

MINUTES OF MEETING HELD MAY 31, 2012

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 above-captioned Corporation was held on May 31, 2012, pursuant to the Notice of Meeting dated May 21, 2012, at 10:00 a.m., in the Committee Room.

The meeting was called to order by Harold G. Taylor, Chairman of the Warren County Local Development Corporation, at 10:03 a.m.

The following Directors were present:

Harold Taylor	Evelyn Wood
Peter McDevitt	Frederick Monroe
William Mason	

The following Director was absent:

Eugene Merlino	Dennis Dickinson
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Others Present:

Victoria Pratt-Gerbino, EDC President
Jennifer Switzer, LDC Treasurer
Daniel G. Stec, Chairman of the Board of Supervisors
Kevin Geraghty, Budget Officer
Frank Thomas, Supervisor
David Strainer, Supervisor
Paul Dusek, County Administrator
Martin D. Auffredou, Warren County Attorney
Patricia Tatich, Planning & Community Development
Wanda Smith, Confidential Secretary to the County Administrator
Blake Jones, *The Post Star*

Chairman Taylor called the meeting to order. Chairman Taylor asked for a motion to approve the minutes of the April 26, 2012 meeting. Motion made by Director Wood and seconded by Director Monroe. Motion carried unanimously.

Chairman Taylor continued with the agenda regarding the Loan Portfolio Review and asked Vicki Gerbino to discuss. Ms. Gerbino stated all loans were current unless otherwise noted on the report.

Ms. Gerbino advised that the loan for Northeast Excavating was behind three full payments since EDC took over the loan. She stated that the owners have been making partial payments, which was not in compliance with the loan agreement. They have reached out to the owners and will be following up with them again to discuss a "work-out" plan. Director Monroe questioned if the current balance of the

loan was larger than the original loan amount. Jennifer Switzer confirmed that the original loan amount was \$35,000 and the current balance is \$42,000, which includes penalties.

Daniel Stec, Kevin Geraghty and Paul Dusek entered the meeting at 10:06.

Chairman Taylor inquired regarding the status of the loan for Axis Technologies of Northeastern NY. Ms. Switzer stated the loan was currently in the District Attorney's hands, and that she did not have any information to share at this time. Mr. Auffredou stated that he would follow up with the District Attorney and report back to the Board next month.

Pat Tatich entered the meeting at 10:08.

Ms. Gerbino continued with the review of the loan for Rosy Blues Flowers. Ms. Switzer stated that no payments had been received since December. She attempted to call the business and she sent a letter. Mr. Auffredou also followed up with a letter. They still have not received any contact from the owner. The next step would be to look into taking action. Ms. Gerbino advised that they have also attempted to contact the owner by telephone and email, without success, from information contained in the file. Ms. Switzer advised that the collateral was a first position security on all the equipment or items purchased with the loan, a second position real estate mortgage on the property located at 74 Lake Ave., a first position security interest on all other assets, and a personal guaranty. Ms. Gerbino questioned if the loan could be discharged if the owner filed for bankruptcy. Discussion ensued.

Ms. Gerbino advised that the Unreal Realty issue had been taken care of.

Ms. Gerbino continued with the review of the loan for The Barking Spider. She mentioned that she and Ms. Switzer were attempting to schedule a visit with the borrower within the next week. The borrower cleared their property tax issue, but not the non-payment of their loan. They have been to the business, but the owner was not on the premises. The Business Review Committee ("BRC") recommended to continue to attempt to contact the borrower to work out a payment arrangement. Ms. Switzer advised that the LDC has a first position on all equipment purchased with the loan, a second position on the real estate mortgage for property at 302 Main Street, a first position security interest on all other assets, and a personal guaranty.

Director Monroe questioned the balance for the loan for Wevertown Country Store. Ms. Switzer advised the amount should read \$24,694.14.

Ms. Gerbino continued with the loan for Tubby Tubes. They are continuing to attempt to work with the owners of the business. The owners have some outstanding debt with the State, as well as a payroll tax issue with the IRS. They sent a letter to the owners a couple weeks ago, requesting documentation indicating they have a work out plan in place with the State. The owners are responsive.

Ms. Gerbino asked if there were any questions regarding the Loan Portfolio Review. Director Mason inquired about the loan with Stonecast. Ms. Gerbino stated this loan was not on the list because it was in the County Attorney's hands. She further stated this was the only loan not appearing on the list.

Chairman Taylor asked Mr. Auffredou to update the Board on Stonecast. Mr. Auffredou stated that the appraiser would be onsite today at 11:00 a.m. to conduct a site inspection. He further stated that once

he received the appraiser's report, he would share it with the Board and follow up next month in executive session to discuss the status of this matter. Director McDevitt asked if the appraiser would be able to get inside the building. Mr. Auffredou advised he believed so, but there was some doubt. He further stated that the neighbor, Mr. Hanson, has offered access to his property to view the 51 Boulevard property.

Chairman Taylor continued with the agenda regarding the financials.

Ms. Gerbino stated that before the Board moves on, she wanted to mention that EDC Warren County and Washington County LDC have been awarded money to create a bi-county loan fund. One of the things they wanted to do in creating a bi-county loan fund, was to bring local banks to the table to match the amount of money that the State would put into this loan fund. In the process of meeting with area banks, bank representatives have issued high levels of caution regarding underwriting and managing loan funds when you do not do this for a living. The banks have recommended looking into the services of the New York State Business Development Corporation (BDC), who manages approximately a dozen loan funds across the State of New York. They have questioned if the LDC wanted a revolving or a dissolving loan fund. The banks have asked EDC to bring this to the Board. Ms. Gerbino recommended bringing in the President and CEO of the BDC to do a presentation at next month's meeting regarding what they do and the services they provide. Discussion ensued.

Chairman Taylor inquired regarding their fee structure. Ms. Gerbino believed it was roughly 1% of the loans that were made, not of the entire loan fund. Chairman Taylor asked for the Board's thoughts. Director Monroe stated he thought it was a good idea to listen to their presentation. Chairman Taylor advised to add to the agenda for next month. Ms. Gerbino stated that she would get some dates.

Ms. Switzer continued with the financials for April 30, 2012. She stated there were no significant changes from previous months. She briefly discussed the details of the report. There were no application fees to this point and no significant expenses since the beginning of year. Chairman Taylor stated the Doubtful Accounts appeared low. Ms. Switzer agreed, but stated that she would make adjustments after the audited financials were reviewed and approved. Ms. Gerbino mentioned there are some applications currently pending.

Director Mason inquired regarding difficulty of providing a historical perspective on loans through the years. Ms. Switzer stated she would provided this information, breaking out the different grants, loans and payoffs.

Chairman Taylor asked if there were any other questions. He continued with the agenda regarding the Audit Report. Ms. Switzer discussed the draft audit financials. She pointed out that the Statements of Activities on page 4 sets forth the revenues and expenses. The decrease from last year to this year is rather significant, due to the provision of uncollectibles in the amount of \$51,500.

Ms. Switzer continued the review of the Statements of Financial Position on page 3, stating that the Allowance of Doubtful Accounts was increased to allow for the write off. Discussion ensued. She further stated that she does not make any adjustments until the Board approves the audit.

Ms. Switzer asked if there were any questions regarding the Balance Statement, Statements of Financial Position, Statements of Activities, or Statements of Cash Flows.

Ms. Switzer continued with the audit report concerning the Notes, stating that any deficiencies or material differences would be mentioned in this section. There were no material weaknesses or deficiencies. The LDC received no federal revenues in 2011.

She continued with the management letter, which notified the LDC that there were no material deficiencies or internal control problems that needed to be reported. It also contained the auditor's recommendations regarding things to improve. Some of the recommendations were the borrower's status reports, increasing communication, status of loan portfolios, and the Account Policy and Procedures Manual. She stated that she had begun to document what her practices and procedures were and will continue to put a manual together. Ms. Gerbino further advised they are reaching out to borrowers and documenting everything. She further stated that the new lending guidelines that were adopted will be the basis for the policies and procedures.

Chairman Taylor asked if there were any questions. Director Monroe asked if tax returns and financial statements were being requested from the borrowers each year. Ms. Switzer and Ms. Gerbino confirmed they were. Ms. Switzer stated they will be sending follow up notices for any they are missing.

Chairman Taylor asked for a resolution to accept the audit. Motion was made by Director Monroe to approve the audit, and seconded by Director Mason. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the 2011 Draft Audited Financials Report.

Chairman Taylor continued with the agenda regarding the RFP Legal Services proposals. Ms. Gerbino discussed the procedure they used to send out the RFP to various attorneys. She stated that the Business Review Committee reviewed the Summary of Responses and believed all the responders were competent and capable and recommended that the Board chose the most cost effective proposal and further suggested that the Board may want to contract on a shorter term to allow the Board to review the attorney's performance over a particular time frame. Discussion ensued. Director Monroe mentioned Responder No. 2 has not proposed any out-of-pocket except for litigation expenses and it appeared that they may be the lowest responder. Martin Auffredou stated that since this was an RFP, this was not a competitive bidding process and once the Board identified a firm that they would like to contract with, the Board could direct staff to negotiate with them to come to more definite terms. Chairman Taylor stated that he would suggest going ahead with Responder No. 2 and have Mr. Auffredou to negotiate with that firm. Director Monroe stated this firm had a tremendous amount of experience in real estate. Director McDevitt agreed. Mr. Auffredou questioned the term of the contract. Further discussion ensued. Chairman Taylor asked if the Board would want language renewing the contract. Mr. Auffredou asked if the Board would like to move this matter now subject to further negotiated terms and a contract. Director Mason stated he would like to move forward. Mr. Auffredou asked if the Board would like to move the proposal of McPhillips, Fitzgerald & Cullum, LLP for a flat loan closing fee of \$575, litigation at \$195/hour, plus out-of-pocket expenses such as process serving fees for an initial term of one year with two renewable one year terms thereafter, performance review at not less than six months or at any time that the Board desires and a termination clause of thirty days to be further negotiated and fine tuned by the County Attorney and Vicki Gerbino and Jennifer Switzer. Chairman Taylor asked if anyone would like to move that resolution. Motion made by Director Mason, seconded by Director McDevitt. The following motion carried unanimously:

RESOLVED, that the Warren County Local Development Corporation hereby approves the proposal of McPhillips, Fitzgerald & Cullum, LLP for a flat loan closing fee of \$575, litigation fees at \$195/hour, plus out-of-pocket expenses such as process serving fees, for an initial term of one (1) year with two (2) renewable one (1) year terms thereafter, and with performance review at not less than six (6) months or at any time that the Board desires and a termination clause of thirty (30) days, to be further negotiated and fine tuned by the County Attorney, Vicki Gerbino and Jennifer Switzer.

Chairman Taylor asked if there was any further business to come before the Board. Ms Gerbino stated that they have an update on Unreal Realty. She asked Mr. Auffredou if he would like to discuss.

Mr. Auffredou stated that the Board authorized the Chairman last month to execute the Subordination Agreement in connection with Unreal Realty. The materials that were requested as a condition of the execution of that agreement were provided in substantial part. He reviewed those materials with the Chairman and the Chairman felt comfortable executing the Subordination Agreement. The Agreement has been executed and recorded in the Warren County Clerk's Office. This matter has been resolved.

Ms. Gerbino continued with a draft of a marketing brochure. She asked the Board members to email either Ms. Switzer or herself if they had any thoughts, concerns or issues regarding any of the material contained in the brochure. She further mentioned that they would like to get this brochure out within the next week.

Ms. Switzer mentioned that Pat Tatich would like to address the Board. Ms. Tatich stated she had been asked to address the Board concerning the housing side of the LDC's account. According to Ms. Switzer's records, the current balance for housing was \$42,034. She further stated that the County had been a long participant with the Division of Housing in securing funding under the Home Restore Program and Access. The Planning Department would like to pursue those applications. Their hope was to use those funds in a manner that would enhance their opportunities for funding either as match money, assisting households with repairs or if needed, for administration of funding. There was no administrative monies associated with the restore program or the access program. She further stated that the Access Program was a housing program for those individuals who needed to have a repair performed on their home prior to them being released from hospital care, nursing home care, etc., i.e. handicap access. She asked the Board for acknowledgment that the Planning Department could use those monies in a manner to enhance their competitive applications. Chairman Taylor asked if there were any questions. Director Monroe questioned if the money was in the LDC accounts. Ms. Switzer confirmed. Director Monroe asked Mr. Auffredou if a resolution was needed. Discussion ensued. Director Monroe stated that these programs have been important to the Towns and the County, and would like to see these programs continued. Chairman Taylor stated he has confidence in Planning to use the money as they see it is needed.

Chairman Taylor asked Mr. Auffredou to assist with the wording of the resolution. Further discussion ensued. Ms. Tatich confirmed there were three programs coming up: Home, which is a regular rehab program; Restore, which is for elderly households; and Access, as previously described. She further stated that in the course of putting an application together, sometimes you need to enhance your like ability in the process or your committedness by providing match funds.

Following the discussion, Mr. Auffredou stated that the resolution would be to authorize the

Planning Department, in their discretion, to allocate funds as necessary for the most favorable grant or application process. Chairman Taylor asked if anyone would like to move the resolution. Motion moved by Director McDevitt and seconded by Director Monroe. The following motion was carried unanimously:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby authorizes the Planning Department, in their discretion, to allocate funds as necessary for the most favorable grant or application process.

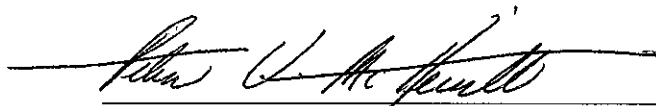
Chairman Taylor asked if there was any further business to come before the Board. Wanda Smith mentioned that there were resolutions made last month regarding the Unreal Realty loan and it was the suggestion by the County Attorney to rescind the first resolution. Mr. Auffredou stated that there were two resolutions authorizing the Chairman to sign the Subordination Agreement. He further stated that the first resolution was a bit premature because after the resolution was passed, the Board heard from Ms. Tatich and had further discussion, before a second, more thorough resolution was passed. Mr. Auffredou suggested making a motion to rescind the resolution which appears on the top of page 4 in the meeting minutes, to-wit: Resolved, that the Warren County Local Development Corporation ("LDC") hereby authorizes the Chairman to execute the Subordination Agreement (Unreal Realty), upon review and approval by LDC counsel, and contingent upon receipt of current financials and update of the collateral. Director Mason made the motion to rescind and Director Wood seconded. The following motion was carried unanimously:

RESOLVED, that the Warren County Local Development Corporation hereby rescinds the resolution, which appears on the top of page 4 in the April 26, 2012 meeting minutes, to-wit: Resolved, that the Warren County Local Development Corporation ("LDC") hereby authorizes the Chairman to execute the Subordination Agreement (Unreal Realty), upon review and approval by LDC counsel, and contingent upon receipt of current financials and update of the collateral.

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

Chairman Taylor adjourned the meeting at 11:04 a.m.

Dated: 6-25, 2012


Peter McDevitt, Secretary