

TOWN OF BROOKHAVEN
INDUSTRIAL DEVELOPMENT AGENCY

MEETING MINUTES

JULY 18, 2011

MEMBERS PRESENT: Frederick C. Braun, Chairman
Joseph R. Kessel, Jr.
John Rose
Gasper C. Celauro
Ronald J. LaVita
Peter G. Moloney

EXCUSED MEMBERS: Ann-Marie Scheidt

ALSO PRESENT: Lisa M. G. Mulligan, CEO
James Ryan, CFO
Annette Eaderesto, IDA Counsel
Howard Gross, Weinberg, Gross & Pergament
Annmarie Hallock, Economic Development

INVITED GUESTS: Tom DeRosa, VP Finance & Operations – Kongsberg
Sue Wilson, Director of Human Resources – Kongsberg

Chairman Braun opened the meeting at 8:00 A.M. on Monday, July 18, 2011, in the Work Session Room on the Third Floor of Brookhaven Town Hall, One Independence Hill, Farmingville, New York.

KONGSBERG INTEGRATED TACTICAL SYSTEMS – APPLICATION

Since representatives from Kongsberg Integrated Tactical Systems were present, the agenda items were taken out of order to put their application first. Ms. Mulligan welcomed Tom DeRosa, Vice President of Finance and Operations, and Sue Wilson, Director of Human Resources, to speak about their company. Mr. DeRosa informed the Board that Kongsberg recently entered into an agreement to acquire the assets of Tactronics, an IDA project located in Bellport. Kongsberg is in the final stages of

acquiring the assets; at the same time, they are looking to take over the lease of the building.

Kongsberg is a large defense system company located in Norway. Kongsberg has hired back 30 employees from Tacronics who are currently working out of a hotel in Bellport. Mr. Braun inquired if there had been a previous relationship between Tacronics and Kongsberg. Mr. DeRosa responded that Kongsberg had sold some equipment to Tacronics, but there is no relationship between the two companies. As an example, Mr. DeRosa said that if you consider something such as a military humvee, Kongsberg would manufacture the artillery; Tacronics would manufacture the communications system in the vehicle. Kongsberg is looking to expand into the communications area.

Mr. Braun asked Mr. DeRosa (a former Tacronics employee), what caused Tacronics to go out of business in mid June. Mr. DeRosa explained that the company had been owned by an investment firm that took little interest in the daily operations. The investors grew tired of the losses and put the company up for sale. When the company failed to sell, it was pushed into an Assignment for the Benefit of Creditors. Mr. Braun asked Mr. Gross to discuss some of the technical aspects of this potential deal. Mr. Gross has spoken at length with Kongsberg's attorneys and explained that Kongsberg would assume the role of Tacronics in this project. The IDA supported the project but made sure that the PILOT benefits went only to Tacronics, not the unaffiliated real estate owners. He went on to discuss the specifics of this including environmental problems, indemnification and credit worthiness. The problem is not that there is anything wrong with the project, assuming they continue as Tacronics did, but if they want to change what they're doing, they need to reapply to the Agency and a new public hearing would have to be held as well as a SEQRA review. Kongsberg has said they will continue on as Tacronics did.

The number of employees at this location is far fewer than originally anticipated by Tacronics. We had expected 125 employees; they are down to 30. It was noted that Tacronics paid their PILOT in full for 2010-2011. There are roughly 6 to 7 years remaining on the PILOT Agreement for this facility. Mr. Celauro inquired about the

status of the lease; Mr. Gross responded that the landlord has been negotiating with Kongsberg to allow them to assume the lease. Mr. Gross detailed how the lease had been structured for Tactronics. Mr. DeRosa informed the members that the lease was signed this morning. Mr. Gross is concerned that Kongsberg is a start-up entity and has no assets. The Board would generally require someone to provide environmental indemnity for the project. It was noted that there was a clean Phase 1 environmental assessment from roughly 3 years ago. Mr. Celauro suggested that a Phase 2 be performed. Mr. Braun questioned if the landlord has indemnified the Agency environmentally and if they are responsible for the PILOT. Mr. Gross responded that, yes, we have received indemnification, and they are responsible for the PILOT. Mr. Braun asked Mr. DeRosa why they have not conducted their own environmental reviews to insure that there is nothing they would become responsible for. Mr. DeRosa answered that there were no chemicals being used at the facility. Mr. Gross explained what a Phase 1 review entails. The Agency members made it very clear that if any environmental problems arise, it is the responsibility of the property owners, not the Agency. Mr. DeRosa and Ms. Wilson were thanked for their time and excused at 8:26 A.M.

The consensus of the members was to move forward, provided that legal issues are satisfied. Tactronics originally projected that they would have 125 employees. Ms. Mulligan informed the Board that Kongsberg currently has 29 employees. They have projected 35 employees for the first year and 42 employees for year two. Mr. Gross inquired if the Board wanted to require a parent entity to guarantee the obligations of this company. The Board responded that, yes, this will be required.

MEETING MINUTES OF JUNE 20, 2011

The Minutes of June 20, 2011 had previously been sent to the Members for review. The motion to approve these Minutes as presented was made by Mr. Rose, seconded by Mr. Moloney and unanimously approved.

CFO'S REPORT

Mr. Ryan presented the Operating Statement for June 30, 2011. He noted a typographical error in his report; the date should be listed as June 30th rather than June 1st on the checking account statement. Mr. Ryan listed the usual expenses for the month. Deposits included an application fee for Maehr Industries. The LPL organization, which handles the investment funds for Suffolk County National Bank, was discussed. Mr. Ryan has had some issues in getting questions answered about this organization. He noted that the IDA accounts are insured for up to one million dollars. All PILOTS have been disbursed with the exception of Drive Train who has not yet paid the second half amount. Ms. Mulligan has been in contact with the company and they expect to pay their taxes this month. All disbursements were made within the thirty day deadline.

A motion to accept the CFO's report was made by Mr. LaVita and seconded by Mr. Rose. All were in favor.

INTERCOUNTY ASSOCIATES – RESOLUTION

Mr. Gross represents Intercounty Associates in this deal. He reminded the Board that in 2004 Intercounty approached the IDA for assistance in constructing a 250,000 square foot warehouse. They relocated from Hauppauge and are growing nicely. Intercounty is a cooperative of appliance dealers, originally just from Long Island, but have since grown to about eight states in the Northeast. They are seeking to enlarge their building by about 75,000 square feet. Mr. Gross expects to have an application for this expansion to the Board next month. They are also looking to expand their line of credit at Capital One Bank which is currently at \$9 million; Intercounty would like to see it grow to \$14 million. In order to do so, the bank would like to see collateral, which they don't have at the moment. They have agreed, subject to IDA approval, to put a mortgage on the building to satisfy this requirement. There is a real estate company as well as an operating company that will be involved in this. The real estate company borrowed \$5.3

million dollars from the operating company and Mr. Gross detailed how this transaction would be structured. Mr. LaVita inquired as to how many employees Intercounty has. Mr. Gross responded that they have roughly 80 employees directly. Their situation is unique because they also have “captive truckers”. Trucking companies operate from their facility but they are not owned by Intercounty. There are between 50 to 60 people working in this capacity. Mr. Weir has drawn up the resolution and is representing the IDA’s interests in this deal.

The resolution to approve the second mortgage was made by Mr. Moloney, seconded by Mr. Celauro, and unanimously approved.

MAEHR INDUSTRIES – APPLICATION

Ms. Mulligan presented the application on behalf of Maehr Industries. Maehr approached the IDA a few years back about this project. There was a death in the family and the project never came to fruition. They are a contract machine shop specializing in close tolerance machine parts. They are looking to construct a 12,000 square foot one-story industrial building on one acre of vacant land that they own. Ms. Mulligan noted that their current application fee had been discounted since they had already paid the initial fee when they first applied. This is a \$1.35 million dollar straight-lease project. They currently have nine employees and they expect to increase employment by one in the first year and two employees the year after. They also noted in their application that the owner may rent out up to 25% of the building with the intention that they will grow into that space in the future. They are currently renting space in Yaphank.

Discussion followed on how the PILOT could be structured with part of the facility being subleased, as well as performing cost benefit analyses. While he identifies with this company, Mr. Kessel questioned if the cost of this project would make it beneficial to the Town, and reiterated the question of who the tenant would be. Ms. Mulligan assured the Board that the Agency would know who the tenant was in advance. Mr. Ryan projects that the taxes on this 12,000 square foot building would be roughly \$25,000. Ms.

Mulligan directed the Board to the Annual Performance Report on Industrial Development Agencies that was provided in the meeting packets. The report lists that in 2009 the Brookhaven IDA had a cost per job gained of \$328.00. The Executive Summary included with this report states that the average cost per job across New York State was \$2,429.00. Mr. Celauro questioned how much the company would save by going through the IDA. Mr. Gross replied that when you include the PILOT abatement on improvements, mortgage tax and sales tax savings he expects they would save roughly \$240,000 over ten years.

A motion to offer Maehr Industries a 75% PILOT abatement was proposed by Mr. Moloney and seconded by Mr. LaVita. All were in favor.

Mr. Kessel stated that it is extremely important to follow-up on projects that are renting out space. Ms. Eaderesto also said that it needs to be clear there can be no grievance filed even on the 25%.

KONGSBERG – REVISITED

A resolution granting authority to Mr. Braun, Ms. Mulligan and Mr. Gross to approve this project subject to the satisfaction of Mr. Gross that all legal issues have been resolved, was made by Mr. Celauro, seconded by Mr. Moloney and unanimously approved.

CEO'S REPORT

Notice of Initial Bond Allocation

Ms. Mulligan informed the Board that we have received our Notice of Initial Bond Allocation of \$7,694,013.00. This amount can be increased if the IDA has a large bond project. At the end of the year most IDAs have not used all of their allocations. These funds go back into a pool and the State reallocates them as necessary.

Brookhaven Memorial Hospital Request

The Agency received a request from Brookhaven Memorial Hospital relative to a sale/leaseback transaction of equipment. This was sent to Ms. Mulligan and Mr. Weir for approval as the hospital was on a tight deadline. He advised Ms. Mulligan to execute this document and to inform the Board that this occurred. This does not affect anything with the IDA, only the re-financing with TD Bank. Mr. Braun explained that this had to do with the hospital purchasing equipment. There is no impact to the Agency.

A motion to ratify this resolution was made by Mr. Celauro and seconded by Mr. Rose. The motion carried with Mr. Braun abstaining.

Stafford Associates

Ms. Mulligan updated the members on Stafford Associates. A few meetings ago, the Board granted permission for Ken Stafford to assume his late father Eugene's role in the company. Stafford had informed the Board that they wanted to establish a trust to accomplish this. They are now looking to do an Employee Sharing Option Plan (ESOP). The banks are still trying to determine if they will approve it. Once there is bank approval, Ms. Mulligan will bring the matter back to the Board. Mr. Gross discussed ESOPs and how they work. Dolores and Ken Stafford will continue to control the company 100%. There is no action required by the Board at this point.

Applied Computer Technologies – Old Invoices

Applied Computer Technologies is the organization that created the IDA's website. One of the owners, Seth Schneider, approached Ms. Mulligan regarding some old invoices that he had put in for payment from the IDA. With changes in personnel, two of them have slipped through the cracks. These invoices are from 2004 and 2006 and they total \$2,700.00. Mr. Ryan informed the Board that these were not in fact paid. Mr. Braun directed Mr. Ryan to find out what the original amount was and what had been paid. Ms.

Mulligan noted that we are now posting our minutes and agendas on our website. Mr. Schneider is also working on the LDC website.

J. Young Mechanical

The IDA recently paid a \$385 fee to transfer the title back to J. Young Mechanical. A letter will be sent to all of the affected taxing jurisdictions stating that J. Young Mechanical did not pay their PILOT and they are no longer an IDA project. They owed roughly \$7,000.

Anorad Corporation

Ms. Mulligan and Ms. Eaderesto reviewed the closing documents for Anorad Corporation. At this point, it appears all entities are in default. Rockwell International, Precision Estates and Anorad Corporation were all aware that they were not allowed to sublease. Mr. Braun would like to get copies of the subtenant leases. Mr. Weir is starting default proceedings. There is the possibility that Rockwell could relocate Anorad Corporation off of Long Island.

Woodcrest Estates

The closing for the Woodcrest project has been scheduled for August 18, 2011.

Who's Who Article in LI Business News

Chairman Braun and the Brookhaven IDA were recently featured in the "Who's Who in Commercial Real Estate" section of the Long Island Business News. Copies of this article were included in the member's packets.

ABO Annual Report on Public Authorities & State Comptroller's Annual Report

Copies of these reports as well as a response from the Economic Development Commission, related press releases and an article from the LI Business News were all included in the packets for the members to review. Ms. Mulligan noted that there is specific information from our Annual Report included.

The ten regional Economic Development Councils may be named this Thursday. This has been pushed back numerous times.

LIBDC Dinner Meeting – August 24, 2011

The IDA is hosting this dinner at the Meadow Club in Port Jefferson Station. There are ten tickets available; if everyone would like to attend more tickets can be purchased. The topic discussed will be Accelerate Long Island. Next year's topic may be the Ronkonkoma Hub.

Marketing Committee

There was a brief discussion about the status of developing an advertisement to be placed in the Wall Street Journal. Committee members will work on developing this quarter page advertisement.

A motion to close the IDA meeting at 9:35 A.M. was made by Mr. Rose and seconded by Mr. Celauro. All were in favor.

The next meeting of the IDA has been changed to Monday, August 22, 2011.