

City Of Buffalo Urban Renewal Agency
Loan Committee Meeting
Loan Committee Meeting Minutes for November 25, 2013

1.0 Members Present

Commissioner Donna Estrich
Council President Richard Fontana
Timothy Ball, Corporation Counsel

Members Not Present

Brendan Mehaffy, Vice Chairman

Staff Present

Risë Geller Alongi
Rebecca Gandour
Lynn Urbanski
Patrick Curry
Michael Taylor, NYBDC
Justin Nadeau, NYBDC via Phone Conference

2.0 Mr. Ball called the meeting to order at 11:15 am. Council President Richard Fontana made the motion to waive the reading of the minutes from the October 3, 2013 meeting, and that they are accepted; seconded by Commissioner Estrich and carried unanimously.

3.0

Council President Fontana made a motion to take the December Agenda items out of order, seconded by Commissioner Estrich and carried unanimously.

3a. Housing Action Items

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| 3a. | Housing Department Action Items | Yvonne McCray |
| 3b. | Tabled Item(s) | Yvonne McCray |
| | • 37 Oxford | |
| | • 207 Schuele | |

Council President Fontana made a motion to table the above Housing Department items due to Director McCray being involved with mandatory Depositions regarding a BURA litigation, seconded by Commissioner Estrich and carried unanimously.

3c. BURA/BERC Loans from New York Business Development Corp. (NYBDC)

Sullivan Holdings, LLC/Operating Company - Industrial Support

Borrower is refinancing the 1st mortgage with the current first mortgage holder, First Niagara Bank, with new monies. The total new loan is for the amount of \$687,000. The current balance of the 1st mortgage is \$231,572. The new monies in the amount of \$450,000 will be used as follows: Pay off First Niagara Bank LOC – current balance of \$299,999, Pay off Wells Fargo LOC – current balance of \$42,434, Pay off Key Bank LOC – current balance of \$47,733, The above, including the current mortgage balance, totals \$621,738. It should be noted we are in receipt of all payoff/balance statements for each debt mentioned above. The remaining \$65,262 will be used as working capital. Per principal, Mr. David Sullivan, the working capital funds will be used to purchase equipment. It should be noted that all LOC's that are being paid off will be closed. The benefit of this Subordination will free up cash flow for the business to pay back its debts and for future operational needs. Mr. Sullivan transferred all rights, title and interest of Sullivan Holdings, LLC into Industrial Support, Inc. NYBDC is recommending that BERC subordinate to the refinance on the 1st mortgage on commercial properties with new monies involved in order to pay off the LOC's. Subsequent to allowing the refinance, we are in receipt of a new appraisal which results in an LTV of 80% and DCR improves to 1.27.

Council President Fontana made a motion to send this item to the BURA Board without recommendation, seconded by Commissioner Estrich, and carried unanimously.

Keep Our Kids/Operating Company - Journey's Child Enrichment Center - Unknown if Business id in Operation

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NYBDC has attempted several times to attempt to contact business owner in order to collect on the small balance. NYBDC is recommending to send a default letter to the residence which BEREC/BURA has a 3rd position on.

Commissioner Estrich made a motion to send the company a default letter, seconded by Council President Fontana, and carried unanimously.

Harris, Leonard, & Charlin/Operating Company - Lenny's Charbroiled Hotdogs – Business Closed

Loan matured on September 1, 2013 and the borrower was to pay \$530.77 for 5 years at a rate of 6.25% (no balloon payment). The business closed back in 2009 and per the borrower, he had an agreement with BEREC that he would pay between \$300-\$400 per month until the loan was paid in full. No such agreement exists and this is the amount the borrower has continued to pay over the past 2 years. This loan was demanded by BEREC to be paid in full in 2009 however it was never turned over for legal action and borrower continued to pay the modified payment. To avoid liquidation, the lender will re-amortize the loan. Borrower said the maximum amount he can afford is \$350.00 a month. NYBDC recommends extending the loan by 3 years (estimated) in order to allow the borrower to make payments that he can afford due to the business being closed. All other terms will remain as is.

Council President Fontana made a motion to extend the loan by three years, seconded by Commissioner Estrich, and carried unanimously.

My Kids Child Care Center, LLC

Borrower receives payments directly from Erie County. Recently, Erie County has been paying very slowly, which has strained the Borrower's cash flow. In addition, Erie County has been paying the Borrower less than the market rate per child. Borrower renegotiated the rates with Erie County, which took effect on November 1, 2013. Borrower has requested payment relief while they catch up with arrears to First Niagara Bank, the first mortgage holder. ESCDC, the second mortgage holder, has proposed modified payment terms similar to those proposed for BURA. NYBDC recommends to defer the past due amount of \$5,440.10 (9/1/13 and 10/1/13 payments), defer the payments due 11/1/13 and 12/1/13, total of 4 month full deferment. Borrower will remit 'catch-up' interest payments of \$1,833.17/mo. from 1/1/14 -2/1/14 (2 months). This will satisfy past due interest and interest to accrue to 2/1/14. Extend maturity by five (5) months from 10/1/20 to 3/1/21. Beginning March 1, 2014 monthly P&I of \$2,574.34/mo.

Council President Fontana made a motion to vote on the recommendations made by NYBDC, seconded by Commissioner Estrich, and carried unanimously.

Niagara Ceramics – Out of Business

In May 13, 2013, a Master Settlement Agreement was prepared and executed by the Stockholders of Niagara Ceramics and all other parties involved and this agreement modified BEREC's collateral position. Subsequent to the agreement, BEREC's collateral are as follows:

1. Pro-rata 2nd lien on all business assets with Buffalo and Erie Country Regional Development Corporation (RDC) subject to a 1st held by Everywhere, LLC with an original balance of \$500.0 (current estimated balance of \$625.0)
2. Pro-rata 2nd lien on commercial property located at 75 Hayes Place, Buffalo, NY with Buffalo and Erie Country Regional Development Corporation (RDC) subject to a 1st held by Everywhere, LLC with an original balance of \$500.0 (current estimated balance of \$625.0).

The agreement allowed for a \$500.0 cash injection to be in a superior position (as BEREC/RDC subordinated to it) in order to continue to operate and preserve 100+ jobs in the area. The business is now closed. NYBDC is now in receipt of a Collateral Surrender and Consent to Sale Agreement which allows for the sale of the property and all business assets. NYBDC has been working with Harris Beach and the RDC. Additional fees are accumulating which are being tacked onto the 1st lien holder balance which hinders NYBDC's ability to eliminate the losses. NYBDC recommends to allow

City Of Buffalo Urban Renewal Agency
Loan Committee Meeting
Loan Committee Meeting Minutes for November 25, 2013

payment of A/R in the amount of \$48.0 be applied to 1st lien holder, Everyware, LLC, execute a "Consent to Surrender and Sale Agreement" and allow the release of mortgage upon the closing to the Third Party purchaser.

Council President Fontana made a motion to send this item to the BURA Board without recommendation, seconded by Commissioner Estrich, and carried unanimously

Irish Way - Business Closed

The loan matured on October 1, 2013 with a principal balance of \$30,838.13. Borrower has not made a payment since NYBDC became the servicer in 2011. NYBDC is recommending to begin sending default letters. NYBDC will work with borrower to make a payment plan if borrower responds to letter. If the borrowers do not respond, NYBDC recommends to start the process of foreclosure/liquidation and possible charge off.

Commissioner Estrich made a motion to send the company a default letter, seconded by Council President Fontana, and carried unanimously.

Caz Coffee

The original owner passed away a few years ago. The daughter, took over business and moved business and assets to 1862 Hertel Ave. NYBDC spoke with the daughter on November 8, 2013 and the new business is closed. The daughter is out of work and currently has no money. NYBDC will be working with the daughter to set up a payment plan when she gets a job. NYBDC is recommending to set up a payment plan within a few months.

3d. Economic Development - Modification of Tishman Project

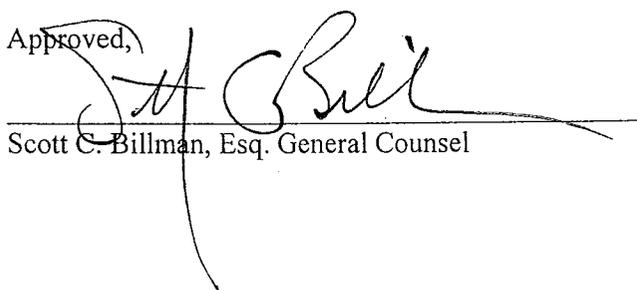
Mike Taylor from New York Business Development Corp. (NYBDC) provided an update to the loan committee.

1. Sources and Uses amended to reflect the amended equity going from \$8,088,886 to \$5,500,000 (plus \$300,000 grant from national Grid and a \$500,000 loan from shareholders.
2. Tax Credit increasing from \$9,289,947 to \$9,319,781. We understand this number may yet be somewhat fluid but it is the most recent approximation.
3. Lien position on real estate and FFE going from a 2nd lien to a third lien to account for the bank's requirement to take a lien to secure the bridge financing. LTV increases from 68% to 87%.
4. We have added the bullet points below to the Collateral Adequacy section of the loan report as covenants.
5. Cash flow has been amended to account for the \$900,000 line of credit and the loans to shareholders.

Adjournment

Council President Fontana made a motion to adjourn the meeting at 11:45 am, seconded by Commissioner Estrich and carried unanimously.

Approved,



Scott C. Billman, Esq. General Counsel