

# Statewide Local Development Corporation Meeting

633 Third Avenue, New York, New York 10017  
37th Floor Conference Room

Tuesday, 12/10/2019  
11:00 AM - 12:00 PM ET

## I. Corporate Actions

### A. Approval of the Minutes of the April 16, 2019 Directors' Meeting Presented By: Kevin Younis

*04/16/19 Draft Minutes - Page 2*

### B. Officers of Statewide Local Development Corporation (the "Corporation") – Appointment of Officers Presented By: Antovk Pidedjian

*Appointment of Officers - Page 10*

## II. For Consideration

### A. Rochester (Finger Lakes Region – Monroe County) – New York Job Development Authority ("JDA") Loan to Zweigle's, Inc Presented By: Ray Salaberrios

Authorization to Make a Real Estate Loan with JDA Proceeds and Take Related Actions  
*JDA Loan to Zweigle's, Inc. - Page 12*

**DRAFT – SUBJECT TO REVIEW AND REVISION**

**STATEWIDE LOCAL DEVELOPMENT CORPORATION**

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

with video conferencing to:

Empire State Development – Albany Offices  
625 Broadway – Conference Room 812  
Albany, New York 12245

April 16, 2019

**MINUTES**

**In Attendance  
Directors:**

Kevin Younis, Acting Chair (via videoconference)  
Edwin Lee  
Kathleen Mize

**Present for Statewide:**

London C. Cruz, Acting Corporate Secretary  
Antovk Pidedjian, Esq., Assistant Secretary  
Rafael Salaberrios, Senior Vice-President

**Present for ESD:**

Timothy Anderson, Senior Financial Analyst  
Jonevan Hornsby, Assistant Vice President – Portfolio  
Management & Project Finance  
Elaine A. Kloss, Chief Financial Officer  
Robert Kwon, Vice President – Portfolio Management &  
Project Finance

**Also Present:**

The Public  
The Press

The meeting of the Statewide Local Development Corporation (the “Corporation”), a local development corporation created under New York State law, was called to order at 10:30 a.m. by Acting Chair Younis. It was noted for the record that notices to the public and news

**DRAFT – SUBJECT TO REVIEW AND REVISION**

media of the time and place of the meeting had been given in compliance with the New York State Open Meetings Law.

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

The Acting Chair then asked the Directors if any of them had a potential conflict of interest with regard to any of the items on the Agenda and if so, to make that information known at this time. He said that the Directors would be reminded, at the appropriate time, to recuse themselves from the vote on any such item if any potential conflict exists. No conflicts were noted.

The Acting Chair then called for a motion to approve the Minutes of the July 30, 2018 Directors' meeting.

There being no edits or corrections and upon motion duly made and seconded, the following resolution was unanimously adopted:

**APPROVAL OF MINUTES AND RATIFICATIONS OF ACTIONS TAKEN AT THE JULY 30, 2018 DIRECTORS' MEETING OF THE STATEWIDE LOCAL DEVELOPMENT CORPORATION**

---

RESOLVED, that the Minutes of the meeting of the Corporation held on July 30, 2018 as presented to the meeting, are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Corporation.

\* \* \*

**DRAFT – SUBJECT TO REVIEW AND REVISION**

Acting Chair Younis then called on Ray Salaberrios to present the next Agenda item, a request for authorization to make a real estate loan with New York Job Development Authority (“JDA”) proceeds to Meer Enterprises, LLC.

Mr. Salaberrios stated that JDA staff was seeking authorization to make a real estate loan with JDA proceeds in the amount of \$4,400,000 to Meer Enterprises, LLC, doing business as Unique Settings of New York.

Mr. Salaberrios identified the collateral for the loan as a second lien on the real estate located at 47-09 36<sup>th</sup> Street in Long Island City. He further stated that the property will be a renovated 20,000 square-foot warehouse manufacturing facility requiring an appraisal amount of the real estate collateral to be no less than \$11 million.

Next, Mr. Salaberrios explained that the repayment of the JDA loan will be guaranteed by: (i) Meer Enterprises, LLC; (ii) Thrive Holdings, Inc.; (iii) Evash Manufacturing Consulting, Inc.; (iv) Unique Acquisitions New York, LLC; (v) Unique Acquisitions Realty, LLC; and (vi) Daniel and Michael Dabakarov.

Mr. Salaberrios stated that Unique Acquisitions New York and Unique Acquisitions Realty are equally co-owned by Daniel Dabakarov and Michael Dabakarov. He further stated that Thrive Holdings is owned by KGK Group, a leading multi-national corporation with diversified business ventures. He added that KGK Group has 12,000 employees, operates in 17

**DRAFT – SUBJECT TO REVIEW AND REVISION**

countries and has revenues of more than \$1.5 billion annually. Furthermore, he noted their achievements and accolades.

Mr. Salaberrios stated that Meer Enterprises is a U.S.-based designer that manufactures bridal jewelry and provides local jewelers and major wholesalers with high quality and competitively priced diamond and color stone jewelry.

Mr. Salaberrios then stated that Meer Enterprises is currently one of the largest jewelry manufacturers in the U.S. and explained that all the company's production, except for raw materials, is performed in house.

Mr. Salaberrios noted that in 2017, fine jewelry sales were \$63 billion in the U.S.

Furthermore, Mr. Salaberrios stated that Meer Enterprises has identified a two-story, 20,000 square-foot building located at 47-09 36<sup>th</sup> Street in Long Island City. In addition to the manufacturing facility in Long Island City, Mr. Salaberrios continued, the company rents a small showroom on 47<sup>th</sup> Street in Manhattan.

While discussing the new facility, Mr. Salaberrios stated that a small portion of the facility will be set aside for the showroom space, allowing Meer Enterprises to consolidate its operations. He further stated that the project will enable the company to: (i) increase production; (ii) create a more efficient manufacturing cycle and floor plan; (iii) invest in the

**DRAFT – SUBJECT TO REVIEW AND REVISION**

latest jewelry manufacturing machinery and equipment; and (iv) reduce its carbon footprint by investing in clean technology.

Mr. Salaberrios highlighted that the project will allow Meer Enterprises to: (i) acquire an important asset tailored to its operational needs; (ii) project the debt service payments; and (iii) reduce future occupancy costs by 18 percent.

Mr. Salaberrios concluded that based on Meer Enterprises' 1B plus rating, the company's historical cash flow from operations will be able to service the debt going forward with the projected debt service coverage ratio that meets the JDA's minimum standard of 1.2. He added that there will be a significant reduction in occupancy costs following this acquisition.

Mr. Salaberrios noted that manufacturers have been under sustained pressure in New York City, and particularly in Long Island City, due to rising real estate costs. He explained that the project offers JDA the opportunity to assist a manufacturing company, which pays its employees well and offers good benefits, to remain in Long Island City.

Mr. Salaberrios stated that Meer Enterprises, with the assistance of this project, expects to create at least 20 full-time permanent jobs within three years.

Mr. Salaberrios then noted that People's Bank issued a commitment letter for the total project cost, exclusive of the JDA loan, as required by JDA statutes.

**DRAFT – SUBJECT TO REVIEW AND REVISION**

Mr. Salaberrios explained that on April 9<sup>th</sup>, the New York City Industrial Development Agency adopted a resolution offering \$2.2 million in New York City and New York State benefits to the project. He further explained that both commitments are subject to JDA’s approval of the \$4.4 million loan being requested.

Director Mize asked Mr. Salaberrios if JDA is receiving personal guarantees from the two owners.

Mr. Salaberrios responded yes and identified Michael Dabakarov and Daniel Dabakarov as the owners.

Acting Chair Younis asked Mr. Salaberrios if he has any concerns about recovery in the event of a default given that KGK is a foreign-owned entity.

Mr. Salaberrios responded that a discussion occurred amongst JDA staff and the lender, which led to the determination that JDA would take the collateral from the building and sue the owners, Daniel Dabakarov and Michael Dabakarov, in the event of a default.

Acting Chair Younis asked if the project was at risk of happening outside of New York State.

Mr. Salaberrios responded that the owners were considering moving their operations if they were unable to find commercial space in Long Island City; however, did not specifically

**DRAFT – SUBJECT TO REVIEW AND REVISION**

state that they were looking to move elsewhere. Mr. Salaberrios explained that Long Island City offers the business proximity to New York City and a gateway to the surrounding states. He further explained that it was the business' desire to remain at this location.

Acting Chair Younis stated that Mr. Salaberrios previously mentioned the company's showroom space in Manhattan and the acquisition of showroom space in the Long Island City facility. He then asked if the Manhattan showroom space will no longer be utilized going forward.

Mr. Salaberrios said "yes." He explained that the business is going to close the Manhattan showroom space and consolidate operations in the new building. Mr. Salaberrios characterized this process as operationally efficient and stated that the new building will be the first of its kind outside of the 47<sup>th</sup> Street jewelry district.

Acting Chair Younis asked if there were any questions from the Directors or comments from the Public.

Hearing no further questions from the Directors and no comments from the public, the following resolution was unanimously adopted:

STATEWIDE LOCAL DEVELOPMENT CORPORATION – New York City (Long Island City - Queens County) – JDA Loan for the benefit of Meer Enterprises, LLC d/b/a Unique Settings of New York – Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

---



**DRAFT – SUBJECT TO REVIEW AND REVISION**

RESOLVED, that the Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make a New York Job Development Authority Real Estate Loan for the benefit of Meer Enterprises, LLC d/b/a Unique Settings of New York for an amount not to exceed \$4,400,000 or 36.9% of the total eligible real estate project cost, whichever is less, 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 Corporation or his designee(s) may deem appropriate; and be it further

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

RESOLVED, that the Chief Executive Officer 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 resolutions; and be it further

RESOLVED, that the provision of financial assistance by the Corporation 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 10:41 a.m.

Respectfully submitted,

London C. Cruz  
Acting Corporate Secretary



FOR CONSIDERATION

December 10, 2019

TO: The Directors

FROM: Kevin Younis

SUBJECT: Officers of Statewide Local Development Corporation (the "Corporation")

REQUEST FOR: Appointment of Officers

---

I. Background

In order to permit the Corporation to perform its role in furtherance of New York State Job Development Authority projects and otherwise conduct its corporate duties, the appointment of new officers to vacant positions is necessary.

II. Proposed Action

In accordance with Section 15 of the By-Laws, it is proposed that Douglas Bressette be appointed to the office of Treasurer; and London Cruz be appointed to the office of Secretary.

III. Requested Action

The Directors are requested to appoint the above-referenced individuals in accordance with the Corporation's By-Laws.

IV. Attachment

Resolution

December 10, 2019

STATEWIDE LOCAL DEVELOPMENT CORPORATION – Officers of Statewide Local  
Development Corporation (The “Corporation”) – Appointment of Officers

---

**RESOLVED**, that Douglass Bressette is hereby appointed to hold the office of Treasurer of the Corporation in the manner as provided in the By-Laws.

**RESOLVED**, that London Cruz is hereby appointed to hold the office of Secretary of the Corporation in the manner as provided in the By-Laws.

The current officers of the Corporation are as follows:

Kevin Younis, President  
Rafael Salaberrios, Senior Vice-President  
Edwin Lee, Vice-President  
Elizabeth R. Fine, General Counsel  
Douglas Bressette, Treasurer  
Kathleen Mize, Assistant Treasurer  
London Cruz, Secretary  
Antovk Pidedjian, Assistant Secretary  
Betty Enriquez, Director, Office of Trade and Tourism



**FOR CONSIDERATION**

December 10, 2019

**TO:** The Directors

**FROM:** Kevin Younis

**SUBJECT:** Rochester (Finger Lakes Region – Monroe County) – New York Job Development Authority (“JDA”) Loan to Zweigle’s, Inc.

**REQUEST FOR:** Authorization to Make a Real Estate Loan with JDA Proceeds and Take Related Actions

JDA Loan Terms	
<b>Borrower:</b>	Zweigle’s, Inc. (operating company)
<b>Economic Region:</b>	Finger Lakes Region (Monroe County)
<b>Total Loan Amount Requested:</b>	\$3,212,757
<b>Rate:</b>	3.90% Fixed (final rate will be JDA rate at time of closing)
<b>Term:</b>	20 years
<b>Classification:</b>	IA+
<b>Distressed Area:</b>	Yes
<b>Initial Payment:</b>	\$19,098

JDA Budget					
Uses			Sources		
Real Estate Acquisition Cost	\$ 450,000	8.4%	ESL FCU Mortgage Loan <sup>(1)</sup>	\$ 1,606,379	30.0%
Construction & Renovations	3,530,568	65.9%	JDA Loan <sup>(2)</sup>	\$ 3,212,757	60.0%
Contingency	341,527	6.4%	Company Equity	\$ 535,460	10.0%
HVAC & Electrical	757,500	14.1%		-	-
Soft Costs	275,000	5.1%		-	-
<b>Total Project Costs</b>	<b>\$ 5,354,595</b>	<b>100.0%</b>	<b>Total Project Financing</b>	<b>\$ 5,354,595</b>	<b>100.0%</b>
<small>(1) First mortgage; 10-year term with 20-year amortization at 4.02% (fixed).</small>					
<small>(2) Second mortgage; 20-year term at 3.78% (fixed).</small>					

**Security:** A second lien on the real estate adjacent to 651 Plymouth Avenue N., Rochester, and all improvements thereupon. A subdivision of this property is underway with the City of Rochester. Once the subdivision is approved the property will have its own legal description and

address. Improvements upon this property will be a 13,159 square foot production facility expansion. The property will be deeded to Zweigle's, Inc. (100%). The appraised value of all the real estate collateral is required to be no less than \$5,354,595

**Guarantors:** Repayment of the JDA loan shall be guaranteed, jointly and severally, by Zweigle's Inc., Julie Steron, and the Melissa M. Camardo Trust.

**Existing Jobs:** 57 full-time

**New Jobs Projected:** 31 full-time by five years after loan disbursement

**JDA Loan Amount per job:** \$36,509

**Average Salary:** Hourly Employees – \$30/hr (inclusive of fringe benefits)  
Salaried Employees – \$75,000/annual (inclusive of fringe benefits)

**Project Summary:**

**Borrower:** Zweigle's, Inc.  
651 Plymouth Avenue N.  
Rochester, NY 14608

**Contact:** Dominic Lippa, Controller  
Zweigle's, Inc.  
Phone: (585) 546-8721 ex. 21  
Email: dlippa@zweigles.com

**Ownership:** Voting shares in Zweigle's, Inc. are owned by Julie Steron (76%) and the Melissa M. Camardo Trust (24%). Non-voting shared in Zweigle's, Inc. are owned by Julie Steron (51.7%) and the Melissa M. Camardo Trust (48.3%).

**STOCK OWNERSHIP OF  
ZWEIGLE'S INC.**

Name of Shareholder	Voting Shares		Non-Voting Shares	
	Number	Percentage	Number	Percentage
Melissa M. Camardo Trust	150	24%	2596.5	48.30%
Julie Steron	468	76%	2784.5	51.70%
<b>TOTALS</b>	<b>618</b>	<b>100%</b>	<b>5,381</b>	<b>100%</b>

*Note: Zweigle's Inc. is a fifth-generation family-owned business. Julie Steron and Sister Melissa M. Camardo are sisters. Sister Camardo's shares of the business are held in trust because of her active relationship to the church. In honor of that practice, Sister Camardo chooses not to have direct involvement with the operations of the business.*

Nature of Business: Zweigle's Inc. ("Zweigle's" or the "Company") is a 139-year old, fifth-generation family-owned business with state and national woman-owned business enterprise ("WBE") certification located in Rochester, NY. The Company manufactures hot dogs, sausages, meatballs, chicken breasts, sausage patties and deli products.

The Company's sales have grown steadily in recent years, which in 2018 reached over \$16.6 million. In addition to sales of an extensive line of self-branded products, a significant portion of Zweigle's business is supported by private label and co-packing agreements with major regional supermarkets such as Wegmans, Aldi's, and Tops. Zweigle's also maintains a relationship with Verde Farms, a major organic beef supplier that ships products nationally. Currently, Zweigle's growth strategy is centered on acquiring similar contracts with companies outside of New York State to expand the geographic reach of its products.

Regional sales partnerships for self-branded products are highlighted by local minor-league sports organizations (Rochester Americans, Rochester Red wings, Rochester Knighthawks, Rochester Rhinos, and Utica Comets) and local colleges (The University of Rochester, RIT, and Buffalo State).

Zweigle's entire product line is manufactured in its existing Rochester-based facility, using whole meats that are ground on premises. The Company maintains strict standards for quality, therefore its products never contain mechanically separated meats or fillers.

A sample list of Zweigle's product offerings includes: Zweigle's, Mama Camardo's, and Wegmans branded sausages (Polish, Italian, chicken), frankfurters (red hot, white hot, natural casing) and deli meats (olive loaf and bologna).

This report concerns a proposed JDA real estate loan for the amount of \$3,212,757 (the "JDA Loan"). The JDA Loan is to be used towards the acquisition and renovation of real property located in Rochester. The total cost of the project is \$5,354,595.

Project location: 651 Plymouth Avenue N.  
Rochester, NY 14608

Project Completion: August 2020 (projected)

## **1) PROJECT OVERVIEW AND RECOMMENDATION**

### **a) Background**

Zweigle's was established in 1880 by C. Wilhelm and Josephine Zweigle. At that time, the Company functioned as a butcher shop at the corner of Joseph Avenue and Kelly Street in Rochester. The shop quickly gained recognition for its uniquely "old-world" German products which included frankfurters, wieners, sausages, and bloodwurst, among others. From the beginning, Zweigle's was a true family operation, with the Zweigle children performing cleaning tasks and making deliveries from a young

age. As the business expanded, the deep-rooted family culture and commitment to quality established by the founders was passed on from one generation to the next.

Today, the tradition of the Company has reached a fifth-generation, with ownership held by sisters Mrs. Julie Steron and Sister Melissa. M. Camardo. For religious reasons, Sister Camardo does not actively participate in the operations of the business. However, Mrs. Steron is a hands-on leader of the business, serving as President & CEO. As such, Zweigle's is a true WBE, with certifications at both the state and national levels. While the business has transformed from humble butcher shop to large scale manufacturer and distributor of processed meats, the cultural commitment to quality and old-world techniques remains strong.

Zweigle's current product line consists of signature Pop Open® hotdog products, authentic ethnic sausages, chicken sausages, deli meats, and a new line of Mama Camardo's branded meatballs, chicken breasts and breakfast sausages. Unlike the "big" meat processing brands with national scale, every one of Zweigle's products is produced using fresh muscle meats that are always ground on-site and contain zero filler. All of the Company's wares are manufactured at the facility in Rochester.

Zweigle's has become a fixture in the City of Rochester and its products are a staple that bring a sense of pride to many in the community. The Company has grown to be an important employer within the city, with over 55% of its workforce living within the city limits. Given the recent financial distress that urban communities in Rochester have faced, having an established, longstanding business in this area provides a level of comfort and security to the surrounding neighborhoods.

Over the years, Zweigle's has made capital investments in manufacturing and refrigeration equipment to help ensure the safety and consistency of every product produced. However, the Company has been careful not to let advances in technology get in the way of the strict adherence to old-world recipes and techniques that has made the Zweigle's brand a regional favorite for many years. Likewise, it is this blend of efficiency, consistency and tradition that has attracted key sales partnerships with major regional retailers such as Wegmans, Aldi's, and Tops. It is the expansion of these relationships that has driven new demand for Zweigle's products under unique private label and co-packing agreements. These relationships are expanding the Company's geographic reach, and have provided the impetus for the proposed expansion project.

### **Competitors**

1. **Hofmann Sausage Company** – Established in 1879, Hofmann has an origin story similar to that of Zweigle's. Originally a retail meat market, Hofmann has grown into a major regional processed meat manufacturer that is now in its fifth-generation of family ownership. Hofmann produces a wide range of hot dog and sausage products and is a direct competitor to Zweigle's in the upstate New York regional market. Hofmann maintains a dominant share of the premium hot dogs market in the greater Syracuse area at a more than 90% share.
2. **Sahlen's Packing Company** – Established in 1869, Sahlen's is the oldest direct competitor to Zweigle's in the upstate New York regional premium hot dog market. Sahlen's maintains the

dominant share of the premium hot dogs market in the greater Buffalo area with a more than 90% share. The Sahlen's brand has been expanding beyond the the New York State border in recent years, and now has a presence in 35 states nationally.

3. Ball Park Franks (Tyson Foods, Inc.) – Beyond local meat processors, Zweigle's obviously faces direct competition from major food producers that have a national sales base. Of this group, the Company has identified Ball Park Franks, a subsidiary of publically-traded Tyson Foods, Inc., as the most important challenger to market share. Ball Park Franks are the most commonly consumed hot dog in America, reaching an estimated 94.9 million consumers as recently as 2017. Despite the national reach of this brand, the Company maintains dominance in the Greater Rochester market with a 55% market share. Ball Park Franks is the next closest regional competitor with approximately 18% of the share.

### **Management**

#### **Julie Steron – Owner, President & CEO**

Julie Steron serves as the 5<sup>th</sup> Generation owner and CEO of Zweigle's. Born and raised in Rochester, she attended Mercy High School and then went on to Providence College where she earned a BA degree in Psychology.

Mrs. Steron began her career at Zweigle's in 2002, while her mother and grandfather were still active in the business. Working in a variety of roles over the next few years, Mrs. Steron became involved with all aspects of the business. In 2005, Mrs. Steron was named Vice President, and then President of the Company in 2009. In 2015, the Board of Directors appointed her CEO. Her 17+ year career with the Company have given her invaluable experience.

Under Mrs. Steron's direction, Zweigle's has expanded its operation and has significantly diversified its product offerings. The Company is guided by four core values: quality, caring, accountability and integrity, each representative of one of the prior generations. The current Company goal is to double sales in five years. Zweigle's recently launched two new trademarks: Mama Camardo's and Savory Sensations, producing new products such as fully cooked chicken breasts, meatballs, and breakfast sausage.

Mrs. Steron is committed to the Rochester community and serves on several boards including; The Monroe Community College Foundation, ESL Federal Credit Union, Rochester Chamber of Commerce, Holy Childhood and Special Touch Bakery.

#### **Dominic Lippa – Controller**

Dominic Lippa received a bachelor's degree from the Rochester Institute of Technology. Mr. Lippa has practiced as an accountant for almost 35 years. He has been the Controller at Zweigle's Inc. since 1995. Mr. Lippa's role has evolved along with the Company, and his lengthy tenure has made him an excellent partner to the rest of the management team.



## **Kevin Salva – COO**

Kevin Salva received a bachelor's degree in Mechanical Engineering from the University at Buffalo. Over the last 30 years, Mr. Salva has served in myriad roles within the food production with a primary focus on engineering and plant management. Mr. Salva joined Zweigle's as COO in 2004. In his 15 years at the Company, Mr. Salva has supervised, and provided leadership to, the top six management members at the corporation.

### **b) The Project**

Zweigle's sales base has been growing steadily in recent years. Co-packing and private label contracts with partners such as Wegmans have been a powerful driver of demand. The Company's existing manufacturing facility was constructed in the 1940's, and the recent increase in demand is pushing the aging facility to its limits. To date, Zweigle's has never made any significant investment in the processing part of its facility.

With its current footprint, Zweigle's does not have sufficient production or raw material storage space. The lack of storage on-site has forced the Company to rely on two off-site storage locations for its raw materials which leads to higher shipping and handling charges. This issue is highlighted by the Company's inability to directly accept truckload shipments of raw material to service the Company's largest contract, which puts unnecessary strain on the security of that agreement.

In addition to space constrictions, the design and layout of the aging facility present challenges. The current design is that of low ceilings and disjointed manufacturing areas that do not allow for the use of more modern equipment or for proper product flow. These issues are a major drag on production efficiency, increasing time and head-count requirements that put pressure on the Company's margins.

Zweigle's will need to increase capacity and improve efficiency in order to retain and expand key contracts in the future. In order to expand its footprint, Zweigle's has decided to build a facility expansion on property that it currently owns, which is adjacent to its current location at 651 Plymouth Avenue North, Rochester, NY 14608. This property has been serving as space for employee parking. Upon acquisition of surrounding properties, the Company intends to demolish certain structures to create the space necessary to expand the existing production facility and create ample room for deliveries. Employee parking will be moved across the street.

The Company will add 13,159 square feet of production space to its existing 55,000 square foot facility. After the internal layout is restructured, the resulting 68,159 square foot building will allow for increased sausage link and spiral manufacturing areas, as well as more refrigerated and frozen storage space. The layout will eliminate the need for multiple movements of raw materials and products in process. This improved process flow, coupled with better temperature control throughout, will increase efficiency and elevate the Company's food safety capabilities. Importantly, Zweigle's will now be able to handle full truckload deliveries with a larger, racked refrigerated storage area. Additionally, new equipment will reduce the manual handling of meat, which has led to several

injuries over the years. Finally, the expanded facility will offer dedicated space for research and development activities, something that Zweigle's views as essential to keeping pace with a consumer food market that is constantly in flux.

In 2018, retail hot dog sales topped \$3 billion, with nearly 900 million pounds sold. Also in 2018, retail sausage sales reached \$4.95 billion, with 1.4 billion pounds sold. Zweigle's key product offerings are positioned across this combined \$7.95 billion US market, which continues to expand. At present, the Company's \$18 million in market share is limited by its hyper-regional sales base in the Greater Rochester Area. The initiation of on-site research and development and expanded production capacity will enable Zweigle's to keep pace with private label and co-packing demand. Ultimately, this expansion will allow the Company to pursue a larger slice of the pie beyond the New York state border.

An important factor in Zweigle's ability to secure contracts and sustain growth has been the Company's ability to maintain flexibility and offer relatively low production minimums. Coupled with its "artisan" approach, these are key selling points for major retailers looking to stay in line with changes in consumer sentiment. However, these capabilities create a labor intensive operation. Unlike much larger companies, Zweigle's maintains very hands on manufacturing techniques. On the conservative side, the Company estimates that the expansion will drive the need for up to nine immediate new hires as a result of the project, with plans to hire a total of 31 within five years. The positions will vary and include general help, mid-level skilled labor, clerical and supervisory roles. While the Company will look to automate certain areas of its production process, it is expected that sales growth will support the inclusion of an added shift that will sustain the remainder of the projected job growth.

### **c) Conclusions**

- Based on the IA+ rating, Zweigle's historical cash flow from operations will be able to service the debt going forward (with a projected Debt Service Coverage Ratio ("DSCR") that meets JDA's minimum standard of 1.20). This score of IA+ indicates that default risk, based on the Company's performance over the 3-year historical period, is low. Sales growth has been consistent and cash flow projections indicate that the Company will continue to be able to service the debt going forward.
- Zweigle's financial projections are relatively conservative. An analysis reveals that Zweigle's could miss projected EBITDA figures by 51.7% in 2020 (the year of project completion) and still maintain a DSCR of 1.20x, comfortably servicing the implied debt.
- Manufacturers have been under sustained pressure in Rochester, NY. This project offers an opportunity for JDA to assist a manufacturing company that pays its employees well and offers good benefits to remain within the City of Rochester.
- JDA will have a second lien position on the real estate collateral and will receive guarantees from Julie Steron and the Melissa M. Camardo Trust; thus, there will be sufficient security for JDA to be completely collateralized.
- Assuming a real estate appraisal of \$5,354,595 or more, Zweigle's meets JDA's loan-to-value requirement of 90%.

- With the project, Zweigle's expects to create at least 31 full-time permanent jobs within five 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 properties 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 cannot take on additional debt without JDA approval.
- The Company cannot pay down any amount of principal of existing shareholder loans without JDA approval.
- The Company must meet all other standard JDA requirements as follows:
  - a. Completion of the Project to the satisfaction of JDA.
  - b. 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.
  - c. Receipt by JDA of policies of insurance, including flood insurance if required, in amount, form and substance and issued by companies satisfactory to JDA.
  - d. Receipt by JDA of an itemized statement of Project Cost, satisfactory to JDA.
  - e. Receipt by JDA of financing documents of other lender(s) satisfactory to JDA. The documents must make clear the legal distinction between the subdivided properties at the project location. For collateral purposes this distinction must be evidenced by the tax municipal map, legal addresses, title reports, etc.
  - f. 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.
  - g. Execution of documents to permit monthly electronic debit of the Company's checking account to repay the Loan.
  - h. Compliance with ADDITIONAL REQUIREMENTS stipulated in all Schedules, Exhibits and Riders, attached hereto and made a part hereof.
  - i. Compliance with any other terms and conditions deemed to be necessary and appropriate in the opinion of the General Counsel of JDA.
  - j. The Company or the Company's owners will contribute at least 10% in equity to the 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.
- k. Subordination of any loans to the Company stipulated herein in a manner satisfactory to JDA.
  - l. 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.
  - m. All certifications and permits for the operating purposes of the facilities to be in full force and effect prior to closing the Loan.

### **3) ADDITIONAL MORTGAGE AND LIEN DETAILS**

A promissory note in the principal amount of the JDA Loan, with interest thereon (the "Note"), shall be secured by a mortgage to JDA (the "Mortgage") on the fee interest of the premises adjacent to 651 Plymouth Ave North, Rochester and all improvements thereupon. A subdivision of this property is underway with the City of Rochester. Once the subdivision is approved the property will have its own legal description and address (the "Premises"). To reiterate, the Premises abuts another parcel owned by Zweigle's that contains the pre-existing manufacturing facility and has a pre-existing mortgage. While the facility constructed during this project will be physically connected to the pre-existing facility, the Company is in the process of designating the Premises as a completely separate parcel. The Premises will have a unique address, and its legal distinction will be evidenced by the tax municipal map, and title reports.

The Mortgage may be junior to the lien securing the real estate loan of ESL Federal Credit Union ("ESL") but not to any modifications, extensions or renewals thereof. The ESL Mortgage shall not be collateral security for any other loans.

In addition, ESL has agreed to allow JDA to take a junior mortgage on the preexisting facility at 651 Plymouth Avenue North, Rochester as additional collateral. An updated appraisal of that property is currently underway.

### **4) ENVIRONMENTAL REVIEW**

The County of Monroe Industrial Development Agency, as lead agency, has completed an environmental review of the project pursuant to the requirements of the State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on September 17, 2019. Staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the JDA make a Determination of No Significant Effect on the Environment.

Due to the JDA's mortgage position on the loan, a Phase I Environmental Site Assessment (ESA) and, if needed, a Phase II ESA must be submitted to the JDA for review and approval prior to closing on the loan.

**5) NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY**

JDA'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 Enterprises (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 overall MWBE Participation Goal of 30% related to the total value of JDA's funding.

**6) ADDITIONAL SUBMISSIONS**

Resolutions

New York State Map

JDA Underwriting Classification Chart

Photos of Products

December 10, 2019

STATEWIDE LOCAL DEVELOPMENT CORPORATION – Rochester (Monroe County) – JDA Loan for the benefit of Zweigle’s, Inc. – Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

---

RESOLVED, that the Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make a New York Job Development Authority Real Estate Loan for the benefit of Zweigle’s, Inc. for an amount not to exceed \$3,212,757 or 60.0% of the total eligible real estate project cost, whichever is less, 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 Corporation or his designee(s) may deem appropriate; and be it further

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

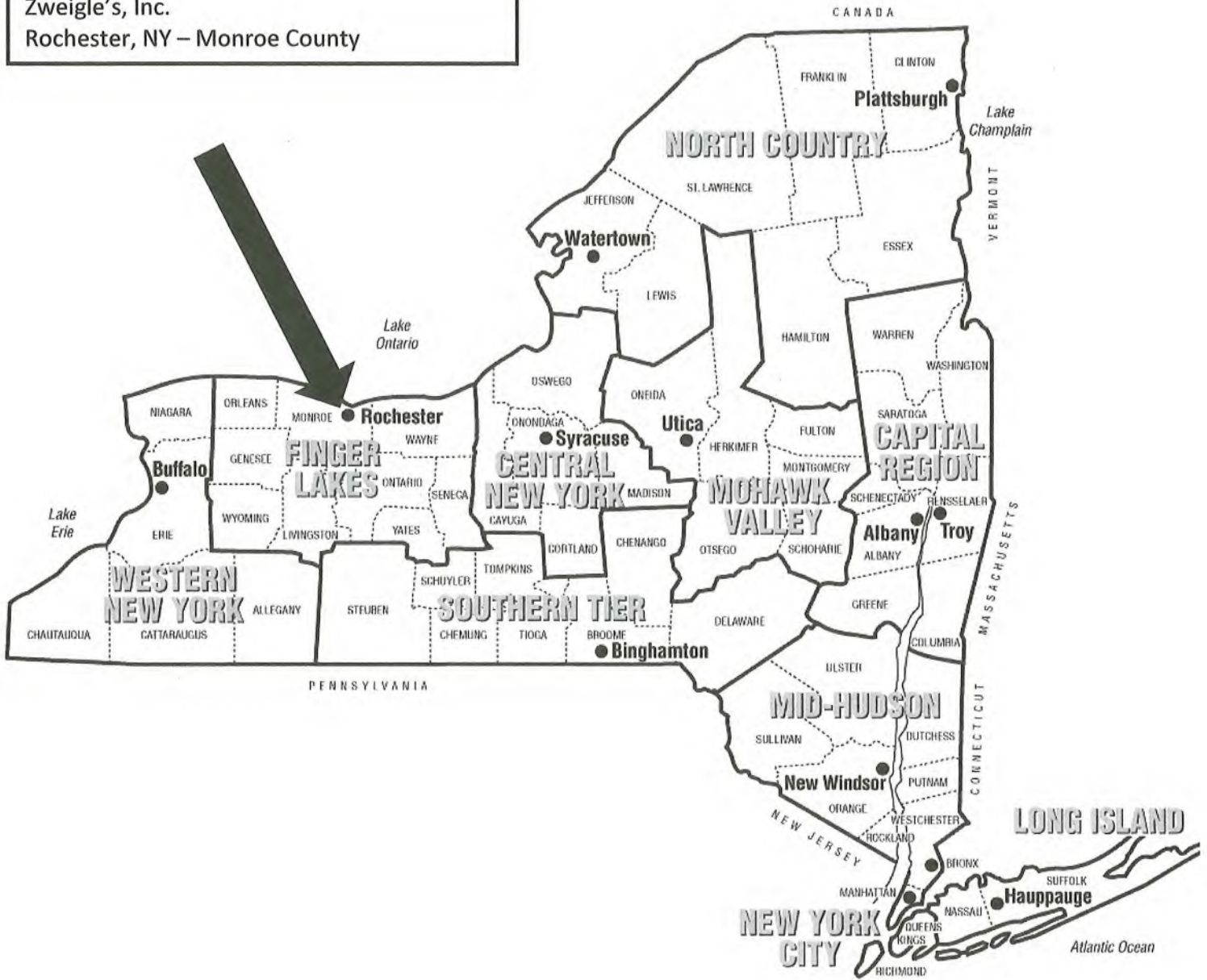
RESOLVED, that the Chief Executive Officer of the Corporation, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be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

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

\* \* \*

**PAGE INTENTIONALLY LEFT BLANK**

Zweigle's, Inc.  
Rochester, NY – Monroe County





**JDA Underwriting Classification Chart**

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

**Photos of Products**





