

MINUTES OF MEETING HELD JANUARY 25, 2019

THE MEMBERS OF THE BOARD OF DIRECTORS OF THE WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

A meeting of the Members of the Board of Directors of the Warren County Local Development Corporation (LDC) was held on January 25, 2019 at 9:00 a.m. in the Committee Room at the Warren County Municipal Center.

The meeting was called to order by Peter McDevitt, Chairman of the Warren County Local Development Corporation at 9:00 a.m.

The following Directors were present:

Peter McDevitt	Frank Thomas
Craig Leggett	Eugene Merlino
Matthew Simpson	

The following Directors were absent:

Others Present:

Ed Bartholomew, CEO, Warren County Local Development Corporation
Jennifer Switzer, CFO, Warren County Local Development Corporation
Ronald F. Conover, Chairman, Warren County Board of Supervisors
Andrea Hogan, Warren County Supervisor
Claudia Braymer, Warren County Supervisor
John Strough, Warren County Supervisor
Douglas Beaty, Warren County Supervisor
Michael Wild, Warren County Supervisor
Brad Magowan, Warren County Supervisor
Matthew Sokol, Warren County Supervisor
Ryan R. Moore, Warren County Administrator
Amy Lavine, Warren County Assistant Attorney
Wayne LaMothe, Warren County Planning Director
Sara Frankenfeld, Warren County Planning GIS Coordinator
Robert Henke, Chairman, Washington County Board of Supervisors
Kristy Miller, Confidential Secretary to the County Administrator
Wayne LaMothe, Warren County Planner
Don Lehman, *The Post Star*
Sheila Flanagan, Nettle Meadow Farm and Cheese Company
Lorraine Lambiase, Nettle Meadow Farm and Cheese Company
Steve Munks, Nettle Meadow Farm and Cheese Company
Travis Whitehead, Warren County Resident

Chairman McDevitt called the meeting to order. He asked for a motion to approve the minutes of the November 19, 2018 Regular Board Meeting. Motion made by Director Leggett and seconded by Director Simpson. Motion carried unanimously.

Chairman McDevitt continued with the agenda regarding review and approval of Request for change in Loan Payments. He welcomes Sheila Flanagan, Lorraine Lambiase and Steve Monks from LuMaZu LLC d/b/a Nettle Meadow Farm and Cheese Company. Ms. Switzer advises that this corporation is taking on some new marketing strategies as well as attending new sales meetings in 2019 and is looking for some funding to help support these opportunities. She explains that it was determined that an interest only payment period for either 6 or 9 months would open up some cash flow in order to fund some of the marketing initiatives and the entity would not be incurring any additional debt. She indicates that they do understand that this will not extend the length of the loan and there will be a balloon payment at the end of the original loan term. Ms. Switzer continues to explain that since the closing of the loan within the last year there have been many changes at the farm, but will let Ms. Flanagan and Ms. Lambiase explain the changes with one of the most significant changes being hiring Mr. Monks to help with the financial aspect of their operation.

Ms. Flanagan advises that not only are they heading in the right direction financially and starting to develop a profit margin, they are also getting many opportunities for growth. They have been making some changes to their fresh cheeses, which has opened up opportunities with some of the bigger national retail chains and will help increase their sales. She explains when they first approached the Local Development Corporation they had plans for a lot more sales and marketing, which they have already done a quarter of. Ms. Flanagan hands-out some materials that they have developed for their new marketing process, which includes new labels, new brochures, new one-sheets, new product lists, and shelf-talkers along with the financial data that Mr. Monks has put together. She advises that they are following up the advertising and marketing with a new bigger pasteurizer and putting in a real stainless butter churn to create some efficiency as well as investing in new labeling and states that they have great national recognition and have won many awards on their cheeses. She continues to explain that since the last time they met with the LDC they have partnered with five other Amish farmers and have moved a lot of the goats and sheep onto the local Amish farms enabling them to focus more on the cheese plant, which has really turned their financial situation around. Ms. Flanagan advises that they are looking for a little help that will allow them to have their own booth and play with other competitors down at the fancy food show in New York City, which will allow them to pick-up new distributors and if they have better marketing and sales material there will be no end to what they can do. She explains that the special advertising and marketing will cost them \$30,700 this year and the new equipment that they are buying will cost them \$58,500, which is basically why they are asking for help so they can free-up some cash for the next 6 to 9 months. She advises that if the loan is approved they expect that by the end of this year they will add four more full-time people and hopefully by the end of 2021 four more full-time people.

Ms. Lambiase states that since the last time they met with the LDC she believe they have become a little smarter and examined what they were doing wrong by bringing on people that have more knowledge than they did about certain things. She explains that the 6 to 9 month interest only payment loan would really let them accomplish what they are trying to do. She continues to explain that they have kept true to their principals with the way they do their products and being able to move a little further.

Ms. Flanagan advises that is not just about more employees, but the quality of the jobs they are offering in the area and making health insurance available to any employee that needed it as well as giving raises across the board. Mr. Monks advises that when began helping on the financial portion of the corporation, he questioned what their net margin was as well as what they were going to do with their employees as there is so much talent there, they need to make sure their employees are being compensated appropriately.

Chairman McDevitt explains that they are not asking for more money and they are not changing the maturity date of the loan. He advises that what is being asked for is to free-up some additional cash flow for a 6 or 9 month timeframe to pay interest only as opposed to principal and interest to enable them to really go after the marketing of their business. Ms. Flanagan refers to the graphs created by Mr. Monks, which demonstrates what they will be able to do with the additional cash flow enabling them to make good on these certain opportunities, in turn, creating a larger cash flow allowing them to reinvest into the company and payoff the balloon at the end of the loan term.

Director Merlino advises that he has been on this committee for 12 to 14 years now and states that this company is very impressive in how they have grown and has no problem with the interest only payment for 9 months. He also recommends that they not grow too fast as it could hurt them in the long run. Ms. Flanagan explains that is why they have Mr. Monks to keep control and looking ahead financially so they do not lose focus and grow too quickly.

Director Leggett asks that Mr. Monks be introduced to the Board and Ms. Flanagan explains that Mr. Monks was actually just looking for some part-time work while he was moving into the area and they learned more about his background and history, quickly making him their Finance Manager. Mr. Monks advises that he resides in Bakers Mills, New York and moved there just over a year and a half ago from New York City, where he resided for 9 years. He continues to explain that he received his Masters from Columbia in Business Management Operations and Energy focused and then worked in sales and other energy related businesses, mostly development projects with NYU. He indicates that he decided to create a new life for himself by getting out on the farm, as he likes to stay physically fit and began his career with Nettle Meadow Farm and Cheese Company. Director Leggett thanks Mr. Monks for his introduction and defers to Ms. Switzer if there would be a balloon payment at the end and Ms. Switzer confirms.

Supervisor Wild reiterates that what they have done thus far is wonderful and asks what their utilization of their current capacity is right now. Mr. Monks advises that on one of the sheets he put together shows a growth opportunity of new sales of \$1.25 million and then he questions if they have the capacity to meet those sales. He explains that he looks at the pasteurizer and other units and based on the numbers that he worked-up they are working at average capacity, which was determined would not be wise and equipment would be the way to get up to full utilization. He continues to explain that as of right now he believes they have an additional thirty percent capacity that they could meet easily and that is why he thinks they have the near term capacity to meet this sales growth and by getting that new pasteurizer it would make a huge difference as well as reducing their labor unit costs.

Supervisor Beaty questions if they have the capacity to gear-up large scale as if this is not the case they could lose out on the opportunity to meet the sales orders that come in. Ms. Flanagan explains that every sales meeting that she has attended she is receiving a positive response with real excitement for them going from a cup cheese, which is freezable and then has a 30 days shelf life to always being fresh with a 90 day shelf life. She continues to explain that she is already in discussion with their pasteurizer manufacturer about making sure they have a pasteurizer in the plant when the milk production season starts to go up in March, enabling them to process orders immediately. Ms. Flanagan advises that there may be other opportunities that they are discussing with New York State, such as working with Farm Credit for a potential New York State grant. She states that if they begin to get enough opportunities they may need to move the cheese plant out into a local municipality in order to take advantage of a larger group of employees. She indicates that in terms of their three-year plan, they are looking at real estate

opportunities other than spending a ton of money on infrastructure, such as new floors and a new bulk tank room. Supervisor Beaty questions that if a major player requests a pipeline order whether or not they could fulfill that order and continue to grow from there. Ms. Flanagan advises that they have done that before for Price Chopper with staff working around the clock and she has just received an opportunity with the distributor for all of the Sprouts Market stores, which has stores all over the country and will create a lot of business. She also advises that beginning January 1, 2019 they were able to get back in with 48 Wegmans' stores on a permanent basis, which is wonderful for them being that January and February are their toughest months of the year.

Privilege of the floor was extended to Mr. Whitehead, Warren County resident, who asks if they have considered talking with the Industrial Development Agency and advises that there is the potential of rather deferring the \$1,200 a month payment to actually not paying it, getting tax credits and not paying sales tax, which would definitely be something they should consider. He indicates that based on the projects that he has been looking at recently, their project is the best one that he has seen. Ms. Lavin, Assistant County Attorney, advises that they should not be conducting IDA (Industrial Development Agency) business during this meeting.

Chairman McDevitt asked for a motion to approve the change in loan payments for LuMaZu LLC d/b/a Nettle Meadow Farm and Cheese Company. Ms. Switzer explains that they would be extending a 9 month interest only period beginning February 2019, with the loan term not to be extended beyond the original loan period, principal payments beginning after the 9 month period, and a balloon payment of approximately \$10,877 due at the end of the loan term. Motion was made by Director Leggett and seconded by Director Thomas. The following motion was unanimously carried:

RESOLVED, that upon consideration of loan application and supporting documents, and upon recommendation of the Business Review Committee, the Warren County Local Development Corporation ("LDC") hereby approves extending a 9 month interest only period beginning February 2019, with the loan term not to be extended beyond the original loan period, principal payments beginning after the 9 month period, and balloon payment of approximately \$10,877 due at the end of the original loan term for the existing loan with LuMaZu LLC d/b/a Nettle Meadow Farm and Cheese Company (Sheila Flanagan & Lorraine Lambiase).

Chairman McDevitt continued with the agenda regarding the review and approval of the November and December 2018 Financial Statements. Ms. Switzer begins with the balance sheet for the month of November and brings attention to the cash available to lend in the amount of \$755,708 as well as the Accounts Receivable and Accounts Payable representing the Warren County Administration Contract, the SUNY Adirondack fall start-up of the MAP class and the contract payments due to EDC (Economic Development Corporation). She moves on to the Profit & Loss Budget vs. Actual for the month of November and points out the \$653.40 in Miscellaneous Income from SUNY Adirondack. Ms. Switzer continues on with the Balance Sheet for the month of December and advises of nothing being out of the ordinary other than the cash available to lend being \$780,037, which took a little jump due to the early loan payoff from GFK9 and reiterates the above-mentioned information for Accounts Receivable and Accounts Payable from the month of November. She moves on to the Profit & Loss Budget vs. Actual for the month of December and explains that the income shown and Professional Services Contract represents the last payments for the contract between Warren County and Warren County LDC

and the contract between Warren County LDC and Warren County EDC (Economic Development Corporation).

Chairman McDevitt asked for a motion to approve the November and December 2018 Financial Statements. Motion was made by Director Thomas and seconded by Director Leggett. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation (“LDC”) hereby approves the Financial Report for November 2018 and December 2018.

Chairman McDevitt continued with the agenda regarding the review and approval of Tax Services for the year ended December 31, 2018. Ms. Switzer advises that the next item is in regards to the tax services contract between CBH Business Services, Inc. and Warren County LDC that she is looking for approval in order to file a Federal Information Return.

Chairman McDevitt asked for a motion to approve the Tax Services for the year ended December 31, 2018. Motion was made by Director Leggett and seconded by Director Merlino. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation (“LDC”) hereby ratifies the actions of Edward Bartholomew, the CEO of the LDC in executing the Engagement Letter from CBH Business Services, Inc. for Tax Services for the year ending December 31, 2018 for an amount not to exceed Five Hundred Dollars (\$500).

Chairman McDevitt continued with the agenda regarding the review and approval of Short-Term Investment Options. Ms. Switzer advises that this item on the agenda stems from the November Board meeting request where discussion took place over investment opportunities for some of the cash flow that is available. She explains that she sent out a request for investment opportunities and received responses from four out of the seven banks that the request was sent to. She indicates that she would be looking for recommendation from the Board for any of the bank proposals they would be willing to accept. She reminds the Board that the LDC currently has \$780,000 in cash to lend, which does not include operating cash as well as the small amount of cash available in housing that is administered in conjunction with the Planning Department. She advises that when she sent out the proposals she outlined that it would be approximately \$500,000 in cash to invest and the rates that are shown and any fees that are associated with the investment are due to a \$500,000 proposal. She explains that this investment would certainly leave enough cash to entertain any new loans and three out of the four bank proposals are liquid investment accounts, so there would be no issues if the LDC goes below the \$500,000 other than possibly the rate changing, but no issues with losing any interest or incurring any fees.

Director Leggett asks what the term would be and Ms. Switzer advises that there is a one year CD that is available from TD Bank and Glens Falls National Bank and if they are interested in a 1 year CD she would suggest going with TD Bank due to the interest rate. She also explains that the Money Market accounts would be utilized until the point when it is needed to go below the \$500,000 and hopefully more money can get out to the community. She indicates that it could be a year or two depending on the economy and what takes place out in the local market place. She advises that it is what the Board feels comfortable with and explains that she put the interest rates in for the CD’s based on the past history of the LDC and the cash that is on hand to

lend and she would feel comfortable with the 1 year CD at this point, which could be revisited after a year. Director Leggett recommends the 1 year CD for \$500,000 with TD Bank and Chairman McDevitt indicates that it would be his choice as well.

Chairman McDevitt asked for a motion to approve the Short-Term Investment. Motion was made by Director Merlino and seconded by Director Thomas. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation (“LDC”) hereby ratifies the actions of Edward Bartholomew, the CEO of the LDC in executing any and all documents associated with opening a 1 year CD Investment Account in the amount of \$500,000 with TD Bank at an interest rate of 2.3%.

Chairman McDevitt continued with the agenda regarding review and approval of request for Subordination Agreement. Ms. Switzer explains that they received an inquiry from Lafontaine’s Ice Cream Grille d/b/a Martha’s Dandee Crème who is looking to expand as well as consolidation of some debt and purchasing of equipment. She continues to explain that in order to do that they are asking that the LDC subordinate its position on property located at 1133 State Route 9 so they move forward with their plans and financing with NBT Bank. She explains that she has outlined the original loan, the current balance of the loan, and the terms, as well as outlined the various loans that are current and/or the new loans that will be coming on board and the current balances of those loans. She advises that the last appraisal that was done on this property was in 2014 which meets the requirement, but an appraisal is currently being done by NBT Bank. She suggests that if this subordination is agreed to, it should be contingent upon receipt of the appraisal and reviewed by counsel in order to ensure that the LDC has the proper collateral.

Director McDevitt states that this is an organization that has had a very consistent and impeccable record in terms of payment history as well as being very surprised at the amount of people that they actually employ full-time and part-time.

Director McDevitt asked for a motion to approve the Subordination Agreement. Motion was made by Director Simpson, and seconded by Director Merlino. The following motion carried unanimously:

RESOLVED, that the Warren County Local Development Corporation (“LDC”) hereby acknowledges a subordinate third lien position and further authorizes the Chairman to execute a subordination agreement with NBT Bank for refinancing the commercial property of Lafontaine’s Ice Cream Grille d/b/a Martha’s Dandee Crème located at 1133 State Route 9, Queensbury, NY contingent upon receipt of the appraisal from NBT Bank and review by legal counsel.

Chairman McDevitt continued with the agenda regarding the review of the Loan Portfolio and Mr. Bartholomew advises that an executive session would not be necessary.

Mr. Bartholomew proceeds further on the discussion with Nettle Meadow Farm and Cheese Company and advises that they did investigate the three-phase power for this company and it was confirmed with National Grid that they would provide a \$100,000 grant, but there is a

remaining balance of \$900,000 to convey three-phase power for one mile which is financially unrealistic.

Mr. LaMothe, Warren County Planner, reiterates what Mr. Bartholomew was speaking of and explains that he was working with a sawmill in the Town of Thurman that wanted to expand their operations and three-phase power was the issue. He states that it is a limited factor in development within that community and Niagara Mohawk was about the same numbers, which is a real impediment of having economic development on that side of the river.

As there was no further business to come before the LDC Board, motion was made by Director Merlino to adjourn the meeting, seconded by Director Simpson, and carried unanimously.

Chairman McDevitt adjourned the meeting at 9:45 a.m.

Dated: February ____, 2019

Frank Thomas, Secretary