

CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Board of Directors Meeting
September 26, 2012 – 8:00 a.m.
Millennium Hotel – Walden Avenue

Attending: Board of Directors

Debra Liegl	John Redman
Edward Halady	Patricia Cwiklinski
Stephen Bojdak	Donna Luh
Joseph Funk	Richard Velez
Richard Cielinski	Denis Serugendo
James Antkowiak	

Resource Personnel

Harry Sicherman, H. Sicherman & Company
Richard Rickli, H. Sicherman & Company
David Jaworski, Legal Counsel
Paul Leone, Business Development Consultant
Jerome Gabryszak, Director of Community Development

President Liegl called the meeting to order at 8:00 a.m.

Treasurer's Report

John Redman presented the Treasurer's Report, which was received and filed.

Reading of Minutes

Jerome Gabryszak reviewed the minutes from the previous meeting held on June 26, 2012, after which the following motion was made.

Motion by: Patricia Cwiklinski
Seconded by: Edward Halady
Motion: To approve the minutes as read.
Vote: Ayes: 9; Nays: 0; Abstentions: 0.

Presentation of Loan Request from Kittinger Furniture

Richard Rickli reviewed the request for a business loan from Kittinger Furniture Company, Inc. The company, presently an S Corporation, was founded in 1913 and purchased by its present owner, Raymond Bialkowski in 1996. The company manufactures fine, custom crafted furniture for home and office use. The company is currently located at 2495 Main Street in the City of Buffalo. Mr. Bialkowski is searching for a newer, modern industrial location for greater operational efficiency and costs. He has identified 80 Sonwil Drive as a desired location. He would occupy 30,000 square feet and lease the balance of available space to two tenants. 80 Sonwil Drive is currently owned by Anthony L. Manzella, Jr., who currently has a loan with the CEDC with an outstanding balance of approximately \$55,000. The loan balance would be repaid upon sale of the property to Kittinger Furniture.

Loan Request Summary

Borrower:	The Kittinger Company, Inc.
Purpose of Loan:	Acquisition of 80 Sonwil Drive, which is a 40,000 square foot building located on 3.6 acres of land
Loan Amount:	\$460,000.00
Term:	10 years based on a 20-year amortization
Interest Rate:	Half of one percent (0.5%) fixed for the 10 year term
Repayment:	Monthly principal payment of \$2,014 based on a 20-year amortization schedule.
Commitment Fee:	Per CEDC Lending Guidelines
Security:	Pro-rata (with the seller mortgage) first position mortgage of \$250,000. (The Seller has indicated that it would not share a first mortgage position greater than this amount.) The balance of the loan (\$210,000) would be secured by a second mortgage. Second lien on all other business assets of Kittinger Furniture subordinated to M&T Bank's lien securing its \$250,000 working capital line. M&T Bank has a first lien of all non-realty assets of the Company.
Mortgage on Residence:	Mr. Bialkowski and his wife Karen jointly own a personal residence at 36 Oakhill Court, East Amherst, NY. The estimated value of the property is \$250,000 and there is a mortgage outstanding of \$47,000. The filing of a collateral second mortgage by the CEDC is recommended.
Personal Guarantee:	Raymond C. Bialkowski
Appraisal:	Receipt of an independent property appraisal of 80 Sonwil Drive prepared by an MAI-certified appraiser and acceptable to the CEDC shall be submitted prior to closing.
Financial Reporting:	(i) Annual reviewed statements prepared by an accounting firm acceptable to the CEDC to be submitted no later than 120 days after the end of the Company's fiscal year; (ii) Quarterly internally-prepared balance sheet, income statement and year-end forecast to be submitted with 30 days of the end of the fiscal quarter.

New Employment: 11 new full-time positions are expected to be created, 100% of which will be available to low-moderate income persons.

Job Retention: Additionally, the project will result in the retention of 15 full-time employment positions. Based on family income forms completed by the employees, 9 (60%) of those positions are held by low- and moderate-income persons.

After deliberation and discussion, the following action was taken:

Motion: James Antkowiak
Seconded by: Donna Luh
Motion: To approved the loan as recommended by the Loan Committee
Vote: Ayes: 10; Nays: 0; Abstentions: 1 (Edward Halady)

Presentation of Loan Request from Gordon Companies, Inc.

Richard Rickli presented the request for a business loan from Gordon Companies, Inc. The project involves the acquisition of 5.5 acres of land and an existing 77,000 square foot industrial building, various building renovations, the purchase of machinery and equipment, together with the payment of soft costs. Gordon Companies, Inc. acting through an affiliated company, Colvin Oakdale, LLC, is purchasing a vacant warehouse and distribution facility from 2331 Union Road, LLC, an entity controlled by Paul Rosa. The building previously served as the warehouse for the Rosa's Home Store, a discount electronics and furniture retailer. The Company's rapid growth in internet retailing has resulted in the need for additional warehouse and distribution space. This facility is ideally located across Innsbruck Drive from Gordon's existing 100,000 square foot warehouse and corporate offices.

Loan Request Summary

Borrower: Colvin Oakdale, LLC, an entity controlled by David M. Gordon
Purpose of Loan: Acquisition of 2331 Union Road, an existing 77,000 square foot industrial building which served as a warehouse for the Rosa's Home Store, along with 5.5 acres of land.
Loan Amount: \$487,500.00 Requested
Term: 5 year term based on a 20-year amortization
Interest Rate: Half of one percent (0.5%) fixed for the 5 year term
Repayment: Monthly payment of principal and interest
Commitment Fee: Per CEDC Lending Guidelines
Security: Second lien on all other business assets of Gordon Companies, Inc.

Collateral: Second position mortgage on 2331 Union Road subordinated to Northwest Bank's first mortgage of approximately \$986,400. Additionally mortgage collateral may be requested if the property's appraisal value shows collateral coverage of less than 1.0 to 1.0.

Corporate Guarantor: Unlimited corporate guarantee of Gordon Companies, Inc.

Personal Guarantor: Unlimited personal guarantee of David M. Gordon

Appraisal: Receipt of an independent property appraisal of 2331 Union Road prepared by an MAI-certified appraiser and acceptable to the CEDC shall be submitted prior to issuance of the CEDC loan commitment letter.

Key Man Life Insurance: A key man life insurance policy in an amount equal to the outstanding balance of the CEDC loan should be purchased by David Gordon and assigned to the CEDC for the term of the CEDC loan. At the sole discretion of the CEDC board, this policy may be canceled with the CEDC's approval based on certain operating and performance metrics determined by the CEDC and analyzed on an annual basis.

Financial Reporting

- Annual reviewed statements prepared by an accounting firm acceptable to the CEDC to be submitted no later than 120 days after the end of the Company's fiscal year.
- Quarterly internally-prepared balance sheet, income statement and year-end forecast to be submitted with 45 days of the end of the fiscal quarter.

Financial Covenant: The Borrower shall maintain a debt service coverage ratio of no less than 1.00 to 1.00. The DSCR shall be measured on an annual basis at fiscal year-end and shall be defined as follows: Net Income plus depreciation and amortization and interest expense divided by principal and interest payments on all debt of the Borrower.

Master Lease: A master lease, in form and content acceptable to the CEDC in its sole and absolute discretion, of 100% of the building shall be executed at closing by the Gordon Companies, Inc. The rental price per square foot shall, when combined with rents the Borrower may receive from third parties, provide the Borrower with total rent for the building in an amount necessary to achieve the minimum DSCR

New Employment: The Company expects to add 12 to 15 new full-time positions in the first year of operation in the new building and 4-5 additional employees in both the 2nd and 3rd years for a projected total of 20-25 new full-time employees.

It is important to note that when the CEDC Board approved its previous loan to Gordon in November 2010, there were 58 full-time and 41 part-time employees. At that time, the Company expected to add 10 full-time and 20 part-time positions. Since then, the Company has nearly reached its goal for part-time employment, but it has fallen short on full-time employment with a lower total FTE (55 vs. 58) than in December 2010.

% Low Mod Positions: The Company indicates that at least 60% (15) of the new positions will be available to persons of low and moderate income.

After deliberation and discussion, the following action was taken:

Motion: James Antkowiak
Seconded by: Joseph Funk
Motion: To approved the loan in the amount of \$300,000 and as otherwise recommended by the Loan Committee
Vote: Ayes: 10; Nays: 0; Abstentions: 1 (Debra Liegl)

Old Business

Life Safety Engineered Systems: Richard Rickli stated that he will meet with the owner of Life Safety later this morning.

The UPS Store: Harry Sicherman will check the status of the company's move to the new location.

Adjourn

Motion: Donna Luh
Seconded by: Patricia Cwiklinski
Motion: To Adjourn (9:03 a.m.)
Vote: Ayes: 10; Nays: 0; Abstentions: 0 (Note: James Antkowiak had left the meeting at 8:57 a.m.)

Signature of Secretary

