

PLEASE NOTE - We welcome public comment on the items on the following agenda. To ensure maximum opportunity for participation, speakers representing themselves may speak for up to 2 minutes each, and those representing groups may speak for up to 4 minutes (1 speaker per group). Speakers' comments may address only items considered at today's meeting. Materials relating to matters that are scheduled for discussion in open session will be available at the meeting and will be posted on ESD's website prior to the meeting in accordance with the Public Officers Law

STATEWIDE LOCAL DEVELOPMENT CORPORATION

at the offices of the
New York State Urban Development Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Meeting of the Directors

Thursday

July 31, 2014 – 1:30 p.m.

PROPOSED AGENDA

I. CORPORATE ACTION

- A. Approval of the Minutes of the June 26, 2014 Director's Meeting

II. FOR CONSIDERATION

- A. Staten Island (New York City Region – Richmond County) – JDA Real Estate Loan for the benefit of United New York Sandy Hook Pilot's Benevolent Association & United New Jersey Sandy Hook Pilot's Benevolent Association – Authorization to Act and Perform as LDC of JDA Real Estate Loan and Take Related Actions; Determination of No Significant Effect on the Environment
- B. Green Island (Capital Region – Albany County) – JDA Real Estate and Machinery and Equipment Loans for the benefit of The Case Group – Authorization to Act and Perform as LDC on JDA Real Estate and Machinery and Equipment Loans and Take Related Actions; Determination of No Significant Effect on the Environment

DRAFT – SUBJECT TO REVIEW AND REVISIONS

STATEWIDE LOCAL DEVELOPMENT CORPORATION

Meeting of the Directors
Held at the New York City Regional Office
633 Third Avenue
New York, New York 10017

June 26, 2014

MINUTES

**In Attendance
Directors:**

Mehul Patel (Acting Chair)
Susan Shaffer, Vice President - Loans and Grants

Present for Statewide:

Eileen McEvoy, Secretary
Antovk Pidedjian, Assistant Secretary (via telephone)
Ray Salaberrios, Senior Vice President

The meeting of the Statewide Local Development Corporation, a local development corporation created under the New York State law, was called to order at 11:00 a.m. by Acting Chair Patel. It was noted for the record that notices to the public and news media of the time and place of the meeting had been given in compliance with the New York State Open Meetings Law.

Acting Chair Patel noted that the public is free to comment on any matters on the Agenda.

DRAFT – SUBJECT TO REVIEW AND REVISIONS

The Acting Chair then called for a motion to approve the Minutes of the December 9, 2013 Directors' meeting.

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE DECEMBER 9, 2013 MEETING OF THE DIRECTORS OF THE STATEWIDE LOCAL DEVELOPMENT CORPORATION

RESOLVED, that the Minutes of the meeting of the Corporation held on December 9, 2013, as presented to this meeting, are hereby approved and all actions taken by the Directors presented at such meeting as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Corporation.

* * *

Acting Chair Patel then asked Mr. Salaberrios to present an item relating to a JDA real estate acquisition loan for the benefit of Merola Sales Company.

Mr. Salaberrios explained the proposed \$3,000,000 loan will be used for the acquisition of a facility located in Amityville, New York on behalf of Mero Realty, Inc.

Mr. Salaberrios then noted that the total cost of this real estate project is \$6.8 million with JDA's participation in the project being 44 percent of the project cost.

Mr. Salaberrios went on to provide the background information on Merola Sales noting that it was founded 25 years ago by Kevin Merola, who continues as the President and Sole Shareholder.

DRAFT – SUBJECT TO REVIEW AND REVISIONS

Mr. Salaberrios further explained that the Company is a wholesale distributor of ceramic tiles and marble slabs which it imports from factories worldwide. Mr. Salaberrios added that the Company also sells grouts, adhesives, tools and other supplies needed by contractors for the installation of tiles.

In order for the Company to grow, Mr. Salaberrios stated, it seeks to occupy a larger warehouse and distribution space. Their current Brooklyn facility, he added, is 36,000 square feet.

Mr. Salaberrios further explained that the new facility in Amityville, New York consists of two adjoining buildings that will house the Company's 46,000 square foot warehouse, fulfillment and office facility along with 66,000 square feet that will continue to be leased to an existing tenant, Lambro Industries for \$4.50 a square foot.

This rental income, Mr. Salaberrios noted, will offset the debt service and the cost of running the new facility.

Mr. Salaberrios then went on to note that the Company is financially sound and that the JDA Finance Committee had provided its approval to move the project forward on to the full board for consideration.

DRAFT – SUBJECT TO REVIEW AND REVISIONS

Following the full presentation, the Acting Chair called for questions or comments. Director Shaffer noted that she was surprised the bank did not want to finance this because they called it an investment property and she asked for clarification as to the bank's reasoning on that.

Mr. Salaberrios noted that it is because they are not occupying 51% of the property and unless you occupy 51% of the property, the Small Business Administration ("SBA") considers it to be an investment property.

In answer to a further question, Mr. Salaberrios stated that the SBA will not give a traditional bank loan on an investment property and therefore, it would be necessary to seek a commercial loan.

Mr. Salaberrios further noted that if the project is approved by this Board and JDA's Board, the Company will begin to hire employees from the Town of Wyandanch.

The Acting Chair asked how many jobs are currently at the site and Mr. Salaberrios stated that there are approximately 36 employees at the Brooklyn site and they will increase the number by ten when they move into the new facility.

Mr. Salaberrios further noted that it is expected that the employees from Brooklyn will move along with the Company to Long Island.

DRAFT – SUBJECT TO REVIEW AND REVISIONS

There being no further questions or comments, and upon motion duly made and seconded, the following resolution was unanimously adopted:

Long Island (Long Island Region – Suffolk County) – Merola Sales Company, Inc. – Authorization to Act and Perform as LDC on JDA Real Estate Loan for the benefit of Merola Sales Company, Inc. and to Take Related Action

RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, and each of them hereby is, authorized to make a Special Purpose Fund Real Estate Loan to Statewide Local Development Corporation for the benefit of Merola Sales Company, Inc. for an amount not to exceed \$3,000,000 or 50% of the total real estate project cost, whichever is less, to be funded from the proceeds of New York State Guaranteed Special Purpose Fund bonds or notes, for the purposes and substantially on the terms and conditions set forth in the materials presented at this meeting, with such changes as the Chief Executive Officer of the Authority or his designee(s) may deem appropriate; and be it further

RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, subsequent to the making of the Loans, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the Loans as he or she may deem appropriate in the administration of the Loans; and be it further

RESOLVED, that the Chief Executive Officer of the Authority, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Authority to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions; and be it further

RESOLVED, that the provision of financial assistance by the Authority is expressly contingent upon: (1) the approval of the Public Authorities Control Board, as applicable, and (2) the receipt of all other necessary approvals.

* * *

There being no further business, the meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Eileen McEvoy
Corporate Secretary



STATEWIDE LOCAL DEVELOPMENT CORPORATION

FOR CONSIDERATION

July 31, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Staten Island (New York City Region – Richmond County) – JDA Real Estate Loan for the benefit of United New York Sandy Hook Pilots’ Benevolent Association & United New Jersey Sandy Hook Pilots’ Benevolent Association

RE: Authorization to Act and Perform as LDC on JDA Real Estate Loan and Take Related Actions; Determination of No Significant Effect on the Environment

JDA Loan Terms	
Borrower:	United New York Sandy Hook Pilots’ Benevolent Association & United New Jersey Sandy Hook Pilots’ Benevolent Association
Economic Region:	New York City (Staten Island)
Loan Amount Requested:	\$3,435,000
Rate:	4.73% (fixed)
Term:	20 years
Classification:	IA-
Distressed Area:	Yes
Initial Payment:	\$22,160.28

JDA Budget					
Uses			Sources		
Building Construction	\$ 4,725,000	83%	JDA ⁽¹⁾	\$ 3,435,000	60%
Soft Costs	1,000,000	17%	Northfield Bank Loan	1,717,500	30%
			Equity	572,500	10%
Total Project Costs	\$ 5,725,000	100%	Total Project Financing	\$ 5,725,000	100%

(1) 20-year term at 4.73% fixed annual rate.

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Security: A second lien on the real estate located at 201 Edgewater Street in Staten Island, NY. The value of the collateral is \$5,900,000.

Job Information (at project site):

Existing: 130 full-time **New Jobs Projected:** 15 full-time by five years after loan disbursement

JDA Loan Amount per job: \$23,690

Project Summary:

Borrower: United New York Sandy Hook Pilots' Benevolent Association & United New Jersey Sandy Hook Pilots' Benevolent Association
201 Edgewater Street
Staten Island, NY 10305

Contact: Captain Thomas P. Walsh, Vice President
Phone: 718-448-3900 x200
Fax: 718-816-8036

This report concerns a proposed New York Job Development Authority ("JDA") loan for the amount of \$3,435,000 (the "JDA Loan"). The JDA Loan is to be used towards the construction of a facility located in Staten Island, New York (the "Project"). The total cost of the Real Estate Project is \$5,725,000 (the "Project Cost").

Project location: 201 Edgewater Street
Staten Island, NY 10305

Project Completion: 2nd Quarter 2015

1) PROJECT OVERVIEW AND RECOMMENDATION

Background

The United New York Sandy Hook Benevolent Association & United New Jersey Sandy Hook Benevolent Association (the "Associations") history began in 1694, when New York's colonial assembly commissioned a small group of local seamen to aid the captains of ships in navigating the tricky tidal currents and narrow passages of New York Harbor. At the time, the city's population was only about 3,000, but its business grew with the harbor, turning into a highly competitive trade where various local pilot groups vied for the business of ships arriving off the ocean. This format continued until the Blizzard of 1888 struck New York City. While the city was paralyzed, the pilot groups were devastated. Nine boats and 17 pilots were lost in the blizzard.

Following this tragedy, the New York State Board of Commissioners forced the competing pilot groups to combine into a single entity and pursue the safe boarding method of a steam powered station boat. Now known as the Sandy Hook Pilots, this group is responsible for

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providing pilotage to all foreign flag vessels entering and leaving the Port of New York and New Jersey (the “Port”).

Today, the 75 pilots in the Associations provide pilotage services to all foreign flag vessels and American vessels under register (regulated vessels) entering or departing the Port, the Hudson River, the East River, Atlantic City, Jamaica Bay, and Long Island Sound as required by state law. Pilotage is provided on a 24-hour basis, 365 days of the year in all weather conditions and port circumstances. These highly trained men and women provide the port navigational safety, protect the interests of the bi-state region, and serve the public trust. The apprentice training program creates licensed harbor pilots capable of piloting the largest of seafaring vessels entering and leaving the port. These pilots provide this service for all foreign flagged vessels, and vessels under registry, comprising of 95% of all cargo entering the Port.

The Associations now take in over \$54MM a year in fees from pilotage services. The top five major customers in terms of annual pilotage revenue include: Moran Shipping Agencies (\$5.8MM/year), Mediterranean Shipping Company (\$4.8MM), Maersk, Inc. (\$4MM), Norton Lilly International (\$3.4MM), Hapag-Lloyd Inc. (\$2.7MM). The Associations collect and process the pilotage fees, assign and provide logistical services for the pilots, maintain the headquarters on Staten Island and the boats, and provide payroll, health insurance, and pensions for the pilots.

The pilots function in a highly regulated industry. The states issue the licenses to qualified applicants in order to have competent pilots in sufficient number to provide all of the pilotage needs of the port. Changes in ships sizes and cargo volumes speak to this required number of pilots. These are the only market trends for this navigational service in the port. The Board of Commissioners of Pilots is a public agency, created by the New York State Legislature, to provide for the selection, training, licensing, and regulation of pilots, who navigate oceangoing vessels, and also set prices for pilotage services based on tonnage volume.

Project Description

The Associations are the sole providers of pilotage service to ships entering and departing from the Port. The base of operations, located on the North Shore of Staten Island, suffered heavy damages from Hurricane Sandy and an entirely new building is needed. The project calls for the construction of a 14,000 SF LEED Platinum facility 8 feet above FEMA Flood Plain (see maps, renderings, and pictures in the Diagrams and Photos section on pages 14-17). The facility will house a machine and engine repair shop, administration offices, pilot dispatch and operations command center and will include the installation of back-up systems for the communications systems and power.

The \$5.725MM project will support 20 construction jobs, create 15 new jobs and retain 130 jobs. Currently in design and permitting phase the construction is expected to begin in May 2014 and be completed by April 2015. The Associations came to JDA to finance \$3.435MM along with Northfield Bank. JDA was willing to provide 60% of permanent financing, extending

over 20 years, which Northfield couldn't match on its own. The pilot members are responsible for servicing the debt. Spreading the debt payments over a longer time horizon will enable newer and future members to more equally share in the debt obligations with the seasoned pilots who will be retiring shortly, and also more accurately mirror the asset life.

The Associations' pilots take distributions (in lieu of salary) based on seniority and licensure levels. The average annual distribution per pilot in 2013 was \$367k (not including benefits and pension). Based on a decision by the Board of Trustees with backing by a majority of the pilot members, debt can be assumed by the Pilots to make capital expenditures. Debt service payments, as with all other common expenses, will reduce annual per pilot distributions.

The economic priority of this project stems directly from the vital services the Associations provide throughout the chain of intrastate, interstate, and international commerce created on the waters of New York. Moreover, the Pilots are responsible for significant job retention and creation within New York State. Currently, the Associations employ 130 people, the majority of whom are New York State residents. This workforce includes the pilots, shoreman, mechanics, administrators, and various other professionals. Combined, the Associations are responsible for creating over \$45 million in direct workforce revenue each year.

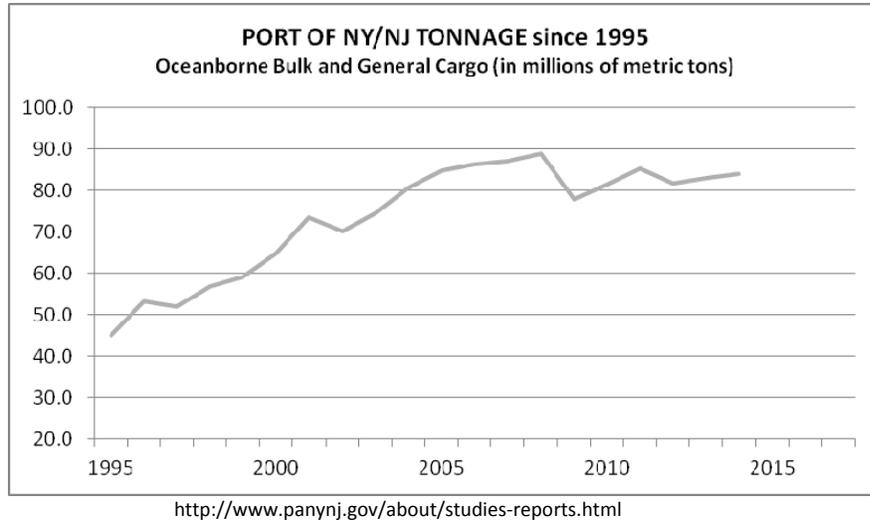
The project is located in a highly distressed area of Staten Island post-Sandy.

Market Analysis

The global shipping climate was obviously affected by the "Great Recession" in 2008. Countries throughout the world faced fiscal crisis and fuel prices rose. However, the New York-New Jersey Port Industry continued to invest in the infrastructure needed for efficient global supply chains. This included deepening of the channels, significant terminal enhancements and expansions, state-of-the-art inland connections, and new terminals in the Jersey City/Bayonne area to accommodate and support the larger Post-Panamax ships that are now being developed.

The Port of NY/NJ industry supports more than 279,200 local jobs representing nearly \$12B in annual wages. Many of these jobs are allotted to increasingly-scarce high-quality skilled trades. Meanwhile the port generates more than \$5B in annual tax revenues to state and local governments.¹

¹ <http://www.panynj.gov/port/regional-economic-benefits.html>



Recommendation

The JDA Loan is recommended for approval based on the following:

- The Associations are financially strong with pilotage fees stable over the 3-year historical period. Based on 2013 financials, the Associations have the ability to repay the JDA loan with a projected Debt Service Coverage Ratio (“DSCR”) that meets JDA’s minimum standard of 1.20.
- Per the Articles of Association, the Associations members are only paid after the Association pays out all collected pilotage fees to operating costs, debt service, insurance, and pension obligations.
- At the completion of this project, 130 full-time jobs will be retained and 15 new jobs will be created by five years after loan disbursement. The Associations considered relocating to New Jersey.

2) COVENANTS AND CONDITIONS

This Loan is predicated upon the following financial conditions:

- The Associations must obtain firm commitments satisfactory to JDA from responsible financial sources for the total project cost exclusive of any loan requested from JDA.
- The Associations must provide an appraisal of the subject property that indicates a loan to value not to exceed 90% at the time of closing.
- The Associations must maintain a minimum debt service coverage ratio of 1.20 throughout the term of the loan.
- The Associations cannot amend Section 3 of their Articles of Association without the expressed written consent of the New York Job Development Authority.
- The Associations must meet all other standard JDA requirements as follows:
 - a. Completion of the Real Estate Project to the satisfaction of JDA, as evidenced by a certificate of occupancy and such other

- certification (including environmental approvals) required for the Facility to be used for the purposes intended.
- b. Execution and delivery of the Note, the Security Agreement, the Mortgage and Loan and Use Agreement (furnished by JDA), and related documents by the Associations, all satisfactory to JDA.
 - c. Procurement by the Associations of funds which shall be used at or prior to the closing to pay the Real Estate Project Cost, exclusive of the proceeds of the Loan.
 - d. Receipt by JDA of policies of insurance, including flood insurance if required, in amount, form and substance and issued by companies satisfactory to JDA.
 - e. Receipt by JDA of an itemized statement of Real Estate Project Cost, satisfactory to JDA. (PLEASE BE ADVISED THAT, FOR ACQUISITION OF EXISTING BUILDINGS, THERE MUST BE SUFFICIENT ELIGIBLE BUILDING CONSTRUCTION REHABILITATION COSTS TO SATISFY THE REQUIREMENTS SET FORTH IN THE INTERNAL REVENUE CODE AS DETERMINED BY JDA'S BOND COUNSEL).
 - f. Receipt by JDA of financing documents of other lender(s) satisfactory to JDA.
 - g. Satisfaction of such other conditions as JDA, with advice of counsel, deems necessary or advisable to effectuate the Loan, secure the interest of JDA and insure compliance with the JDA Statute and applicable provisions of the Internal Revenue Code.
 - h. Execution of documents to permit monthly electronic debit of the Pilots' checking account to repay the Loan.
 - i. Compliance with ADDITIONAL REQUIREMENTS stipulated in all Schedules, Exhibits and Riders, attached hereto and made a part hereof.
 - j. Compliance with any other terms and conditions deemed to be necessary and appropriate in the opinion of the General Counsel of JDA.
 - k. The Associations will contribute at least 10% in equity to the Real Estate Project. Equity is defined as any non-debt source of capital and should be auditable through the Associations' financial statements or the Associations' accounts, if so requested by JDA.
 - l. Subordination of any loans to the Associations from those certain officers and members of the Associations stipulated herein in a manner satisfactory to JDA.
 - m. The Associations shall not enter into any agreement by which the terms of payment of any principal or interest under any other bank loan are waived, modified, deferred, delayed, increased or reduced in rate or amount, without the prior written consent of JDA.

- n. All certifications and permits for the operating purposes of the Facility to be in full force and effect prior to closing the Loan.
- o. Subordination of any leases which may affect the Facility to the Mortgage.

3) ENVIRONMENTAL REVIEW

ESD staff on behalf of the JDA has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

4) NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY

ESD’s Non-discrimination & Contractor and Supplier Diversity policy will apply to the Project. The Recipient shall be required to use good faith efforts (pursuant to 5 NYCRR §142.8) to achieve an overall Minority and Women Business Enterprise (“MWBE”) participation of 40%, Minority Business Enterprise (“MBE”) participation of 25% and a Women Business Enterprise (“WBE”) participation of 15% related to the total value of ESD’s funding and to solicit and utilize MWBEs for any contractual opportunities generated in connection with the Project. MBE participation requirements may not be substituted for WBE participation, or the reverse. A further explanation of the MWBE requirements is attached hereto.

5) ADDITIONAL SUBMISSIONS TO MEMBERS

New York State Map
JDA Loan Underwriting Classification System
Diagrams and Photos

July 31, 2014

Staten Island (New York City Region – Richmond County) – United New York Sandy Hook Benevolent Association & United New Jersey Sandy Hook Benevolent Association – Authorization to Act and Perform as LDC on JDA Real Estate Loan for the benefit of United New York Sandy Hook Benevolent Association & United New Jersey Sandy Hook Benevolent Association and to Take Related Action

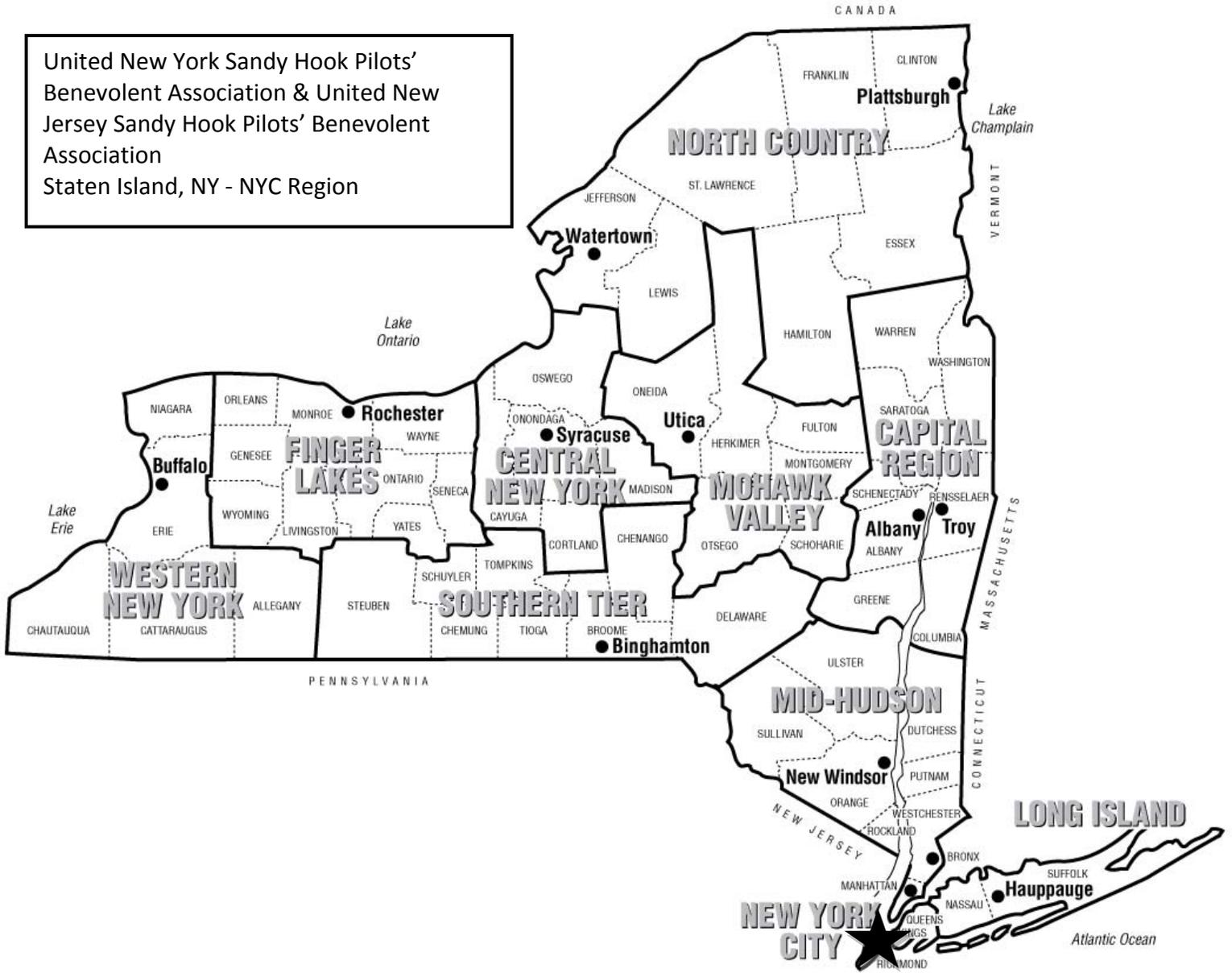
RESOLVED, that the Chairman of the Corporation, or his designee(s) be, and each of them hereby, authorizes a real estate loan from the New York Job Development Authority for the benefit of United New York Sandy Hook Benevolent Association & United New Jersey Sandy Hook Benevolent Association, representing 60% of eligible project costs, not to exceed \$3,435,000, to be funded from the proceeds of New York State Guaranteed Special Purpose Fund bonds or notes, for the purposes and substantially on the terms and conditions set forth in the materials presented at this meeting and subsequently to the JDA Board, with such changes as the Chief Executive Officer of the JDA or his designee(s) may deem appropriate; and be it further

RESOLVED, that the Chairman of the Corporation, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolution; and be it further

RESOLVED, that the provision of financial assistance by the Corporation is expressly contingent upon: (1) JDA receipt of the approval of the Public Authorities Control Board, as applicable (2) receipt of funds from JDA and (3) the receipt of all other necessary approvals.

STATEWIDE LOCAL DEVELOPMENT CORPORATION

United New York Sandy Hook Pilots' Benevolent Association & United New Jersey Sandy Hook Pilots' Benevolent Association
Staten Island, NY - NYC Region



JDA Underwriting Classification Chart

Level I: Cash Flow	Level II: Default Risk	Level III: Collateral Value
I Actual or Adjusted Debt Service Coverage \geq 1.2:1	A Score of \geq 4 on the Default Risk Model Low Risk	+ Liquid value of collateral + adjusted value of personal guarantee \geq total loan value
II Actual or Adjusted Debt Service Coverage $<$ 1.2:1, but with Projected Debt Service Coverage \geq 1.2:1	B Score of 3 on the Default Risk Model Moderate Risk	- Liquid value of collateral+ adjusted value of personal guarantee $<$ total loan value
	C Score of \leq 2 on the Default Risk Model Higher Risk	

FOR CONSIDERATION

July 31, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Green Island (Capital Region – Albany County) – JDA Real Estate and Machinery and Equipment Loans for the benefit of The Case Group.

RE: Authorization to Act and Perform as LDC on JDA Real Estate and Machinery and Equipment Loans Take Related Actions; Determination of No Significant Effect on the Environment

RE: Authorization to Make a Real Estate Loan and a JDA Loan Terms (Real Estate)	
Borrower:	The Case Group
Economic Region:	Capital Region
Loan Amount Requested:	\$1,380,000
Rate:	4.54% (fixed)
Term:	10 years, 20 year amortization
Classification:	IIC+
Distressed Area:	Yes
Initial Payment:	\$8,760.39

JDA Loan Terms (Machinery & Equipment)	
Borrower:	The Case Group
Economic Region:	Capital Region
Loan Amount Requested:	\$900,000
Rate:	4.54% (fixed)
Term:	10 years
Classification:	IIC+
Distressed Area:	Yes
Initial Payment:	\$9,344.82

JDA Budget (Real Estate)				
Uses		Sources		
Expansion of Real Estate	2,300,000	JDA Loan*	1,380,000	57%
Soft Costs	97,000	Bank Loan**	690,000	29%
		Equity	327,000	14%
Total Project Costs	2,397,000	Total Project Financing	2,397,000	
*10 year loan (20 year amortization) @ 4.54%				
**5 year loan (20 year amortization) @ 4.60% from First Niagara Bank				

JDA Budget (Machinery & Equipment)				
Uses		Sources		
Machinery & Equipment	1,500,000	JDA Loan*	900,000	59%
Soft Costs	36,000	Bank Loan**	450,000	29%
		Equity	186,000	12%
Total Project Costs	1,536,000	Total Project Financing	1,536,000	
*10 year loan @ 4.54%				
**5 year loan (10 year amortization) @ 4.47% from First Niagara Bank				

Security:

- a. A second lien on the real estate with the bank taking the first lien. JDA will be behind \$1.989MM in bank loans, which includes \$1.39MM from a previous deal. The value of the collateral is expected to be \$6,300,000.
- b. A co-equal first lien on the machinery and equipment with the Bank. The cost of the collateral is \$1,500,000.

Guarantors:

- a. Personal guarantees will be provided by Russell Brooks and Gerhard Loeffel, whose combined personal net worth is less than the amount of the loans.

Job Information (at project site): Existing: 29 full-time **New Jobs Projected:** 26 full-time

Project Summary:

Borrower: The Case Group
195 Cohoes Avenue
Green Island, NY

Contact: Russell Brooks
Phone: 518-720-3100
Fax: 518-720-3110

This report concerns two proposed New York Job Development Authority (“JDA”) loans for the amount of \$1,380,000 and \$900,000 respectively (collectively, the “JDA Loans”). The \$1,380,000 loan (the “Real Estate Loan”) is to be used towards the expansion of an existing facility located in Green Island, New York (the “Real Estate Project”). The total cost of the Real Estate Project is \$2,397,000 (the “Real Estate Project Cost”). The \$900,000 loan (the “M&E Loan”) is to be used towards the purchase of machinery and equipment (“M&E”) for the facility (the “M&E Project”). The total cost of the M&E Project is \$1,536,000 (the “M&E Project Cost”).

Project location: 195 Cohoes Avenue
Green Island, NY 12183

Project Completion: 1st Quarter 2015

1) PROJECT OVERVIEW AND RECOMMENDATION

Background

The Case Group, established in 2001, manufactures high quality wood and metal windows and doors. Case serves the luxury, residential, high end commercial and institutional markets but its primary customers are contractors and architects for private homes. Its major competitors for the wood products are Duratherm, Albertini, Tischler and Zeluck. For steel products, its competitors are Brombal, Dynamic and Steel Windows and Doors USA.

Market Trends

Spurred by gains in construction spending and a rebound in housing completions, demand for windows and doors in the US is forecast to rise 9.3% per year over the next several years. Total demand is expected to reach \$34.2B by 2016, up from \$21.2B in 2011.

U.S. Window and Door Demand
(millions of dollars)

	2006	2011	2016	% Annual Growth	
				'06-'11	'11-'16
Total Demand	33,320	21,250	34,200	-8.6	10.0
Metal	13,170	9,220	14,050	-6.9	8.8
Wood	12,430	6,400	10,400	-12.4	10.2
Plastic	7,720	5,630	9,750	-6.1	11.6

Source: The Freedonia Group



High end window volume increased by 6% in 2012 vs. 2011. The market is projected to grow by 12% per year over the next three years.

Project Description

The Real Estate Project involves the construction of a 28,811 square foot addition to its existing 50,000 square foot facility. The expansion will enable the Company to increase capacity to meet current demand and provide space for climate controlled storage of its wood and metal inventory. The storage will reduce manufacturing time by 6 to 10 weeks because currently the Company must order material as needed instead of storing it for future use. The acquisition of the new metalworking equipment, especially the Emmegi machining center will decrease manufacturing time.

The primary benefits of the M&E upgrade are higher levels of efficiency, increased capacity, cost reduction, productivity, and enhanced performance.

Strengths

- The project had already been approved by the JDA board on September 28, 2012 and the incentive proposal was signed. However, due to delays in completing customer contracts, the project was put on hold. This problem has been resolved.
- In 2014, the Company already has \$4.7MM in sales contracts that are in various stages of completion. If contracts are completed on schedule, 2014 debt coverage would be 1.65 which is above the 1.2 threshold. In addition, there is \$7.5MM of pending contracts beyond 2014 with at least a 50% probability of execution.
- There is bank debt coming due in 2014 that will be refinanced at a lower interest rate thus reducing debt service.
- JDA is being provided real estate collateral with a loan to value ratio that is significantly lower than the required 90%.
- The Company currently has an outstanding JDA loan that is in good standing.

Weaknesses

- Sales declined substantially during 2012. Due to limited capacity in its current facility and the long term nature of its contracts, it becomes very difficult to replace lost revenue with other contracts if an existing contract is cancelled or delayed during the manufacturing process.
- With a classification of IIC+, the Company may have difficulty servicing its debt based on 2013 performance.

Recommendation

The JDA Loans are recommended for approval based on the following:

- If Case successfully completes contracted projects, management projects that the Company will experience a substantial increase in total revenue and profitability.

The increase in sales will be due to greater manufacturing capacity and increased profits will be due to greater efficiency in the manufacturing process.

- At the completion of this project, 29 jobs will be retained and 26 will be created.
- The Company has a track record of making timely payments on its current JDA obligation.
- It also will be recommended that the bank put up to \$690,000 in additional money that will be senior to JDA's position on the existing loan.

2) DESCRIPTION OF CASE GROUP AND THE PRINCIPALS

Borrower Name: The Case Group, LLC

Address: 195 Cohoes Avenue
Green Island, NY 12183

Phone Number: 518-720-3100

Ownership: Russell Brooks (44%); Gerhard Loeffel (44%); Otto Loeffel (6%); Thomas Brooks (6%)

Nature of Business: Manufacturer of windows and doors.

3) COVENANTS AND CONDITIONS

This Loan is predicated upon the following financial conditions:

- Case Group must obtain firm commitments satisfactory to JDA from responsible financial sources for the total project cost exclusive of any loan requested from JDA.
- Case Group must provide an appraisal of the subject property that indicates a loan to value not to exceed 90% at the time of closing.
- Case Group must maintain a minimum debt service coverage ratio of 1.20 throughout the term of the loan.
- Case Group must meet all other standard JDA requirements as follows:
 - a. Completion of the Real Estate Project and M&E Project to the satisfaction of JDA, as evidenced by a certificate of occupancy and such other certification (including environmental approvals) required for the Facility to be used for the purposes intended and the purchase and installation of the M&E and such other certification(s) required before the M&E may be used for the purposes intended.
 - b. Execution and delivery of the Note, the Security Agreement, the Mortgage and Loan and Use Agreement (furnished by JDA), and related documents by Case Group, all satisfactory to JDA.
 - c. Procurement by Case Group of funds which shall be used at or prior to the closing to pay the Real Estate Project Cost and M&E Project Cost, exclusive of the proceeds of the Loan.

- d. Receipt by JDA of policies of insurance, including flood insurance if required, in amount, form and substance and issued by companies satisfactory to JDA.
- e. Receipt by JDA of an itemized statement of Real Estate Project Cost and M&E Project Cost, substantiated by cancelled checks and paid bills, satisfactory to JDA. (PLEASE BE ADVISED THAT, FOR ACQUISITION OF EXISTING BUILDINGS, THERE MUST BE SUFFICIENT ELIGIBLE BUILDING CONSTRUCTION REHABILITATION COSTS TO SATISFY THE REQUIREMENTS SET FORTH IN THE INTERNAL REVENUE CODE AS DETERMINED BY JDA'S BOND COUNSEL).
- f. Receipt by JDA of financing documents of other lender(s) satisfactory to JDA.
- g. Satisfaction of such other conditions as JDA, with advice of counsel, deems necessary or advisable to effectuate the Loan, secure the interest of JDA and insure compliance with the JDA Statute and applicable provisions of the Internal Revenue Code.
- h. Delivery of Case Group's waiver and consent, in form furnished by JDA, permitting entry by JDA and removal of the M&E (in whole or in part(s)) in the event of default and waiving rights to prior claim against the M&E as fixtures, abandoned property or otherwise.
- i. Execution of documents to permit monthly electronic debit of Case Group's checking account to repay the Loan.
- j. Compliance with ADDITIONAL REQUIREMENTS stipulated in all Schedules, Exhibits and Riders, attached hereto and made a part hereof.
- k. Compliance with any other terms and conditions deemed to be necessary and appropriate in the opinion of the General Counsel of JDA.
- l. Receipt by JDA of an Intercreditor Agreement setting forth terms of co-equal first lien position shared with another bank, satisfactory to JDA (form furnished by JDA).
- m. Case Group or Case Group's owners will contribute at least 10% in equity to the Real Estate Project and the M&E Project. Equity is defined as any non-debt source of capital and should be auditable through Case Group's financial statements or Case Group's accounts, if so requested by JDA.
- n. Subordination of any loans to Case Group from those certain officers and members of Case Group stipulated herein in a manner satisfactory to JDA.
- o. Case Group shall not enter into any agreement by which the terms of payment of any principal or interest under any other bank loan are waived, modified, deferred, delayed, increased or reduced in rate or amount, without the prior written consent of JDA.

- p. Collateralization of the Loan with insurance of the life of Russell Brooks and Gerhard Loeffel in an amount sufficient to pay the outstanding principal balance of the Real Estate Loan and M&E Loan at any time.
- q. All certifications and permits for the operating purposes of the Facility to be in full force and effect prior to closing the Loan.
- r. Subordination of any leases which may affect the Facility to the Mortgage.

4) ENVIRONMENTAL REVIEW

ESD staff on behalf of the JDA has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

5) NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY

ESD's Non-discrimination & Contractor and Supplier Diversity policy will apply to the Project. The Recipient shall be required to use good faith efforts (pursuant to 5 NYCRR §142.8) to achieve an overall Minority and Women Business Enterprise ("MWBE") participation of 35%, Minority Business Enterprise ("MBE") participation of 20% and a Women Business Enterprise ("WBE") participation of 15% related to the total value of ESD's funding and to solicit and utilize MWBEs for any contractual opportunities generated in connection with the Project. MBE participation requirements may not be substituted for WBE participation, or the reverse. A further explanation of the MWBE requirements is attached hereto.

6) ADDITIONAL SUBMISSIONS TO MEMBERS

New York State Map
JDA Loan Underwriting Classification System
Facility Pictures

July 31, 2014

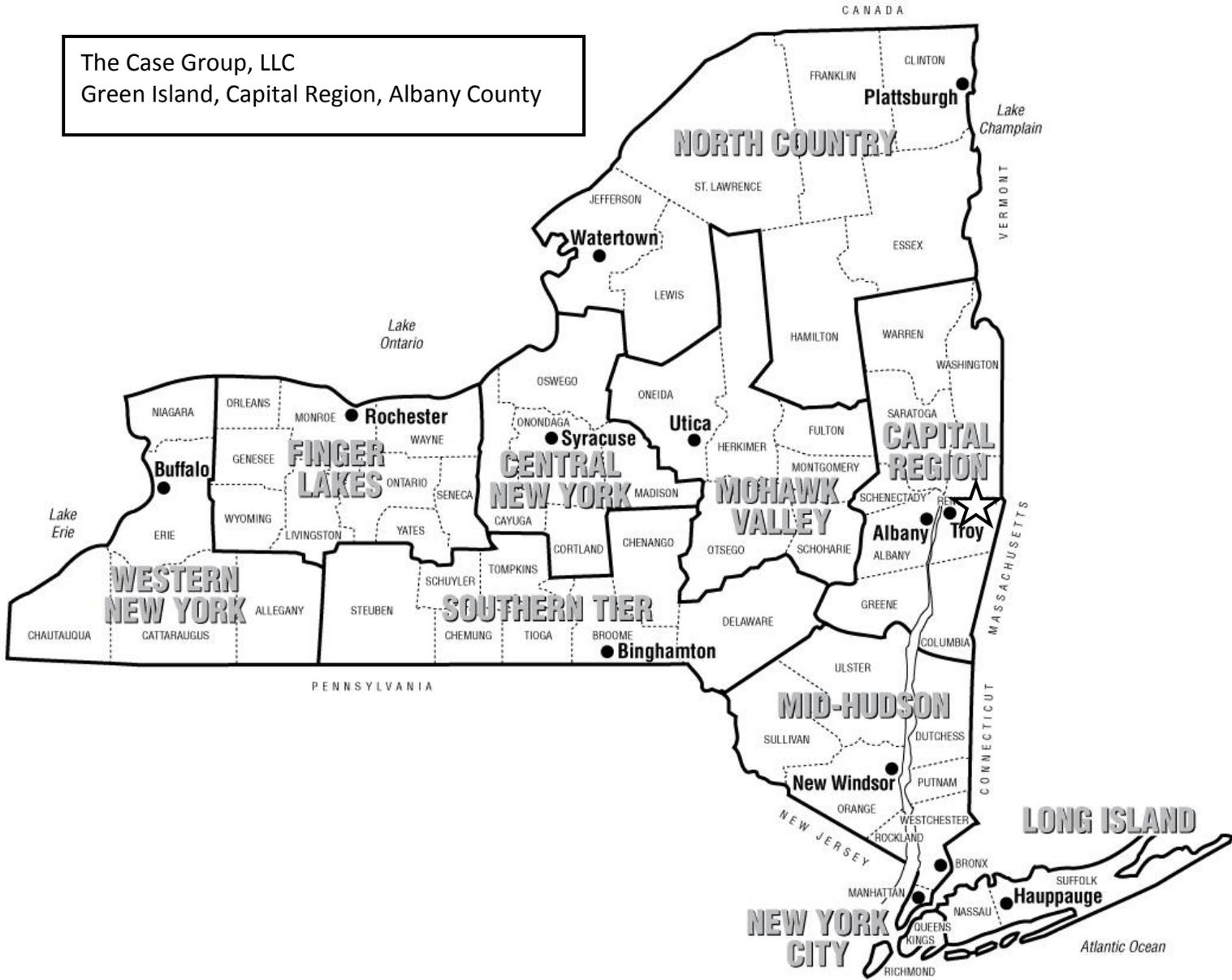
Green Island (Capital Region – Albany County) – The Case Group LLC – Authorization to Act and Perform as LDC on JDA Real Estate and Machinery and Equipment Loans for the benefit of The Case Group LLC and to Take Related Action

RESOLVED, that the Chairman of the Corporation, or his designee(s) be, and each of them hereby, authorizes a real estate loan from the New York Job Development Authority for the benefit of The Case Group LLC representing 60% of eligible real estate project costs, not to exceed \$1,380,000, and representing 60% of eligible project cost for machinery and equipment, not to exceed \$900,000, to be funded from the proceeds of New York State Guaranteed Special Purpose Fund bonds or notes, for the purposes and substantially on the terms and conditions set forth in the materials presented at this meeting and subsequently to the JDA Board, with such changes as the Chief Executive Officer of the JDA or his designee(s) may deem appropriate; and be it further

RESOLVED, that the Chairman of the Corporation, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolution; and be it further

RESOLVED, that the provision of financial assistance by the Corporation is expressly contingent upon: (1) JDA receipt of the approval of the Public Authorities Control Board, as applicable (2) receipt of funds from JDA and (3) the receipt of all other necessary approvals.

The Case Group, LLC
Green Island, Capital Region, Albany County



JDA Underwriting Classification Chart

Level I: Cash Flow	Level II: Default Risk	Level III: Collateral Value
I Actual or Adjusted Debt Service Coverage \geq 1.2:1	A Score of \geq 4 on the Default Risk Model Low Risk	+ Liquid value of collateral + adjusted value of personal guarantee \geq total loan value
II Actual or Adjusted Debt Service Coverage $<$ 1.2:1, but with Projected Debt Service Coverage \geq 1.2:1	B Score of 3 on the Default Risk Model Moderate Risk	- Liquid value of collateral+ adjusted value of personal guarantee $<$ total loan value
	C Score of \leq 2 on the Default Risk Model Higher Risk	