

MINUTES OF MEETING HELD APRIL 30, 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 April 30, 2014 at 11:15 a.m. in the Committee Room, pursuant to the Notice of Meeting emailed on April 17, 2014.

The meeting was called to order by Harold G. Taylor, Chairman of the Warren County Local Development Corporation, at 11:25 a.m.

The following Directors were present:

Harold Taylor	Peter McDevitt
Eugene Merlino	Evelyn Wood
Matthew Simpson	

The following Directors were absent:

Frederick Monroe
Dennis Dickinson

Others Present:

Ed Bartholomew, CEO, Warren County Local Development Corporation
Jennifer Switzer, CFO, Warren County Local Development Corporation
Martin D. Auffredou, Warren County Attorney
Wanda Smith, Confidential Secretary to the County Administrator

Chairman Taylor called the meeting to order. He asked for a motion to approve the minutes of the March 27, 2014 meeting. Motion made by Director Wood and seconded by Director Merlino. 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 there was still cash available to loan out. She asked for a motion to approve the March 31, 2014 Financial Statements. Motion made by Director McDevitt to approve the March 31, 2014 Financial Statements, and seconded by Director Simpson. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation
("LDC") hereby approves the March 31, 2014 Financial Statements.

Chairman Taylor continued with the agenda regarding the Subordination Agreement to Adirondack Economic Development Corporation ("AEDC"). Mr. Bartholomew asked Ms. Switzer

and Mr. Auffredou to discuss this matter. Ms. Switzer stated that they have been working with Wevertown Country Store for approximately eight months and recently adjusted their loan terms. At that time, they attempted to include AEDC, who Wevertown had a loan with, but AEDC was not ready at that time to make a commitment to change their loan. Since that time, AEDC has adjusted their loan with Wevertown. In this process, LDC had moved ahead of AEDC in collateral position. AEDC has asked to retain that superior collateral position. The Subordination Agreement would accomplish this. Ms. Switzer asked for a motion to approve the Subordination Agreement.

Mr. Bartholomew mentioned that the AEDC does a few loans in Warren County primarily up north. He felt that a bank would give AEDC a hard time about staying in the second position, but he did feel that the LDC should agree to the Subordination Agreement.

Mr. Auffredou believed that this puts the LDC back where they were and that it is unusual for the LDC to have a first position. He explained that in the event of a default, this would put the LDC behind AEDC going forward. It is his understanding that the LDC provides additional funding for businesses that are not able to get it through their initial sources or to meet certain goals and objectives and he believed that this would put the LDC in a place to fulfill the original mission of the LDC.

Chairman Taylor stated approving the Subordination Agreement may help Wevertown to carry on, be successful and possibly be stronger. Ms. Switzer agreed. Mr. Bartholomew stated that they have to improve the communication between AEDC and the LDC. He didn't feel that the LDC had much choice but to go back to the original position.

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

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the Subordination Agreement to the Adirondack Economic Development Corporation for Wevertown Country Store.

Chairman Taylor continued with the agenda regarding two loan recommendations. He asked if these loans could be discussed in open session. Mr. Bartholomew mentioned that there would be confidential information discussed on each loan. Mr. Auffredou recommended entertaining a motion for an executive session to discuss the financial or credit history of 1) Superior Cantina, LLC (W. Gary Patton Jr. & Christopher Caplis, Jr.) and 2) Tammy & John Breymaier, who are looking to purchase the Friends Lake Inn. Motion made by Director Wood and seconded by Director Merlino. The motion carried unanimously.

Executive session was declared at 11:33 a.m. to 11:56 a.m.

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

Mr. Bartholomew left the meeting at 11:56 a.m.

Ms. Switzer introduced Gary Patton to the Board. Mr. Patton stated that he was a principal of Superior Cantina and stated that they are excited about bringing their concept to downtown Glens Falls and looking forward to being a part of the community. Mr. McDevitt inquired where the physical location of the restaurant would be. Mr. Patton stated that they were looking at either the Empire Theatre Plaza or 21 Bay Street.

Mr. Patton left the meeting.

Chairman Taylor asked for a motion to approve the application of Tammy & John Breymaier. Mr. Auffredou suggested that the names of the applicants, the location of the property, if possible, the principal indebtedness, the interest rate, the term of the loan and the length of the loan be put into the record. He asked Ms. Switzer for assistance with this information.

Ms. Switzer stated that the first motion was to approve the application for Tammy & John Breymaier, with the actual name of the business to be determined. This loan would be for the purchase of the Friends Lake Inn. The location of the property is 963 Friends Lake Road, Chestertown. The principal amount of the loan is \$200,000. This would be a 15 year amortization as follows: 1) the first 5 year term would be at 5%; 2) the second 5 years would have an adjustment of the rate to the 5 year federal housing loan rate plus 300 basis points; and 3) the final 5 years would have an adjustment to the 5 year federal home loan rate plus 300 basis points. This would be a 15 year loan.

Mr. Auffredou asked what the secured collateral would be and what the LDC's position was with respect to the secured collateral. Ms. Switzer stated the LDC would have a third position on 963 Friends Lake Road, a second position on 954 Friends Lake Road, a first position on all business assets including FF&E and the wine inventory, a guaranty of the operating company, total disability insurance on both owners and a personal guaranty of both owners. Chairman Taylor asked for the above motion. Motion made by Director Simpson and seconded by Director McDevitt. The following motion carried unanimously:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the loan application for Tammy & John Breymaier for the purchase of the Friends Lake Inn, with the following terms:

Loan Amount: \$200,000

Term & Rate: 15 year amortization as follows: 1) the first 5 year term would be at 5%; 2) the second 5 years would have an adjustment of the rate to the 5 year federal housing loan rate plus 300 basis points; and 3) the final 5 years would have an adjustment to the 5 year federal home loan rate plus 300 basis points. This would be a 15 year loan

Secured Collateral: 3rd position on 963 Friends Lake Road, 2nd position on 954 Friends Lake Road, 1st position on all business assets including FF&E and the wine inventory, a guaranty of the operating company, total disability insurance on both owners and a personal guaranty of both owners.

Ms. Switzer stated that the next motion was to approve the application for Superior Cantina, LLC. The owners are W. Gary Patton, Jr. and Christopher Caplis, Jr. The location was to be determined in the City of Glens Falls. The principal amount of the loan would be \$75,000, with an interest rate of 5% being amortized over a 7 year period. The loan would be for 7 years. The collateral would be a first position on all equipment, a pledge of \$25,000 in personal marketable security from one of the owners, term life insurance on both owners and their spouses and a personal guaranty of both owners and their spouses. Chairman Taylor stated that he felt the disability was not important because they had people in place to run the restaurant. Chairman Taylor asked for someone to move the above motion. Motion made by Director Wood and seconded by Director Simpson.

Director Merlino inquired regarding a 5 year lease with option to renew on a 7 year loan. Ms. Switzer stated this was a discussion at the Business Review Committee meeting and because the 5 year renewal option was at the option of the lessee, the BRC felt comfortable recommending approval of the loan.

The following motion carried unanimously:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the loan application for Superior Cantina, LLC (W. Gary Patton, Jr. And Christopher Caplis, Jr.), with the following terms:

Loan Amount: \$75,000

Term & Rate: 7 year loan with 5% interest rate - 7 year amortization

Secured Collateral: 1st position on all equipment, a pledge of \$25,000 in personal marketable security from one of the owners, term life insurance on both owners and their spouses, and a personal guaranty of both owners and their spouses.

Mr. Auffredou inquired if the BRC approved both loans. Ms. Switzer confirmed the BRC recommended that the LDC approve both the above loans.

Chairman Taylor continued with the agenda regarding the loan status report. Mr. Auffredou asked Ms. Switzer if an executive session was needed. She stated possibly on one of the loans. Mr. Auffredou stated that they would go into executive session if needed.

Ms. Switzer mentioned that the LDC was notified that the owner of one of the loans was

deficient on a 2011 agreement with the Warren County Treasurer's Office and was headed toward tax foreclosure. This property has been in this position before. The taxes were paid by the owner of the physical building where the business is operated. She further stated she was unsure if the LDC needed to take any additional action at this time and believed the LDC had already started foreclosure proceedings. Mr. Auffredou confirmed this and stated that the notice was of public record and the names could be mentioned. Ms. Switzer stated the loan was with the Barking Spider. Mr. Auffredou stated that it was his expectation that either Mr. McGraw or the owner of the property, Mr. Shabott, would pay the taxes owed on the property. He stated he would keep the Board apprised in this matter and stated he would not let this property go to a public auction without advising the Board first. The earliest this would happen would be October of this year. He further stated that both Mr. McGraw and Mr. Shabott have been good about communicating. He does not expect this to be a problem for the LDC. Ms. Switzer stated that Mr. McGraw continues to make his payments.

Ms. Switzer stated there were no changes with any of the other loans.

Chairman Taylor asked for the letter received from Hans Hansen to be included in the minutes. A copy of which is attached hereto.

Chairman Taylor asked Mr. Auffredou to update the Board on the Stonecast loan. Mr. Auffredou stated this was a matter that had been pending for some time. The LDC does have a judgment of foreclosure on the 51 Boulevard property. He stated the property has been in and out of bankruptcy. It is currently in bankruptcy under Stonecast, which has stayed the LDC's mortgage foreclosure process. One of the things the LDC could do would be to seek relief from the Bankruptcy Court to lift the stay under 11 U.S.C. 362(d) and allow the LDC to move forward with the judgment of foreclosure. The next step would be to sell the property at a public auction under a foreclosure sale. The asset of the bankrupt estate continues to be a lawsuit that Stonecast has against Fordham University. Mr. Karanikas has secured very good counsel in that proceeding. Her name is Barbara Whipple. He stated that Ms. Whipple has been good about communicating regarding the status of that lawsuit. If Mr. Karanikas and Stonecast are successful in that lawsuit within the Bankruptcy Court, there is a substantial sum of money that Stonecast could receive from Fordham University which in turn would be used to pay, in part, the secured claim of the LDC.

Mr. Auffredou stated a proof of claim has been filed on the LDC's behalf with the Bankruptcy Court. The LDC is in a secured position and it continues to be his position that the LDC await the outcome of that litigation with Fordham University and continue to monitor the bankruptcy proceeding with a hope that the LDC will receive some payout through that process. It is his opinion that there is a greater likelihood of receiving a higher payout through that process than there is through selling this property, which is in poor condition, at a foreclosure sale.

Mr. Auffredou stated that Chairman Taylor has some concerns raised by a neighboring property owner. He further stated that he received an email this morning at 10:34 a.m. from Barbara Whipple. The email stated:

I apologize for not getting back to you sooner but I left a message at your office today. Confirmation of Stone Cast's plan (bankruptcy plan) has been adjourned to 5/28/2014. The trial (Fordham University trial) was held in the SDNY in January. I was advised by Attorney Couch (her trial counsel that she hired for the trial) that the trial went well - post trial briefs were submitted and the matter is fully before the Court as of 2/14/2014.

It is my understanding that Judge Drain is pretty efficient so I am hopeful that a decision can be expected in the very near future.

If you need any additional information, please let me know. Thank you.

Mr. Auffredou continues to recommend that the Board await the outcome of that proceeding. He believes the LDC has nothing to lose by doing so, and everything to gain. If nothing comes of the lawsuit, the LDC still has a judgment of foreclosure, could still ask the court for relief of the 362(d) stay and could still seek to have the property sold at a foreclosure auction. He views this as the worse case scenario. This right still exists and would still exist irrespective of the outcome of the trial.

Chairman Taylor stated the letter Mr. Auffredou spoke about is from Hans Hansen. Mr. Hansen is very frustrated with the process, which has been going on for many years. Mr. Hansen believes the LDC is foolish not to foreclose on this property. He stated Mr. Hansen may reach out to each of the Board members individually. Chairman Taylor suggested the Board members only release information that has been released in open session.

Mr. Auffredou added that Mr. Karanikas has insured the property and the LDC is no longer paying insurance premiums. The LDC was named as an additional insured on the policy. Mr. Auffredou stated he understands this has taken a long time and can appreciate Mr. Hansen's position, but sometimes these proceedings take a long time and he believes it's his duty and obligation to advise the LDC Board what he believes the best approach would be.

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

Chairman Taylor adjourned the meeting at 12:15 p.m.

Dated: 6/14, 2014


Peter McDevitt, Secretary

I've been informed of impending LDC meeting for Wednesday morning, which I'd regret that I will not be able to attend due to previous commitments. But I am asking that my following concerns be read and recorded into the minutes of the LDC meeting.

The property in question is an abandoned warehouse at 51 Boulevard, Queensbury. This blighting piece of property has continued to deteriorate. The power has been disconnected from the building. The gas has been disconnected from the building. The water has been disconnected. Even plywood has been put up to hide the deteriorating building from the LDC and insurance company.

If any of the following is incorrect please correct it as this is the best information I have at this time.

The property owner took out a \$400,000 LDC mortgage against a property that is now valued at under \$100,000 of which over \$200,000 is still owed and has been in default since September of 2006, 8 years ago. A judgment of foreclosure was obtained shortly after that, but was never executed supposedly due to bankruptcy. A motion was made to the bankruptcy court for relief from bankruptcy so that you can continue with judgment of foreclosure and sale of the premises, which I do not know the outcome of that motion.

There had been 5 or 6 times, the property owner and/or his attorneys have made promises to the LDC to come to agreement and/or pay off this note and none of them ever materialized.

Also during this period, the taxes on the property had not been paid and continue to add up. The subject property has never showed up in the newspaper for past due taxes and this is perplexing that this property has not been put up for foreclosure on the nonpayment of taxes alone.

On October 3, 2013 CNB Realty trust and assignee for NBT bank foreclosed and sold at auction a piece of property located on Towpath Road in Fort Edward for \$325,000. It took 7 amended foreclosures to sell this property, and it is the same person that owns the 51 Boulevard property and continues to circumvent the system and not pay his obligations.

The LDC has foreclosed on a lot of smaller loans over the last few years, but continues to give this guy a pass. The money that is owed the LDC could and should be used for other startup businesses and business expansion. Instead, negotiations continue with some lawyer that is doing nothing but costing the LDC, Warren County, and finally the taxpayers, time and money.

Finally, I have had many conversations with, Bud Taylor about the 51 Boulevard property. Even though Bud was forthcoming and very helpful at the beginning you can tell the frustration has started to come through during our last couple phone conversations as there's been no action or answers to the outcome of the property at 51 Boulevard Queensberry New York

In closing I don't know why this guy keeps getting a pass were anybody else would've been foreclosed on, many years ago, and why for the nonpayment of taxes the county has not gone after and foreclosed against this property on that basis alone.

Hans Hansen