD: Okay, at this time, I'd ask
25 the public if you have, anybody has any

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2 questions?

3 MS. MC KEAN: My questions--

4 MR. ARMISTEAD: Can you state your name,
5 please?

6 MS. MC KEAN: Elizabeth McKean, Assistant
7 Superintendent for Administration at Middletown
8 City School District. And my questions have more
9 to do with technical aspect of the payment in
10 lieu of taxes than being in support or not in
11 support. And I don't know if this is the right
12 time to have those conversations or not.

13 MR. ARMISTEAD: Yes.

14 MS. MC KEAN: So my first conversation is
15 timeline, when would these, when would this come
16 to fruition? This is obviously the hearing,
17 there would be a time and place when those bonds
18 are let and when the tax PILOT goes into effect
19 so I'm assuming it's not going to be tax year of
20 2013 but might be the tax is year 2014?

21 MR. KOSSAR: That's correct, it's going to
22 be 2014, it's not--

23 MR. ARMISTEAD: When is the job completed?

24 MR. KOSSAR: Say December 31 for argument's
25 sake.

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2 MS. MC KEAN: December 31 of '13?

3 MR. KOSSAR: Right, so it would be the 2014
4 tax year.

5 MR. ARMISTEAD: Yes, the trigger is when the
6 job, the project is complete and when they get a
7 C.O.

8 MR. KOSSAR: Right, and that should be, it
9 might be November whatever but say the end, you
10 know, whether it's November or December, it's
11 going to be the 2014 tax year.

12 MR. DOWD: PILOT agreement would only be on
13 the improvements to the property, not the
14 existing assessed value of the building.

15 MS. MC KEAN: Right.

16 MR. DOWD: Will not affect current taxes but
17 it will affect taxes going forward.

18 MS. MC KEAN: Essentially, if my figures are
19 right, \$2 million worth of additions, whatever
20 that ends up being assessed at.

21 MR. KOSSAR: That's correct.

22 MS. MC KEAN: And I don't know, the
23 equipment I'm also assuming is not a part of the
24 taxable piece but I, again, I'm not an assessor
25 so I don't know.

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2 MR. ARMISTEAD: That's correct, not with the
3 PILOT but from a material sales tax side of
4 things would be.

5 MR. DOWD: Sales tax break on that.

6 MS. MC KEAN: So the tax year 2014 and the
7 length of the PILOT was 10 years?

8 MR. KOSSAR: It's the standard 10 year PILOT
9 program.

10 MR. DOWD: Yes, complete extension for the
11 first year and then one percent a year for the
12 next 10 years.

13 MS. MC KEAN: We've had some difficulties
14 with some PILOTS in the past with proration
15 between the municipalities and the school
16 districts and so my conversation is is this going
17 to be, first of all, I don't know what the
18 timeline is for payment, would that be payment in
19 October when other taxes are normally out or
20 January payment because we have some of both?

21 MR. ARMISTEAD: Right.

22 MS. MC KEAN: And then the second question
23 would be is the apportionment going to be listed
24 or is the conversation about who bills for their
25 piece? I understand why from the consumer's

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standpoint it makes more sense to have one bill from everyone and then the essentially Town of Wallkill would proportion it out from the standpoint of being a school district. That doesn't always sometimes work for us very well. So I didn't know what, where that's going.

MR. DOWD: I think the finer points of the PILOT have not been worked out yet. We've done it both ways where the actual applicant pays each individual taxing entity their share of the taxes when they're due, okay, and we've also done it the other way where one entity gets it and they break it up. But most recently we've been doing it on sending it to the individual tax entities, they each get their own check cut by the applicant.

MS. MC KEAN: And that would be my preference, if I get to voice a preference.

MR. ARMISTEAD: Yeah, I, we understand that now this could have run through the Wallkill, Town of Wallkill IDA but they deferred it to us.

MS. MC KEAN: Right and that's, you know, I have no objection whatsoever to it, it's an opportunity to employ people in our district and

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2 it's an opportunity to have a good manufacturer
3 in our district. So that's not it, just want to
4 know the time being required to now use these
5 numbers in calculations for taxes so when I'm
6 building my budget for '14-15 I have to have an
7 idea of what this PILOT is going to be, if it's
8 going to be effective for '14.

9 MR. ARMISTEAD: Correct.

10 MS. MC KEAN: So--

11 MR. DOWD: If they complete their project by
12 December 31 of 2013, it will make the taxable
13 status date of March 2014.

14 MS. MC KEAN: My requirement is March 1st I
15 have to file all the documents for March 1st for
16 this calculation so I'm going to thank you very
17 much but I can make changes once I know it.

18 MR. DOWD: March 1st governs the September
19 taxes.

20 MR. KOSSAR: For the first taxes that this
21 is going to be subject to will be the 2014-15
22 school tax and then the 2015 town tax, et cetera.

23 MS. MC KEAN: So my budget season starts in
24 October.

25 MR. KOSSAR: I don't think it doesn't affect

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2 you for the year coming.

3 MS. MC KEAN: The coming year no but for
4 next year it will so what I have to start
5 thinking about not that I'm all that excited
6 about it but do have to think about it because
7 it's now required part of my calculation. Before
8 I used to be able to put a good estimate out
9 there and everybody was happy. Now I have to put
10 it in blood or take it and put it in reserve at
11 the end of the year if I'm wrong.

12 MR. ARMISTEAD: If you have any questions as
13 we get to that point in time, feel free to
14 contact us, contact Laurie in our office at the
15 IDA or Kevin, myself. Good, any other questions?

16 MS. MC KEAN: No, that was it, just those
17 are my need-to-knows.

18 MR. ARMISTEAD: If there's no further
19 questions, I think we can call the public hearing
20 to adjournment.

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23 (Proceedings concluded at 10:14 a.m.)

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2 C-E-R-T-I-F-I-C-A-T-I-O-N

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4 I, FRANCES ROTH, a Stenographic Reporter and Notary Public
5 of the State of New York, do hereby certify:

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7 That the foregoing is an accurate record of the testimony,
8 as given, to the best of my knowledge and belief, the same
9 having been stenographically recorded by me and transcribed
10 under my supervision.

11

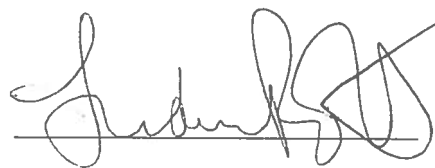
12 That I am not related to any of the parties involved in
13 this matter, and that I have no personal interest
14 whatsoever in the outcome thereof.

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A handwritten signature in dark ink, appearing to read 'Frances Roth', written over a horizontal line.

FRANCES ROTH

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