

NEW YORK JOB DEVELOPMENT AUTHORITY

Meeting of the Members

Monday

February 2, 2015

AGENDA

FOR CONSIDERATION

CORPORATE ACTION

1. Approval of the Minutes of the October 24, 2014 Member's Meeting

DISCRETIONARY PROJECTS

2. Buffalo and Wyoming (Western New York Region – Erie and Wyoming Counties) – JDA Loans for the benefit of TMP Acquisitions, Inc. – Authorization to Make Loans with New York Job Development Authority Proceeds and Take Related Actions
3. Latham (Capital Region – Albany County) – JDA Loan for the benefit of Upstate Veterinary Specialty, PLLC – Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

DRAFT – SUBJECT TO REVIEW AND REVISION

NEW YORK JOB DEVELOPMENT AUTHORITY
d/b/a Empire State Development Corporation
Meeting of the Members
Empire State Development Corporation
633 Third Avenue
New York, New York 10017

and

New York State Department of Labor
State Campus
Building 12, Room 500
Albany, New York 12240

and

New York State Department of Financial Services
1 State Street
New York, New York 10006

October 24, 2014

MINUTES

Members Present:

Kenneth Adams, Commissioner of DED – Chairman
Adam Barsky
Emily Youssouf
Anthony Albanese, Designee - NYS Department of
Financial Services
James Bays, Designee - NYS Department of Agriculture and
Markets
Mario Musolino, Designee - NYS Department of Labor

JDA Staff:

Elizabeth Fine – General Counsel
Eileen McEvoy, Corporate Secretary
Kathleen Mize, Controller

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Present for ESD: John Bozek, Senior Financial Analyst – Real Estate and Project Finance
Joseph Chan, Executive Vice President – Real Estate Development
Robert Godley, Treasurer
Peter Heilbrunn, Senior Director – Debt Management
Antovk Pidedjian, Senior Counsel
Ray Salaberrios, Senior Director – Economic Revitalization

Also Present: The Press
The Public

The meeting was called to order at 2:12 p.m. by Chairman Adams. It was noted for the record that notice 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.

Chairman Adams then set forth the guidelines regarding comments by the public on matters on the Agenda, as well as with regard to any conflicts of interest the Members may have regarding any of the items on the Agenda. It was noted that no such conflicts exist.

The Chairman then entertained a motion to approve the Minutes of the June 26, 2014 and August 4, 2014 Members' Meetings.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

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APPROVAL OF THE MINUTES AND RATIFICATIONS OF ACTIONS TAKEN AT THE JUNE 26, 2014 AND AUGUST 4, 2014 MEMBERS' MEETINGS OF THE NEW YORK JOB DEVELOPMENT AUTHORITY

RESOLVED, that the Minutes of the meetings of the Authority held June 26, 2014 and August 4, 2014 as presented to this meeting, are hereby approved and all actions taken by the Members present at such meetings, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

* * *

Next, Mr. Salaberrios presented a JDA real estate acquisition loan and a machinery and equipment loan for the benefit of Chapman Properties, LLC d/b/a Empire Farmstead Brewery for the Members' consideration.

Before Mr. Salaberrios began his detailed synopsis of the information regarding this loan, the Chairman noted the item was analyzed and approved for presentation to this Board by the Finance Committee.

Mr. Salaberrios then asked the Members to authorize the Authority to make a real estate loan to the above named entity in the amount of \$2,196,000 as well as a machinery and equipment loan in the amount of \$1,398,300.

Mr. Salaberrios explained that the administrative portion of the \$2,196,000 loan will be used to take out 60 percent of an interest-only loan provided by Oneida Savings Bank for the construction of the Company's facility located in Cazenovia, New York.

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The \$1,398,300 loan, Mr. Salaberrios noted, will be used to take out 60 percent of an interest only loan provided by Oneida Savings Bank for the acquisition of brewing equipment.

Mr. Salaberrios then noted that the total amount of the JDA loans is \$3,594,300 and that the total project costs are \$8,394,262.

Mr. Salaberrios went on to provide background information on the Company noting that Empire Brewery was established in 1994 and that it is an award winning brewer of hand-crafted ales and lagers. Mr. Salaberrios added that Empire operates a successful brewery with a contemporary downtown bar and grille on the premises in Armory Square in Syracuse, New York.

Mr. Salaberrios further explained that in 2010, the Company began to distribute its beer to wholesalers and retailers throughout New York but has never bottled its own beer for sale on store shelves.

Mr. Salaberrios continued and explained that Empire has reached its production capacity at its Brew Pub and at its contracting brewing partner, the Green Plant Beer Works facility in Brooklyn.

In order to meet increasing demand, Mr. Salaberrios stated, Empire decided to expand its operations with the launch of its Empire Farmstead Brewery, a 22 acre farm with a 28,000

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square foot brewery and packaging plant located in Cazenovia, New York.

Mr. Salaberrios further explained that Empire Farmstead Brewery is slated to open in late Summer of 2015 and is poised to be the largest farm brewery of its kind in New York State.

Mr. Salaberrios added that the \$8.3 million project is expected to support 20 construction jobs and create 35 permanent full-time jobs in year one and a total of 75 jobs five years after loan disbursement.

Mr. Salaberrios went on to provide certain of the loan terms as well as the other funding sources which must be in place before any JDA funds are released for the project.

Mr. Salaberrios also explained that ESD staff and the JDA Finance Committee acknowledge that the financial analysis is based on projections and is riskier than normal JDA loans. Mr. Salaberrios then went on to outline the compelling factors that led the staff and the Committee to recommend approval.

Among other things, Mr. Salaberrios noted that the Company meets the definition of a company in need of special assistance under the JDA Statute in that the Company has shown that funds equal to the amount of the proposed JDA loan are not reasonably available from other sources at a comparable cost of borrowing.

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Mr. Salaberrios also mentioned other factors including the fact that there is tremendous potential for the Company to create jobs in New York State and that the community at large will derive measureable benefit from the approval of the project.

Following the full presentation, Chair Adams called for questions or comments. Member Youssouf noted that the Finance Committee spent a great deal of time reviewing all of the information provided by staff on this project before agreeing to move forward in spite of the fact that it is riskier than other JDA loans.

The Chair asked for certain clarifications regarding information provided in the materials and Mr. Salaberrios provided same.

Member Bays then spoke favorably with regard to the project noting that he has visited the site and that Agriculture and Markets is pleased that JDA is able to assist with financing the project.

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

Central New York (Cazenovia - Madison County) – Empire Farmstead Brewery, Inc. – New York Job Development Authority Special Purpose Fund Direct Loan Project – Real Estate Loan and Machinery and Equipment Loan -- Authorization to Make Loans and to Take Related Action

RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, and each of

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them hereby is, authorized to make a Special Purpose Fund Machinery & Equipment Loan and a Special Purpose Fund Construction Loan to Statewide Local Development Corporation for the benefit of Empire Farmstead Brewery, Inc. for an amount not to exceed \$2,196,000 or 60% of the total construction project cost, whichever is less, and \$1,398,300 for machinery and equipment or 60% of the total machinery and equipment 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.

* * *

Central New York (Cazenovia) – Empire Farmstead Brewery, Inc. – New York Job Development Authority Special Purpose Fund Direct Loan Project – Real Estate Loan and Machinery and Equipment Loan – Determination of No Significant Effect on the Environment

RESOLVED, that based on the materials submitted to the JDA with respect to the Empire Farmstead Brewery, Inc., the JDA hereby determines that the proposed action will not have a significant effect on the environment.

* * *

The Chairman then noted that the final item was for informational purposes only.

Chairman Adams explained that there would not be a presentation on the JDA Investment

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Report that was previously provided to the Members. He added that staff was available to answer any questions the Members may have with regard to the report. There were no questions on the report.

There being no further business, the meeting was adjourned at 2:29 p.m.

Respectfully submitted,

Eileen McEvoy
Secretary



FOR CONSIDERATION

Date: February 2, 2015

TO: The Members

FROM: Kenneth Adams

Subject: Buffalo and Wyoming (Western NY Region - Erie and Wyoming Counties) – JDA Loans for the benefit of TMP Acquisitions, Inc.

RE: Authorization to Make Loans with New York Job Development Authority Proceeds and Take Related Actions

JDA Loan Terms (Real Estate)	
Borrower:	TMP Acquisitions, Inc.
Economic Region:	Western NY
Loan Amount Requested:	\$2,160,000
Rate:	3.27% (fixed)
Term:	5 years
Classification:	IA-
Distressed Area:	Yes
Initial Payment:	\$39,072.08

JDA Loan Terms (Machinery & Equipment)	
Borrower:	TMP Acquisitions, Inc.
Economic Region:	Western NY
Loan Amount Requested:	\$840,000
Rate:	3.27% (fixed)
Term:	5 years
Classification:	IA-
Distressed Area:	Yes
Initial Payment:	\$15,194.70

JDA Project Budget					
<u>Uses</u>			<u>Sources</u>		
Machinery & Equipment	\$4,320,000	55%	Bank of America Loans	\$4,128,000	52%
Real Estate	3,600,000	45%	JDA Loans	3,000,000	38%
			Equity	792,000	10%
Total JDA Project Cost	\$7,920,000		Total JDA Project Financing	\$7,920,000	

Total Project Budget				
Uses		Sources		
Acquisition of Time Release Sciences*	\$20,700,000	75%	Bank of America Loans	\$13,250,000 48%
Acquisition of TMP Technologies*	6,800,000	25%	Seller Loan	6,250,000 23%
			Equity	3,000,000 11%
			JDA Loans	3,000,000 11%
			Erie County IDA Loan	2,000,000 7%
Total Project Cost	\$27,500,000		Total Project Financing	\$27,500,000
* Includes Real Estate, M&E, Inventory, Accounts Receivables, and Goodwill				

Security: The JDA Loans shall be secured by second liens and security interests on and in all of the properties located at: 1200 Northland Ave., Buffalo, NY, 195 - 205 Dingens Street, Buffalo, NY, and 6110 Lamb Road, Wyoming, NY. The JDA Loans will also be secured by a co-equal first lien on the machinery and equipment purchased with the M&E loan and second liens on all of the Borrower's present and future property and assets, including, but not limited to, inventory and other goods, accounts receivable (excluding accounts receivable pledged for the existing vendor payable programs), and all proceeds and products thereof.

Guarantors: Repayment of the Loans shall be guaranteed by TMP Technologies, Inc., Time Release Sciences, Inc., and personal guarantees will be provided by Robert J. Laughlin and Kirk Dorn.

Job Information (at project sites):

Existing: 124 full-time

New Jobs Projected: 6 full-time by three years after loans disbursement

Average Salary: The average salary (not including owners) is \$41,000. Additional employee benefits equal approximately 35% of salaries. According to US Census Data, Median Household Income in Buffalo in 2013 was \$30,942.

JDA Loan Amount per job: \$23,077

Project Summary:

Borrower: TMP Acquisitions, Inc.
1200 Northland Avenue
Buffalo, NY 14215

Contact: Robert J. Laughlin, President
Phone: 716-895-6100 x253
RLaughlin@tmpotech.com

Ownership: TMP Acquisitions, Inc. is 66.67 % owned by Robert J. Laughlin and 33.33% owned by Kirk C. Dorn. The Company was formed to acquire Time Release Sciences, Inc. and TMP Technologies, Inc.

Nature of Business: The Companies design and manufacture components and assemblies using foam, rubber, plastic and other urethane products.

This report concerns two proposed New York Job Development Authority (“JDA”) loans for the amount of \$2,160,000 and \$840,000, respectively (collectively, the “JDA Loans”). The Real Estate portion of \$2,160,000 is to be used to take out a portion of a loan to be provided by Bank of America for the acquisition of facilities located in Buffalo and Wyoming, New York (the “Real Estate Project”). The \$840,000 loan is to be used to take out a portion of a loan to be provided by Bank of America for the acquisition of machinery and equipment (the “M&E Loan”). The total amount of the JDA Loans is \$3,000,000. The total cost of the Project is \$27,500,000 (the “Project Cost”).

Project locations: 1200 Northland Avenue, Buffalo, NY
195-205 Dingens Street, Buffalo, NY
6110 Lamb Road, Wyoming, NY

Project Completion: First Quarter 2015

1) PROJECT OVERVIEW AND RECOMMENDATION

Background

Time Release Sciences, Inc. (TRS) was started in 2004 for the sole purpose of manufacturing the Mr. Clean Magic Eraser consumer product line for Proctor & Gamble (P&G). The company began at 2495 Main St. in Buffalo, NY leasing 25,000 square feet. TRS quickly outgrew that space and acquired a 100,000 square foot warehouse at its current location of 205 Dingens St., Buffalo, NY. In 2012, a 20,000 square foot expansion of the facilities was undertaken.

TMP Technologies, Inc. (TMP) was founded in 1954. At that time, its sole product was a patented clothesline pulley system and after 60 years, the company has evolved into a multinational manufacturer of specialty foam, rubber, plastic, and metal fabrication. TMP's entry into the foam fabrication business began in 1956 with the fabrication and assembly of a patented floor mop. During the 1970's operations were expanded by acquiring Hallmark Plastics and the purchase of a single press injection rubber molder which has grown into an Advanced Rubber Products Division. Currently, TMP is a specialty contract designer and manufacturer of components and assemblies, manufactured using foam, rubber, plastic, and metal.

The Companies operate in “Distressed Areas”¹ of the Western New York Region. Like many formerly industrial cities in NYS, Buffalo has experienced economic hardship brought about by the loss of its manufacturing base and the thousands of industrial-type jobs over the last 30 years. In 2013, 30.7% of Buffalo's residents lived below the poverty level, more than twice the national average. The median household income is \$30,942, just 53% of the \$58,003 statewide

¹ “Distressed Areas” are defined by the US Department of Treasury as census tracts that, based on the 2010 US Census, either (a) have a poverty rate of at least 20%, or (b) have 80% or less of the area's median household income.

median. TRS and TMP both offer steady average worker salaries of \$41,000 plus benefits (the average excludes owners). These are for high school graduate level jobs.

JDA staff performed a site visit to both the TMP and TRS locations in Buffalo on December 22, 2014, accompanied by the president of the companies. Photos follow this loan report.

Project Description

The project is the complete purchase of both Time Release Sciences, Inc. and TMP Technologies, Inc. from the majority owner Jeffrey T. Dorn, who is retiring. The purchasers are Robert J. Laughlin, the current president of the companies (since 1996), and the corporate VP, Kirk Dorn (son of the current owner). Included in the purchase will be land and buildings at the three addresses identified above, various used equipment that is currently being used at each of these locations as well as all the other assets of each of these companies. All liabilities of each of these entities will also be assumed.

The total financing need of the project is \$27.5 million for the actual purchase of the two Companies. Although the after tax cash flow (EBITDA) from these companies will support \$27.5 million of debt, the collateral does not. Bank of America will finance \$13.25 million of the total need. The buyers will finance an additional \$3 million through equity. The Erie County IDA will fund \$2 million. The current majority owner will hold a \$5 million, 5 year note, but will not hold any additional loan as his health is not good and he is looking to get his estate in order. However, the remaining owners (who collectively own 8.33% of the Companies) will be paid over a three year period, receiving one-third down with one-third being paid at the end of the next two years. This would defer another \$1.25 million. Therefore the remaining shortfall that JDA is considering financing through the Real Estate and M&E Loans would be \$3.0 million. Bank of America has agreed that should the JDA loans be approved, it would provide bridge financing.

If the transaction cannot get financed by Robert Laughlin and Kirk Dorn, the majority owner has indicated that he will need to go to outside interests. The most logical outside interests would be its current competitors, all of which are located outside the state of New York. Several outside companies have expressed interest in buying the TRS/TMP to gain access to the largest customer, P&G. If the Companies are purchased by any of the outside interests, they would most likely consolidate the facilities into their current (out of NYS) plants. This would result in the loss of 124 current jobs, future job growth, as well as all the ancillary business TMP & TRS brings to the area.

Conclusions

- Based on the IA- rating, the Companies currently generate sufficient cash flow from operations to service all the projected project debt, and staff believes that both Companies are fiscally strong. However, Bank of America will have first position on all collateral, and there will be insufficient security for JDA to be completed collateralized.

- Time Release Sciences, Inc. and TMP Technologies, Inc. are financially strong with a history of being profitable and combined sales, EBITDA, and pre-tax profit all increasing over the 3-year historical period.
- With the approval of the project, JDA would facilitate the maintenance 124 manufacturing jobs in distressed areas of Buffalo as well as the continuation of the purchase of over \$10 million in goods and services from local New York suppliers. In addition, the Companies are expected to grow at a combined annual rate of approximately 5%.

Market Analysis

For this particular product category, P&G estimates that it has captured 95% of the North American market.

TMP has two divisions and two locations, 1200 Northland Ave, Buffalo, NY and the Advanced Rubber Products division located in Wyoming, NY. The Buffalo division also houses the corporate headquarters. The Buffalo division manufactures high precision foam assemblies and applicators. These are products that will be part of a consumer product that will dispense a liquid in a measured format (ie shoe polish foam applicators).

These products are very diverse and the market position they share is difficult to estimate, but would be below 1% of the entire market.

The Advanced Rubber Products (ARP) division is a rubber injection molding plant. It has a range of production machinery including presses from 200 to 800 tons. Its products include rubber components used in electrical distribution, such as dead ends, elbows, and various connectors, and the rubber components for various safety masks.

Again, its market share within these industries would be less than 1%.

2) DESCRIPTION OF TMP ACQUISITIONS, INC. AND THE PRINCIPAL

Borrower Name: TMP Acquisitions, Inc.

Address: 1200 Northland Avenue
Buffalo, NY 14215

Phone Number: 718-895-6100 x253

Ownership: TMP Acquisitions, Inc. is 66.67 % owned by Robert J. Laughlin and 33.33% owned by Kirk C. Dorn. The Company was formed to acquire Time Release Sciences, Inc. and TMP Technologies, Inc.

Nature of Business: The Companies design and manufacture components and assemblies using foam, rubber, plastic, and other urethane products

3) COVENANTS AND CONDITIONS

The JDA Loans are predicated upon the following financial conditions:

- The Company must obtain firm commitments satisfactory to JDA from responsible financial sources for the total project cost exclusive of any loan requested from JDA.
- The Company must maintain a minimum debt service coverage ratio of 1.20 throughout the term of the loans.
- The Company 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 Company, all satisfactory to JDA.
 - c. Procurement by the Company 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.
 - 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 Company's 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 Company or the Company's owners 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 Company's financial statements or accounts, if so requested by JDA.
 - l. Subordination of any loans to the Company from those certain officers and members of the Company stipulated herein in a manner satisfactory to JDA.
 - m. The Company 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. Collateralization of the Loan with insurance of the life of Robert J. Laughlin in an amount sufficient to pay the outstanding principal balance of the JDA Loans at any time.
- o. All certifications and permits for the operating purposes of the Facility to be in full force and effect prior to closing the Loan.
- p. 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. Due to the JDA's mortgage position on the loan, a Phase I Environmental Site Assessment must be submitted to the JDA for review and approval prior to closing on the loan.

5) NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY

Pursuant to New York State Executive Law Article 15-A, ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Recipient shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women Business Enterprise ("MWBEs") for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an Minority Business Enterprise goal of 25% and the Women Business Enterprise participation goal of 15%, related to the eligible categories totaling approximately \$500,000. As such, the total overall New York State Certified Minority and Women Business Enterprise participation requirement shall be no less than \$200,000.

6) ADDITIONAL SUBMISSIONS TO MEMBERS

New York State Map
JDA Loan Underwriting Classification System
Photos

Buffalo and Wyoming (Western New York Region – Erie County) – TMP Acquisitions, Inc. – New York Job Development Authority Special Purpose Fund Direct Loan Project – Real Estate Loan and Machinery and Equipment Loan -- Authorization to Make Loans and to Take Related Action

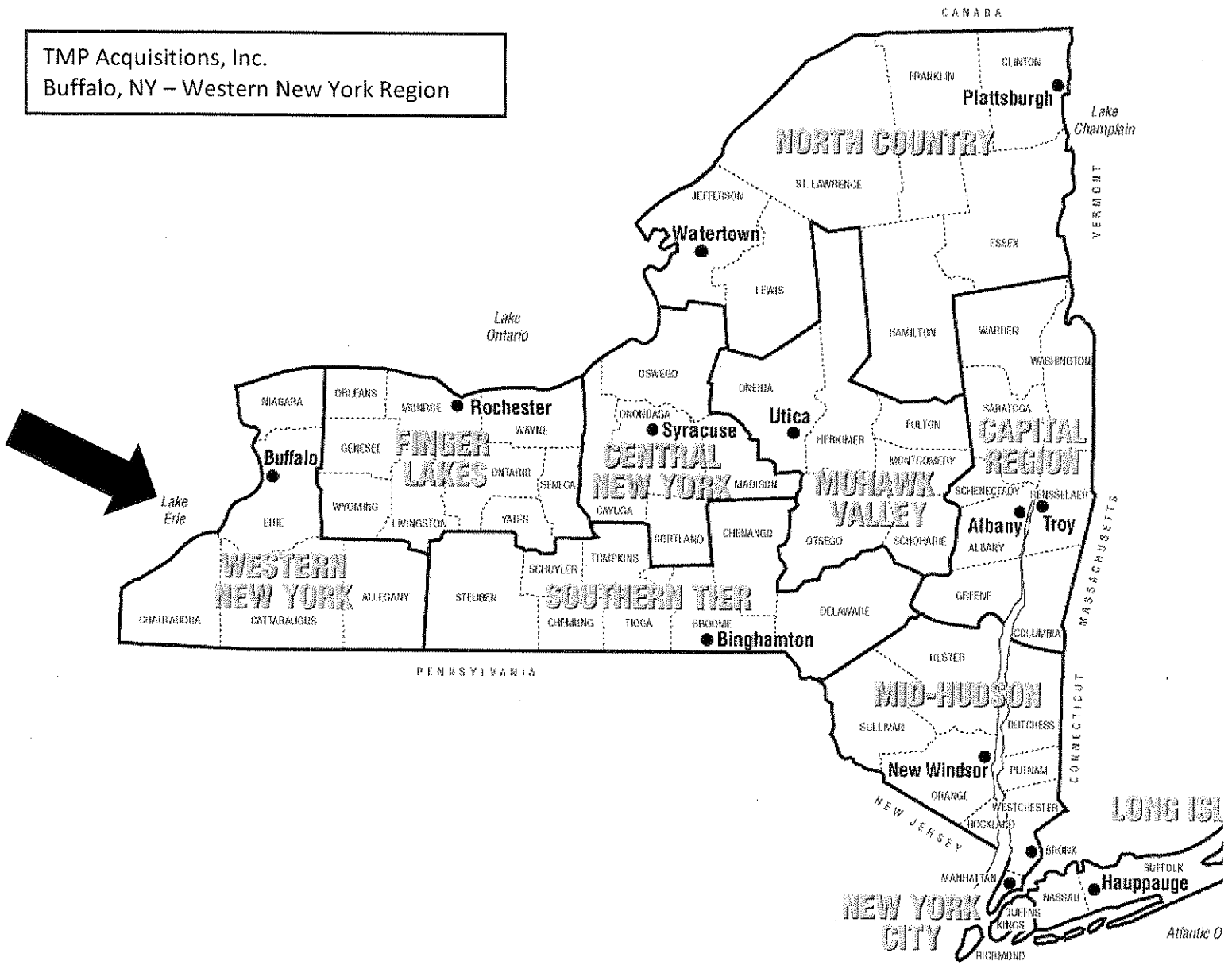
RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, and each of them hereby is, authorized to make a Special Purpose Fund Real Estate Loan to Statewide Local Development Corporation for the benefit of TMP Acquisitions, Inc. for an amount not to exceed \$2,160,000 or 60% of the total real estate project cost, whichever is less, and \$840,000 for machinery and equipment or 60% of the total machinery and equipment 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.

TMP Acquisitions, Inc.
Buffalo, NY – Western New York Region

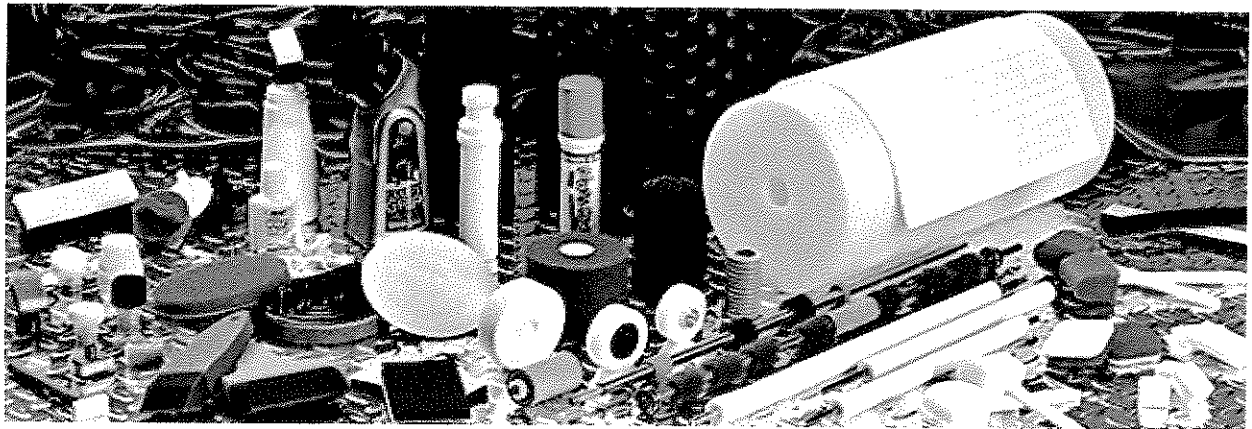
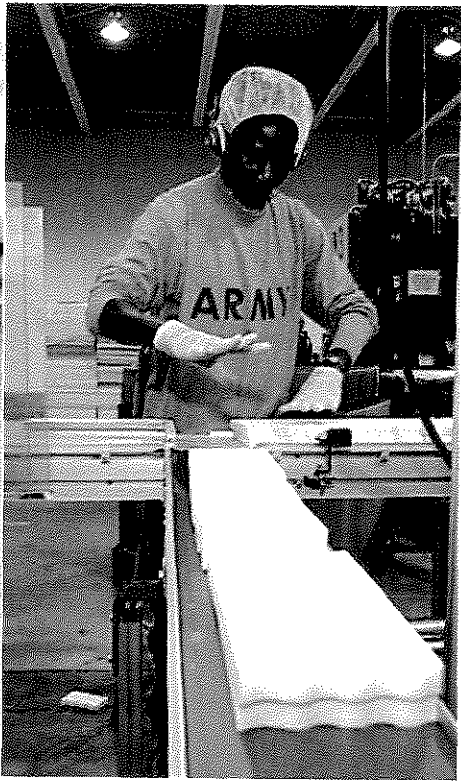
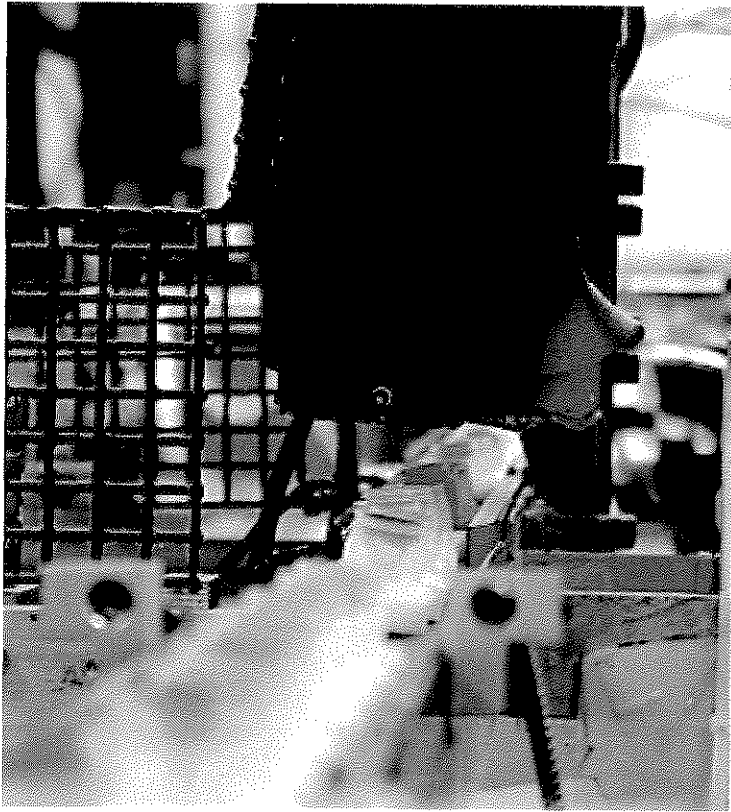


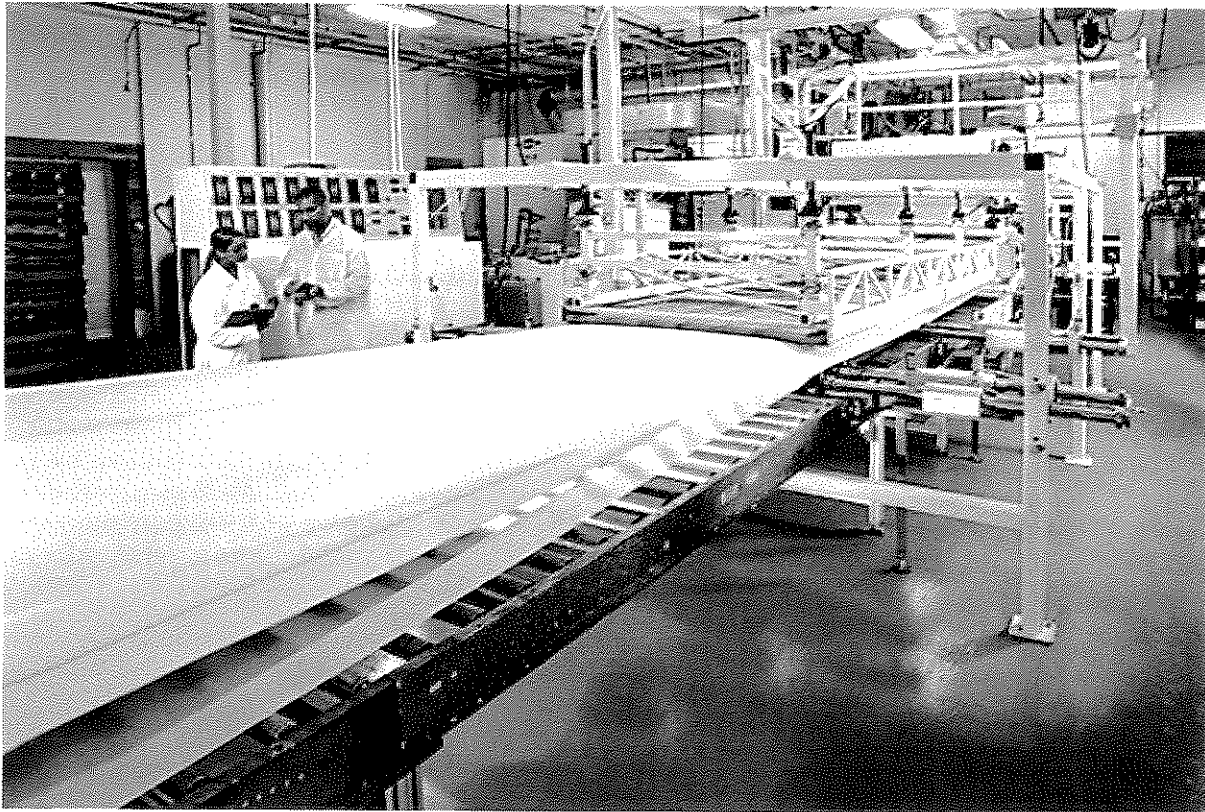
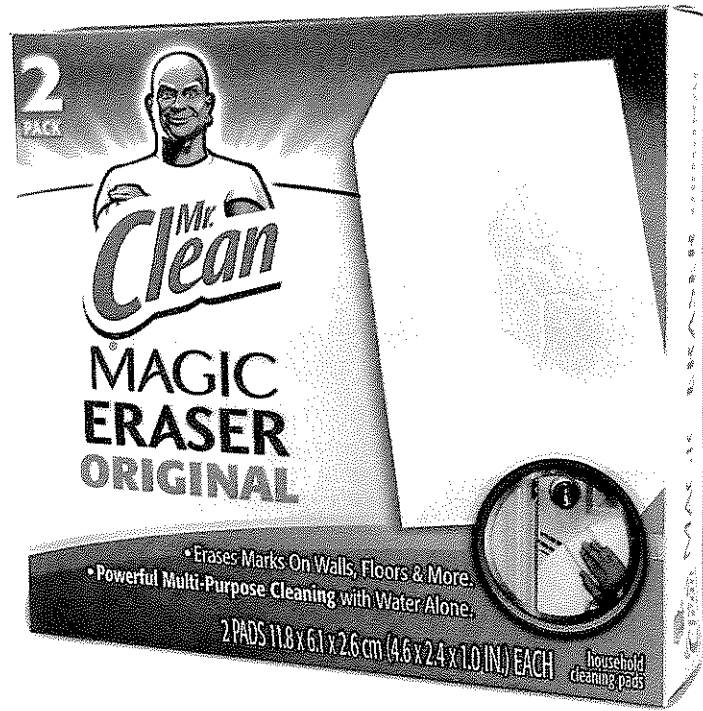
JDA Underwriting Classification Chart

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	

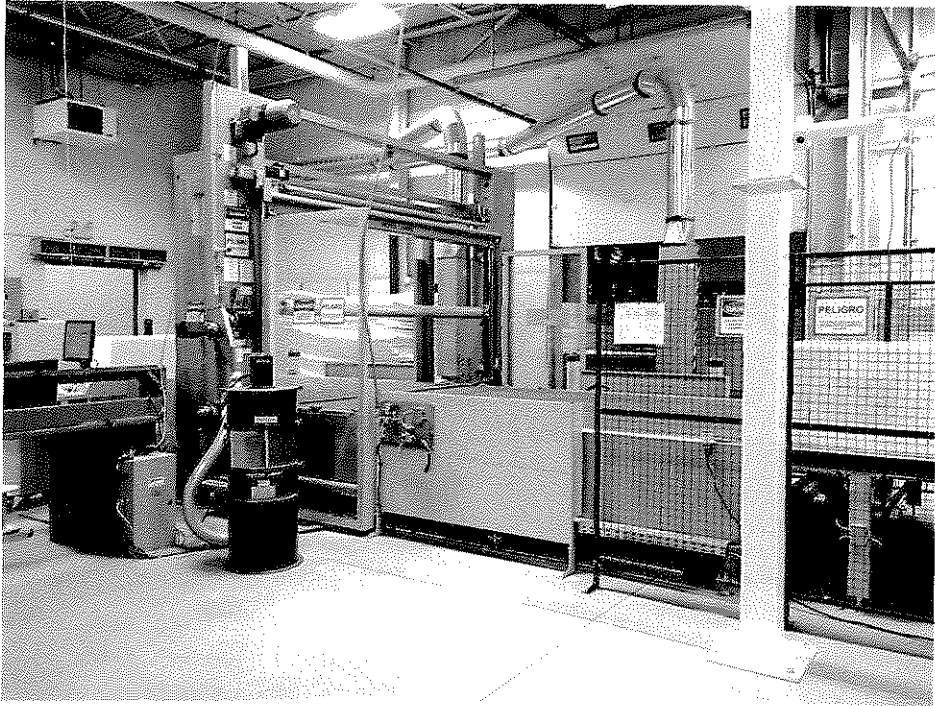
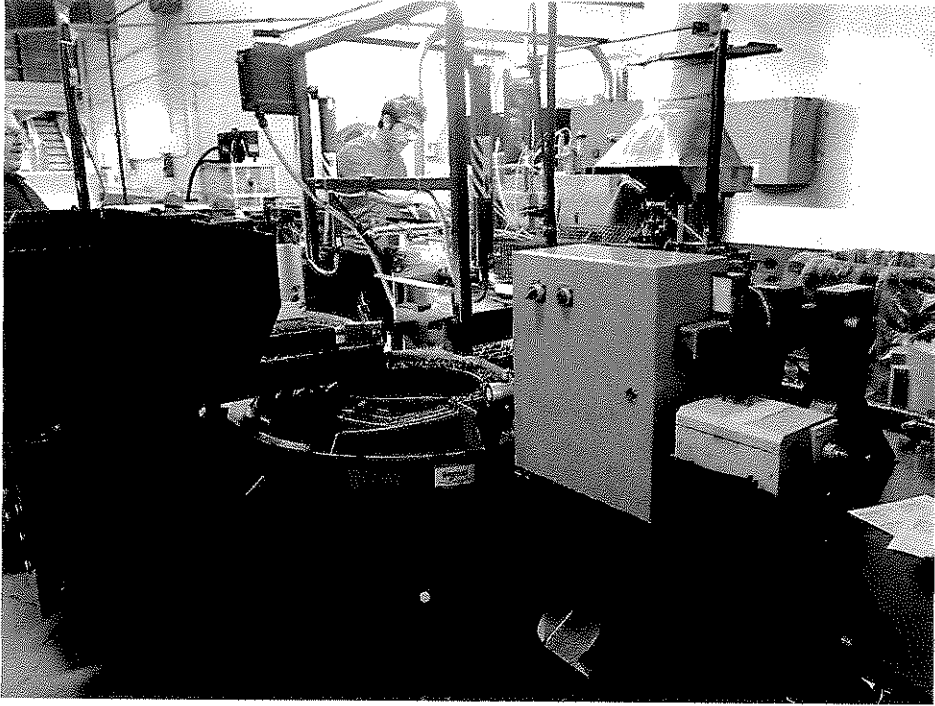
Photos













DATE: February 2, 2015

TO: The Members

FROM: Kenneth Adams

Subject: Latham (Capital Region – Albany County) – JDA Loan for the benefit of Upstate Veterinary Specialties, PLLC

RE: Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

JDA Loan Terms	
Borrower:	Upstate Specialty Properties, LLC (for the benefit of Upstate Veterinary Specialties, PLLC)
Economic Region:	Capital Region (Albany County)
Loan Amount Requested:	\$2,160,180
Rate:	4.29% (fixed)
Term:	20 years
Classification:	IA-
Distressed Area:	No
Initial Payment:	\$13,422.71

JDA Budget					
Uses			Sources		
Construction	\$ 4,310,450	80%	Saratoga National Bank*	\$ 2,700,225	50%
Real Estate Purchase	970,000	18%	JDA**	2,160,180	40%
Closing & Soft Costs	120,000	2%	Equity	540,045	10%
Total Project Costs	\$ 5,400,450	100%	Total Project Financing	\$ 5,400,450	100%
* 25-year-term at 4.25% (fixed)					
** 20-year term at 4.29% (fixed)					

Security: A second lien on the real estate located at 152 Sparrowbush Road in Latham, NY. The expected appraised value of the collateral is \$5,400,450.

Guarantors: Repayment of the loan shall be guaranteed by Upstate Veterinary Specialties, PLLC, and personal guarantees will be provided by Aaron and Jodi Wey.

Job Information (at project site):

Existing: 44 full-time

New Jobs Projected: 28 full-time by three years after loan disbursement

JDA Loan Amount per job: \$30,000

Project Summary:

Borrower: Upstate Specialty Properties, LLC (for the benefit of Upstate Veterinary Specialties, PLLC)
222 Troy Schenectady Road, Suite B
Latham, NY 12110

Contact: Aaron Wey, Managing Member
Phone: 518-783-3198
Email: away@uvsonline.com

Ownership: Upstate Veterinary Specialties, PLLC is owned 100% by Aaron Wey. Upstate Specialty Properties, LLC (the real estate holding company) is owned 50% by Aaron and Jodi Wey, 14% by Joe W. Novak, 9% by Christa and Max Corbett, 9% by Cassiday Sedacca, 8% by M. Faulkner Besancon, 5% by Kristin Kesnowski, and 5% by Todd Bishop and Laura Perez.

Nature of Business: The company provides specialty veterinary services.

This report concerns a proposed New York Job Development Authority ("JDA") loan for the amount of \$2,160,180 (the "JDA Loan"). The \$2,160,180 loan is to be used towards the purchase of real estate and the construction of a new facility (the "Facility") located in Latham, New York. The total cost of the Project is \$5,400,450 (the "JDA Project Cost").

Project location: 152 Sparrowbush Road
Latham, NY 12110

Project Completion: 4th Quarter 2015

1) PROJECT OVERVIEW AND RECOMMENDATION

Background

Upstate Specialty Properties, LLC ("Upstate Specialty Properties") is a real estate holding company established by Aaron Wey to purchase real estate and construct a new facility in Latham, NY for the benefit of Upstate Veterinary Specialties, PLLC. Upstate Veterinary Specialties, PLLC will be the sole tenant of the new facility and pay rent to Upstate Specialty Properties.

Upstate Veterinary Specialties, PLLC ("Upstate Veterinary Specialties" or the "Company") currently provides specialty veterinary services on a referral only basis for small animal (primarily dog and cat) patients that require advanced medical care in one of several American Veterinary

Medical Association (AVMA) recognized veterinary specialties. The business is currently a tenant in a night/weekend veterinary emergency facility that provides overnight care for hospitalized patients of the specialty services. Physical constraints within the current leased space, which is approximately 14,000 SF, have limited the ability of the practice to add services to meet the demands of the local veterinary referral community, prompting investigation of a new business location. Dr. Aaron Wey, managing member of Upstate Specialty Properties, has a contract to purchase 3.33 acres at 152 Sparrowbush Road, Latham, NY 12110 as the site for expansion. The site is a vacant parcel bounded by a vacant lot to the north, Old Sparrowbush Road to the east, Sparrowbush Road to the south, and I-87 Northway to the west.

The site will be developed for Upstate Veterinary Specialties with a new two-story building that consists of a 18,986 SF first floor, a 3,000± SF second floor, and future provisions to expand the first floor by 8,322 SF for an ultimate total of 30,308 SF. The proposed new facility will be open 24 hours a day, seven days a week, with veterinary staff overnight for emergency receiving and inpatient care. The expansion will allow Upstate Veterinary Specialties to add new services (Oncology and Emergency/Critical Care) and expand existing services (Cardiology, Surgery, Neurology/Neurosurgery, and Internal Medicine). A mobile Magnetic Resonance Imaging (MRI) trailer will be onsite, and the proposed expansion will also accommodate other advanced imaging services that currently require travel to facilities outside of the Capital Region (>30 miles away). The practice currently employs 44 individuals, and the expansion will create 14 new jobs for skilled workers in the existing specialty services and at least 14 new jobs for the new Oncology and Emergency services. Competitive financing for this project is required for the land purchase and construction to be feasible, and previous offers have had interest rates or fees that are prohibitive and have made the project too expensive to move forward.

Emergency services and overnight care currently provided by Capital District Animal Emergency Clinic, P.C. ("CDAEC"), lessor of the space currently leased by Upstate Veterinary Specialties, will now be provided through a new Emergency/Critical Care service within Upstate Veterinary Specialties. This will capture fees for overnight care that are currently paid to CDAEC, and will also accommodate medical referrals that are currently funneled through CDAEC after hours or on weekends. The proposed new facility will offer better visibility and accessibility for new emergent cases as well. When combined with the other specialty services at Upstate Veterinary Specialties, the 24 hour emergency facility will offer the most comprehensive veterinary referral practice in upstate New York and western New England.

ESD staff performed a site visit on December 22, 2014 to tour existing operations and the location of the proposed new facility, and to talk with the Dr. Aaron Wey about the JDA loan request and expansion project. Photos from that visit are attached to the end of this loan report.

Market Analysis

The practice of veterinary medicine includes the diagnosis and treatment (including prescriptions and surgery) of all animal disease. "Animal" includes every living creature except humans.

The practice of veterinary technology includes the performance of services within the field of veterinary medicine by a person (called a veterinary technician) who carries out medical orders prescribed by a supervising veterinarian.

A New York licensed veterinarian has a doctoral degree in veterinary medicine. Most practitioners also have an undergraduate degree with an emphasis in the basic and life sciences. In addition, all New York veterinarians have passed comprehensive written and clinical national examinations.

A New York licensed veterinary technician has completed a program approved by the New York State Education Department and has passed a national written examination.

A specialty veterinarian is a doctor of veterinary medicine who has advanced specialty training and is board certified in their respective specialties (Cardiology, Internal Medicine, Ophthalmology, Dermatology, Radiology, Surgery, Neurology, etc.).

Most veterinarians offer a full range of diagnostic, surgical, and radiological procedures. Many practices also provide animal boarding services for the convenience of their clients.

In private practice, demand for veterinarians will increase as more people are expected to take their pets for visits. Also, veterinary medicine has advanced considerably, and many of the veterinary services offered today are comparable to health care for humans, including cancer treatments and kidney transplants.

There also will be employment growth in fields related to food and animal safety, disease control, and public health. As the population grows, more veterinarians will be needed to inspect the food supply and to ensure animal and human health. However, due to overall slowing growth of the veterinary services industry, employment gains of veterinarians will be slower than in the past.¹

Actual Sales within the U.S. Market in 2013

In 2013, \$55.72 billion was spent on pets in the U.S.

Breakdown:

Food	\$21.57 billion
Supplies/OTC Medicine	\$13.14 billion
Veterinary Care	\$14.37 billion
Live Animal Purchases	\$2.23 billion
Pet Services: grooming & boarding	\$4.41 billion

**Source: American Pet Products Association, Inc.*

¹ Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2014-15 Edition*, Veterinarians, on the Internet at <http://www.bls.gov/ooh/healthcare/veterinarians.htm>.

Estimated 2014 Sales within the U.S. Market

For 2014, it is estimated that \$58.51 billion will be spent on pets in the U.S., with the amount spent on veterinary care estimated to increase by almost \$1 billion.

Estimated Breakdown:

Food	\$22.62 billion
Supplies/OTC Medicine	\$13.72 billion
Veterinary Care	\$15.25 billion
Live Animal Purchases	\$2.19 billion
Pet Services: grooming & boarding	\$4.73 billion

**Source: American Pet Products Association, Inc.*

Conclusions

- Based on the IA- rating, Upstate Veterinary Specialties currently generates sufficient cash flow from operations to service all the projected project debt, and staff believes that the Company is in stable financial condition. However, Saratoga National Bank will have a first lien position on the collateral, and there will be insufficient security for JDA to be completely collateralized.
- Based on 2014 cash flow, the Company has the ability to repay the JDA loan with a projected Debt Service Coverage Ratio ("DSCR") that meets JDA's minimum standard of 1.20.
- Upstate Veterinary Specialties meets JDA's loan-to-value requirement of 90%; however, for classification purposes the collateral has been discounted which causes the rating to be IA-.
- With the project, Upstate Veterinary Specialties expects capacity to increase significantly from existing levels. The Company will also offer Emergency services with a fully staffed dedicated Emergency facility; this is projected to result in significantly increased revenue and profitability. At the completion of the project, 44 full-time jobs will be retained and 28 new jobs will be created over three years.

2) COVENANTS AND CONDITIONS

This Loan is predicated upon the following financial conditions:

- The Company must obtain firm commitments satisfactory to JDA from responsible financial sources for the total project cost exclusive of any loan requested from JDA.
- The Company must provide evidence of the subject property that indicates a loan to value not to exceed 90% at the time of closing.
- The Company must maintain a minimum debt service coverage ratio of 1.20 throughout the term of the loan.
- The Company must meet all other standard JDA requirements as follows:
 - a. Completion of the Project to the satisfaction of JDA.

- c. Procurement by the Company of funds which shall be used at or prior to the closing to pay the 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 Project Cost, satisfactory to JDA.
- 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 Company's 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 Company or the Company's owners 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 Company's financial statements or bank accounts, if so requested by JDA.
- l. Subordination of any loans to the Company from those certain officers and members of the Company stipulated herein in a manner satisfactory to JDA.
- m. The Company 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. Collateralization of the Loan with insurance of the life of Richard Osofsky in an amount sufficient to pay the outstanding principal balance of the JDA Loan at any time.
- o. All certifications and permits for the operating purposes of the Facility to be in full force and effect prior to closing the Loan.

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

Pursuant to New York State Executive Law Article 15-A, ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Recipient shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women Business Enterprise ("MWBEs") for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an Minority Business Enterprise goal of 25% and the Women Business Enterprise participation goal of 15%, related to the eligible categories totaling approximately \$500,000. As such, the total overall New York State Certified Minority and Women Business Enterprise participation requirement shall be no less than \$200,000.

5) ADDITIONAL SUBMISSIONS TO MEMBERS

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

February 2, 2015

Latham (Capital Region – Albany County) – Upstate Specialty Properties, LLC (Upstate Veterinary Specialties, PLLC) – New York Job Development Authority Special Purpose Fund Direct Loan Project – Real Estate Loan – Authorization to Make Loans and to Take Related Action

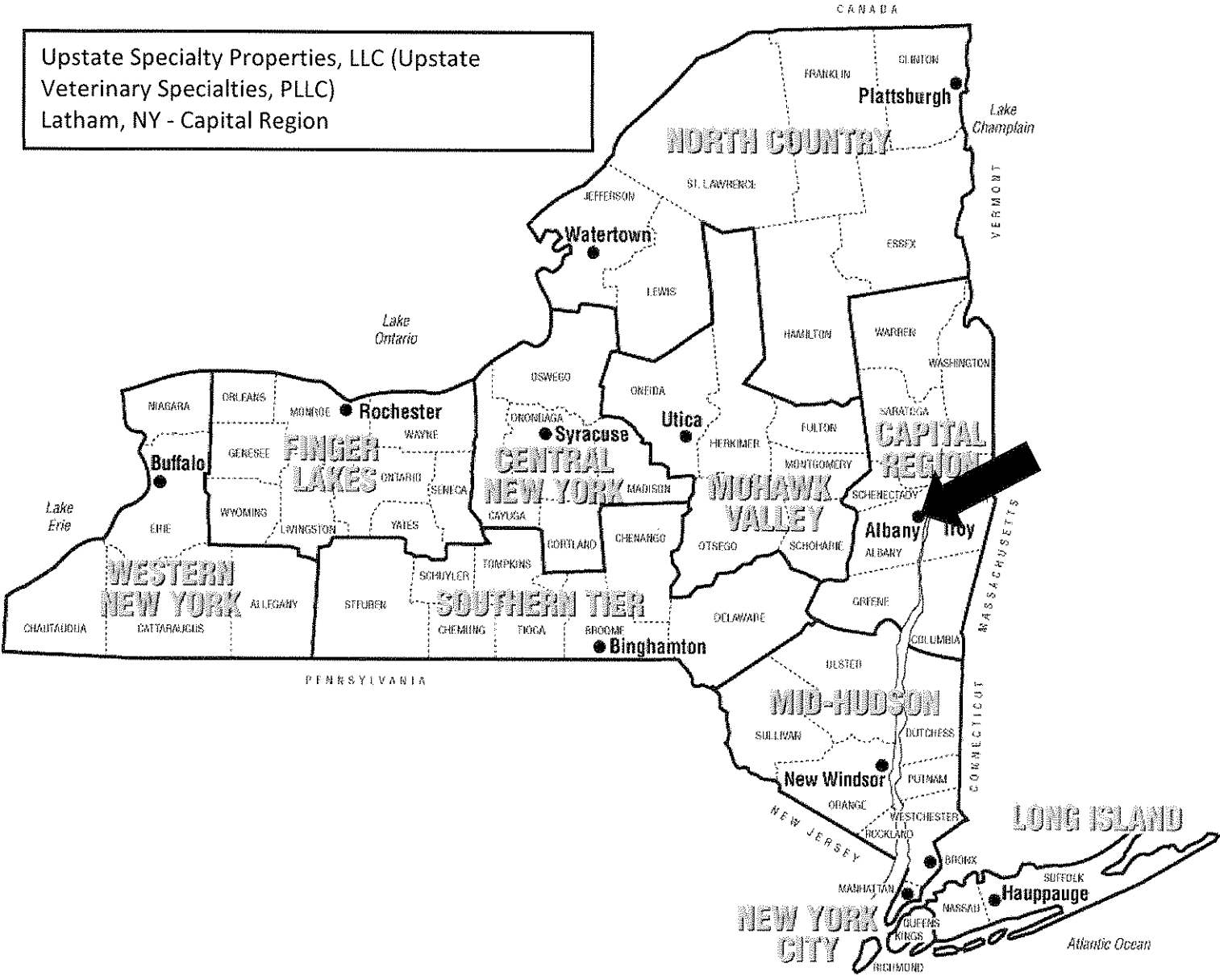
RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, and each of them hereby is, authorized to make a Special Purpose Fund Loan to Statewide Local Development Corporation for the benefit of Upstate Specialty Properties, LLC (Upstate Veterinary Specialties, PLLC) for an amount not to exceed \$2,160,180 or 40% of the total 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.

Upstate Specialty Properties, LLC (Upstate Veterinary Specialties, PLLC)
Latham, NY - Capital 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	

Photos of Existing Rented Facility





Photos of Site of New Facility



01 View from SE corner looking west.jpg



02 View from SE corner looking north.jpg



03 View from SW corner looking east.jpg



04 View from SW corner looking north.jpg



05 View from NW corner looking south.jpg



06 View along stonewall looking NW.jpg



07 View from NW corner looking south.jpg



08 View from NE corner looking west.jpg

Rendering of New Facility



RENDERING



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