

MINUTES OF MEETING HELD JULY 31, 2014

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 July 31, 2014 at 9:30 a.m. in the Committee Room, pursuant to the Notice of Meeting dated July 3, 2014.

The meeting was called to order by Harold G. Taylor, Chairman of the Warren County Local Development Corporation, at 11:00 a.m.

The following Directors were present:

Harold Taylor	Evelyn Wood
Eugene Merlino	Dennis Dickinson
Frederick Monroe	Matthew Simpson
Peter McDevitt	

Others Present:

Ed Bartholomew, CEO, Warren County Local Development Corporation
Jennifer Switzer, CFO, Warren County Local Development Corporation
Frank Thomas, Supervisor
James Brock, Supervisor
Ronald Conover, Supervisor
Martin D. Auffredou, Warren County Attorney
Wanda Smith, Confidential Secretary to the County Administrator
Michael O'Connor, Esq.

Chairman Taylor called the meeting to order. He asked for a motion to approve the minutes of the July 9, 2014 meeting. Motion made by Director McDevitt and seconded by Director Wood. Motion carried unanimously.

Chairman Taylor continued with the agenda regarding the financials. Chairman Taylor asked Jennifer Switzer to discuss with the Board. Ms. Switzer stated one of the largest changes was the cash position, which was the result of a loan that recently closed. She stated another loan was closing today. There were also a couple loan fees collected on applications. The revenues and expenses are on target with the budget.

Director Dickinson inquired regarding miscellaneous money. Ms. Switzer stated that these funds were from the Micro-Enterprise Assistance Program that runs through SUNY Adirondack with Washington County. The LDC receives one-third of the tuition fees.

Chairman Taylor asked for a motion to approve the May 1 - June 30, 2014 Financial Statements. Motion made by Director Simpson and seconded by Director Monroe. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the May 1 - June 30, 2014 Financial Statements.

Chairman Taylor continued with the agenda regarding the loan status report. Ed Bartholemew stated they have noticed a marked increase in loan inquiries compared to 2013. The type of inquiries have been from individuals, who are currently in business and are looking to expand or seek working capital. They are currently working on a couple potential loans.

Mr. Bartholomew asked for an executive session later in the meeting to discuss the loan and credit history of certain unnamed loans.

Chairman Taylor continued with the agenda regarding Unreal Realty, LLC. He asked Martin Auffredou to update the Board on the status. Mr. Auffredou stated that since the last meeting, he had numerous communications with Attorney O'Connor and his office. He stated that they have provided an amended closing statement, financial statement for Mr. Jackson, and a proposed Operating Agreement for 126 Glens Street, LLC, which recognized that Unreal Realty would have a 10% interest in that LLC. They have also provided a draft Assignment and Consent of the 10% interest to the LDC. He reminded the Board that the LDC would receive a lump sum payment of less than the balance that is owed, but in return would receive a pledge of Unreal Realty's 10% interest in 126 Glen Street, LLC for a ten-year period. He further stated that any distributions, buyouts or transfers of the 10% interest would be paid to the LDC up to the remaining balance due, which would be approximately \$10,000.

Mr. Auffredou stated that his office has confirmed that Unreal Realty, LLC is an active existing corporation in New York State. He further stated he had communications with Mr. Brosnan at NYBDC, who indicated in an email that they have recommended to the SBA approval of the transaction as proposed by Mr. O'Connor. The SBA has not given its formal approval yet, but they believe that they will.

Mr. Auffredou stated that if the Board decided to move forward with the proposed transaction, the Board's action could be contingent upon receiving confirmation of approval by the SBA, as well as contingent upon approval by the County Attorney of any and all documents. He went on to state that he has reviewed the Assignment and Consent of the 10% interest and believed the document was comprehensive and well written and, for the most part, does not have any issues with it, but may suggest some minor changes.

He stated a discrepancy was identified yesterday, which he emailed Mr. O'Connor regarding. The balance shown on the closing statement was slightly over \$42,000 compared to the actual amount owed of approximately \$46,000. He mentioned that all requested documents had been provided. Mr. Auffredou stated that assuming the discrepancy could be resolved, he believed the

question for the Board was if they want to move forward and receive a substantial payment at closing or run the risk of coming out with something significantly less.

Chairman Taylor asked Attorney O'Connor to address the discrepancy. Mr. O'Connor stated he had been using the \$42,000 figure since early May in correspondence and documentation. Ms. Switzer stated she located where the \$42,000 figure came from. She stated it was from an email dated June 19th from Mr. O'Connor. She further stated that this figure was actually 77% of the \$53,302.76 shortfall, which represents the SBA's portion of the shortfall. Discussion occurred. Mr. O'Connor stated he was not sure if he agreed with this explanation.

Mr. O'Connor stated he did adjust the draft Assignment and Consent using the new figure, which would leave the lump sum payment the same, but increase the equity that the LDC would hold against the building. The equity would increase from \$10,010.75 to \$13,949.81. He stated that the SBA has the closing statement and he did not believe he could resubmit to them at this point. He further stated the LDC's percentage of the shortfall would change from 19% to 20.6%. He stated if the figure could be verified, he had no problem including the full shortfall in the Assignment and Consent.

Mr. O'Connor mentioned the LDC currently held a third mortgage on 100% interest of the building, which was the only asset of Unreal Realty. Mr. Bartholomew expressed that there may be equipment assets, which had been relocated to Saratoga by Mr. Jackson. Mr. O'Connor stated all of the equipment was leased and has been leased by Mr. Jackson. Mr. Bartholomew stated he had not verified this.

Mr. O'Connor reiterated that the LDC currently held 100% interest in the property, which would be wiped out with a foreclosure, unless the LDC bid in excess of the TD Bank balance, which was approximately \$400,000-\$500,000. In lieu of that, the offer stands as a lump sum payment with a security on 10% of the building, which he believed was a cleaner piece of security.

Director Dickinson inquired if Mr. Bartholomew was satisfied with this proposal. Mr. Bartholomew stated that although we are here to resolve this matter, he wanted the Board to be aware that in May, they sent a letter to Mr. Jackson requesting financial reports, tax returns and proof of insurance without a response. He stated Mr. Jackson did not apologize for that at the last meeting, and Mr. O'Connor had been the one attempting to resolve this matter to the satisfaction of all parties. He further stated that they asked for additional information subsequent to that meeting, also without a response.

Mr. Bartholomew stated he believed some people thought UnReal Realty and TV 8 were combined, but are actually separate companies. He further stated that he believed there may still be some equipment, antennas and/or transmitters, that the LDC would have a lien on. Mr. O'Connor stated that he believed the antenna on the building was not a very sophisticated piece of equipment, and the antenna on the West Mountain was owned by a third party entity completely separate from either Northern Broadcasting or Unreal Realty. He further stated the antenna will remain at 126 Glen Street.

Mr. O'Connor apologized on behalf of Mr. Jackson for his absence at this meeting and further stated that it was not out of disrespect for the Board or that he thought this matter was unimportant. Mr. Jackson was meeting with potential customers.

Mr. Bartholomew stated that in the absence of the ability of Mr. Jackson to have a payment schedule for the balance owed, he would propose that the Warren County Tourism commercials be run on the tv station. He believed this would afford the LDC an opportunity to further justify that they are receiving an additional value and help bridge the concern he had with the differential between the payment and balance owed. He stated that the tv station ran on cable in Saratoga, Warren and Washington Counties.

Mr. Bartholomew stated that Mr. O'Connor was correct when he stated that if the business went bankrupt, LDC would receive less than a dollar. With the tv station, he believed the LDC had the opportunity to seek Mr. Jackson's agreement to provide the commercials on his station during their news and other local programs that would be some value to Warren County.

Director Dickinson inquired if this had been proposed to Mr. Jackson. Mr. Bartholomew stated he is proposing it to the Board here today.

Chairman Taylor asked if Mr. Jackson agreed to this proposal, if he was proposing that the value of those commercials would reduce the 10% interest in the building. Mr. Bartholomew stated in the negative, that he believed this would be an add-on value for the LDC. Mr. Bartholomew inquired of Mr. O'Connor, in terms of the Operating Agreement, if the LDC would be an operating partner in making decisions or with regard to liability. Mr. O'Connor stated the LDC would have a lien only. Mr. Auffredou stated the LDC would not want that interest, and confirmed that this would be a pledge of Unreal Realty's 10% interest for a 10 year period.

Mr. O'Connor inquired if the county was presently a customer of Northern Broadcasting. Mr. Bartholomew stated that they were at one time, but not currently. Mr. O'Connor stated it would not be an issue if whatever the advertising was worth was deducted from the balance due. This would serve the County and Mr. Jackson. He believed Mr. Jackson would be entitled to a credit against the balance due.

Mr. Auffredou inquired if the proposal was in lieu of the 10% interest. Mr. O'Connor stated to leave the 10% interest there and the commercials would be payment against it. He further stated that he added a provision in the Assignment that Mr. Jackson would have the right to prepay at any time. Mr. Auffredou agreed. Director Dickinson asked Mr. Auffredou if he was comfortable with this proposal. He stated there doesn't appear to be any downside to the LDC. He again stated that his primary objective here was to get as much out of this transaction as they can.

Director McDevitt credited Mr. Jackson and his wife for getting out there and attempting to save the business. He inquired if Mr. Jackson or his wife still owned the Hague property. Mr. O'Connor stated that it was either owned jointly or by one of them, but there was very little equity in the property. Mr. Auffredou stated that the Hague property was shown in the financial disclosure, which was dated June 30, 2014. It was shown as a residential asset, but it was combined with the

124-126 Glen Street for value purposes. The present market value was \$500,000 with a mortgage balance of \$369,000.

Director McDevitt asked that when concessions are being given and there appears to be \$140,000 worth in that property, why this could not possibly be a component of this transaction. Secondly, he asked if there was a contract from Mr. Levinsky with terms and conditions. Mr. Auffredou confirmed. Thirdly, he inquired if it was ok for the LDC to approve a transaction where the buyer owes the City of Glens Falls significant amounts for municipal bills. Mr. O'Connor stated that all taxes, sewer and water charges are being brought current. Mr. McDevitt repeated that he was concerned about the buyer, not the seller. Mr. Bartholomew stated the buyer does owe money to the City on other properties, but was not in a default situation at this point. He further stated that the IDA and LDC in Glens Falls adopted a policy that if any developer comes to the table asking for concessions, they have to be current with all of their water and sewer bills. The City monitors those cases. Discussion ensued.

Mr. O'Connor stated this was a single purpose LLC, as shown in the Operating Agreement.

Director McDevitt asked if there were any "subject to" conditions in the contract. Mr. O'Connor stated the closing had been scheduled for August 4th and they needed the consent of the SBA in order to close. He further stated that TD Bank had now asked for attorneys' fees, which they will have to be dug up from something else. He also stated that this transaction was subject to a mortgage, but Mr. Jackson had received financing.

Mr. O'Connor asked if the Board had other business. Mr. Auffredou stated yes. Mr. O'Connor asked if he could step out to make a telephone call and then report back. After reviewing the contract, Director McDevitt stated he is okay with the transaction with the approval of the SBA and the proposal from Mr. Bartholomew regarding the commercials.

Mr. Auffredou confirmed that the current balance owed the LDC was \$46,048.24. He stated that the LDC would be giving a discharge of the mortgage and a release of any security at closing. The LDC would receive a lump sum payment of \$32,174.27. The difference between \$46,038.24 and \$32,174.27 would be reflected in the 10% Assignment of Unreal Realty's interest in the new LLC. The advertising expenses would be drawn against the balance owed over a period of time until it was either liquidated or erased or whatever the case may be.

Mr. Auffredou stated that the correct lump sum payment would be \$32,098.43, which appeared to leave a balance of approximately \$14,000. The \$14,000 would be secured by the 10% interest in the new LLC, with an assignment of that interest for a period of 10 years. A schedule would be worked out for the advertising on TV 8 as suggested by Mr. Bartholomew and then over a period of time the value of that would be applied to the \$14,000 until it is either paid off in full by the value of the advertising or if the 10% interest is sold, whatever the balance is at the time of that sale, including any advertising that had taken place would be paid to the LDC.

Director Monroe asked if there would be any limitation on how much advertising was used per year. Mr. Auffredou recommended consulting with the Tourism Department regarding this, and

suggested having Mr. Bartholomew work with their office. Mr. O'Connor stated that his only concern was if this was taking away from an existing revenue stream, as he believed TV 8 was just getting by. Mr. Bartholomew confirmed this proposal was outside any current contracts. Mr. O'Connor arbitrarily confirmed.

Motion made by Director Dickinson and seconded by Director McDevitt.

In light of his concern that the LDC could end up with nothing, Director McDevitt indicated he would support this transaction. However, he believed there was a contractual obligation to remain in Warren County when receiving an LDC loan, and suggested terms and conditions be added for all future transactions.

Chairman Taylor asked Mr. O'Connor if he still wanted to make a telephone call. Mr. O'Connor stated that if the proposal was to credit and not substitute time on an existing contract, he was okay with the proposal. Chairman Taylor asked if the Board wished to go ahead with the vote or wait until after Mr. O'Connor had a chance to make the call. Mr. O'Connor stated it would be best if he made the telephone call.

Mr. O'Connor left the meeting at 10:08.

Chairman Taylor requested an executive session. Martin Auffredou stated the executive session was for the purpose of discussing the credit history of particular, but unnamed loans with the LDC. Motion made by Director Monroe and seconded by Director Dickinson. The motion carried unanimously.

Executive session was declared at 10:09 a.m. to 10:16 a.m.

Supervisor Merlino entered the executive session at 10:10 a.m.

Committee reconvened and Chairman Taylor stated no action was taken in Executive Session.

Mr. O'Connor re-entered the meeting at 10:16 a.m. Mr. O'Connor stated that Mr. Jackson was in agreement with the proposal and would be glad to work out a package with Mr. Bartholomew and the Tourism Department. He stated there was a rate card, but when they put together packages they discarded the rate card. Mr. Jackson stated that he would discount the rate card 20% and would not charge for production.

Mr. Auffredou suggested that periodically, perhaps every six months or annually, a balance sheet be submitted to the LDC showing how much advertising has been credited against the balance owed. Mr. Bartholomew thought this could be computerized and a log created detailing the runs and the credits.

Chairman Taylor asked if there were any additional questions. Director Monroe inquired regarding the contingencies recommended by Mr. Auffredou. Mr. Auffredou stated that he believed Director Dickinson's motion included those contingencies. Director Dickinson confirmed.

The following motion carried unanimously:

WHEREAS, Unreal Realty, LLC ("Unreal Realty"), granted a mortgage to the Warren County Local Development Corporation ("LDC") on December 1, 2004 securing a loan in the principal sum of One Hundred Thousand Dollars (\$100,000), and

WHEREAS, as further security for indebtedness Unreal Realty gave the LDC an assignment of leases and rents, a UCC Financing Statement and certain personal guarantees, and

WHEREAS, the mortgage and security interests represent a third lien on the premises known as 126 Glen Street, Glens Falls ("subject premises"), and

WHEREAS, TD Bank holds a first mortgage on the subject premises and has commenced a mortgage foreclosure proceeding, placing LDC at risk of losing its security interest in the subject premises, and

WHEREAS, the current indebtedness on the mortgage to LDC is Forty-Six Thousand Forty-Eight Dollars and Twenty-Four Cents (\$46,048.24), and

WHEREAS, Unreal Realty has entered into a contract for the purchase and sale of the subject premises with Merlin Development Co. or its designee and from the proceeds of the sale it is proposed that the LDC receive Thirty-Two Thousand Ninety-Eight Dollars and Forty-Three Cents (\$32,098.43) against the current indebtedness, and Unreal Realty is further offering the following with respect to the Thirteen Thousand Nine Hundred Forty-Nine Dollars and Eighty-One Cents (\$13,949.81) remaining balance due to LDC after the closing:

1. A lien of Thirteen Thousand Nine Hundred Forty-Nine Dollars and Eighty-One Cents (\$13,949.81).
2. The lien is secured through an assignment to LDC of Unreal Realty's ten percent (10%) equity interest in the new LLC known as 126 Glen Street, LLC for a term of ten (10) years from the date of closing.
3. For the ten (10) year term, any distributions within 126 Glen Street, LLC to Unreal Realty will be applied/paid against and up to the amount of lien. Any proceeds of sale of the ten percent (10%) interest will be applied/paid against and up to the amount of the lien. Any proceeds obtained by virtue of the right of election to cash

payment on the sale of a majority interest or substantial assets of 126 Glen Street, LLC will be applied/paid against and up to the amount of the lien.

4. The LDC may place advertising with Northern Broadcasting Company, Inc. or Look TV, Inc. Said advertising will be billed at eighty percent (80%) of the rate card or typical package price without charge for production with the actual placement and times to be agreed upon. The LDC will be provided with statements for the advertising at least annually and the billings will be applied to/paid against and up to the \$13,949.81 of the lien held by LDC.
5. Unreal Realty has the right to pre-pay the lien at any time.

and

WHEREAS, in return, Unreal Realty is requesting LDC discharge the mortgage and release all security interests in the subject premises and personal guarantees, and

WHEREAS, the LDC has considered and deliberated upon this matter, now, therefore, it is hereby

RESOLVED, the LDC approves of the compromise and discharge of the mortgage and security interests in the subject premises and releases of personal guarantees upon the terms and conditions set forth in the preambles of this resolution, and be it further

RESOLVED, that the Chairman of the Warren County Local Development Corporation is authorized to execute a discharge of mortgage, termination of assignment of leases and rents, termination of personal guarantees, termination UCC Financing Statement and such other documents that may be necessary to complete the transaction provided the same are reviewed to the satisfaction of the Warren County Attorney, and be it further

RESOLVED, that upon execution of the documents by the Chairman, the Warren County Attorney shall forward to Counsel for Unreal Realty to hold such documents in escrow pending confirmation of the following:

1. Small Business Administration ("SBA") approval of the compromise and discharge of its lien (2nd position) by payment to SBA of One Hundred Thirty-Four Thousand Three Hundred Twenty-Two Dollars and Fifty-Nine Cents (\$134,322.59).

2. Payment to LDC of Thirty-Two Thousand Ninety-Eight Dollars and Forty-Three Cents (\$32,098.43).
3. Receipt by LDC of a fully executed copy of the assignment of ten percent (10%) interest in 126 Glen Street, LLC.
4. Receipt by LDC of a fully executed copy of the operating agreement of 126 Glen Street, LLC showing Unreal Realty's ten percent (10%) equity interest.

Mr. O'Connor stated he would prepare the discharge. Mr. Auffredou asked for the discharge to be forwarded to his office for review and execution. He stated he would then forward the executed Discharge back to Mr. O'Connor to be held in escrow pending the closing.

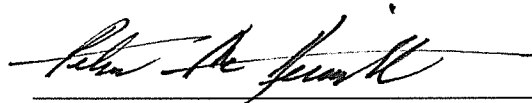
Mr. O'Connor thanked the Board for their consideration.

Chairman Taylor asked Mr. Bartholomew if he had a CEO report. He replied no.

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

Chairman Taylor adjourned the meeting at 10:20 a.m.

Dated: 8/26, 2014



Peter McDevitt, Secretary