

X. Chemung County IDA – DeMet’s Candy Capital (W281)

March 26, 2010

Grantee: Chemung County Industrial Development Agency
 (“Chemung County IDA” or the “Agency”)

**Beneficiary
Company:** DeMet’s Candy Company (“DeMet’s”)

ESD Investment: A grant of up to \$250,000 to be used for a portion of the costs associated with the construction of a new, 100,000-square-foot facility in the Airport Corporate Park in Big Flats.

Project Location: 1 Turtle Circle, Airport Corporate Park, Big Flats, Chemung County

NYS Empire Zone (or equivalent): Elmira EZ

Project Completion: December 2008

Grantee Contact: George Miner, Executive Director
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Elmira, NY 14901
Phone: 607-733-6513 Fax: 607-734-2698

**Beneficiary
Contact:** David Clarke, President & CEO
30 Buxton Farm Road
Stamford, CT 06905
Phone: 203-321-4703 Fax: 203-329-4555

Project Team: Project Management Robin Alpaugh
Affirmative Action Denise Ross
Environmental Soo Kang

Project Description:

Grantee Background

The Chemung County IDA, the grantee on behalf of the project, was established in 1975 to actively foster economic growth in Chemung County. It is a public benefit corporation consisting of a seven member board of directors who are appointed by the county executive and ratified by the legislature. The Agency provides eligible projects with a variety of tax incentives, financing and/or related benefits including industrial revenue bonds, real property, and sales and mortgage tax abatements, as well as low interest loans. The Agency utilizes fees charged to project applicants to purchase land and buildings to facilitate future development, such as the development of the Airport Corporate Park. Funds are also used

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to construct industrial infrastructure such as roads, rail lines, and water and sewer extensions/facilities. In 2010, the Agency’s proposed budget is \$1.6 million.

Recent successful Agency projects include the Sikorsky Hawk Works at Schweizer, General Revenue Corporation, SYNTHES, Inc., Schlumberger Technologies, Inc., CVS Rx Services Distribution Center, and Vulcraft of New York. The out-of-state attraction project with DeMet’s will be another successful addition to the Agency’s Airport Corporate Park.

Beneficiary Background

DeMet’s Candy Company, a privately held company, began operations in 2004 under the name Signature Snacks Company (“Signature”), when it acquired the successful Flipz brand chocolate coated pretzels from Nestle USA. Under Signature, Flipz brand revenue tripled by 2006, and the Company purchased and renovated a pretzel manufacturing facility in Reading, PA to produce its confections. This project involved an investment of over \$4.5 million and created 55 new jobs. In June 2007, Signature acquired the rights to “Turtles” brand confections from Nestle USA, and Signature became the DeMet’s Candy Company. The combined revenues of Turtles and Flipz in the US and Canada is in excess of several million dollars.

The Company constructed a 100,000-square-foot food processing facility on a fourteen-acre parcel in the Airport Corporate Park. The Company subsequently closed a food processing facility it acquired in 2007 from Nestle, located in Scarborough, Ontario, Canada. Machinery and equipment was relocated to the Elmira location, and additional new machinery and equipment was purchased.

In May 2009, ESD approved an EDF capital grant (W026) in the amount of \$500,000 to assist with the purchase of new manufacturing machinery and equipment, based on the investment of \$12.7 million and the creation of 100 new jobs. The GDA has been fully executed for this capital grant, but no funds have disbursed to date.

The Project

In December 2008, the Company completed the construction of a new, 100,000-square-foot facility in the Airport Corporate Park in Big Flats. Total project costs were over \$14 million, including construction related expenses, acquisition and installation of machinery and equipment, and relocation costs. Production testing commenced in March 2009 and the facility was fully operational in May 2009. Funds received through the Chemung County IDA will be used for a portion of construction costs associated with the Company’s new, 100,000-square-foot food processing facility. Currently, DeMet’s has created 80 jobs and 153 seasonal positions at the Project Location.

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Financing Uses	Amount	Financing Sources	Amount	Percent
Land	\$62,000	ESD NYSEDAP Grant (W281)	\$250,000	2%
Construction	8,988,000	ESD EDF Grant* (W026)	500,000	3%
Utilities Extension	850,000	DHCR - OCR**	750,000	5%
Machinery & Equipment	3,000,000	Mortgage/Bank Loan***	7,224,000	51%
Architect / Engineering	575,000	Company Equity	5,501,000	39%
Equipment Moving Costs	750,000			
Total Project Costs	\$14,225,000	Total Project Financing	\$14,225,000	100%

* EDF Grant approved by ESD on May 21, 2009

**Grant funding from DHCR’s Office of Community Renewal – 5-year forgivable loan based on the creation and maintenance of 100 jobs at the new Chemung County facility.

***Prime/5 year amortization + 200 basis points/1st Real Estate

Financial Terms and Conditions:

1. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
2. Up to \$250,000 will be disbursed to Grantee in a lump sum upon documentation of project costs totaling \$14,225,000, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after April 1, 2008 to be considered eligible project costs.
3. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$250,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

Environmental Review:

The Directors made a Determination of No Significant Effect on the Environment for the proposed project at their meeting of May 21, 2009. This determination addressed all aspects of the proposed project. Therefore, no further environmental review is required in connection with this action.

Statutory Basis – New York State Economic Development Assistance Program:

The project was authorized in the 2008 - 2009 New York State budget and reappropriated in the 2009 – 2010 New York State budget. No residential relocation is required as there are no families or individuals residing on the site.

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Disclosure and Accountability Certifications:

The Grantee and Beneficiary Company have provided ESDC with the required Disclosure and Accountability Certifications. Grantee’s and Beneficiary Company’s certifications indicate that Grantee and Beneficiary Company have no conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.