

**Jefferson County Industrial Development Agency
Jefferson County Local Development Corporation
Loan Review Committee Meeting Minutes
March 30, 2022**

Present: David Converse (Chair), Christine Powers, John Jennings
Zoom: Rob Aliasso

Excused: Kent Burto

Also Present: David Zembiec, Marshall Weir, Lyle Eaton, Peggy Sampson, Joy Nuffer, Paul Warneck, Ed Walldroff, Bill Johnson, Rob Aiken (zoom), Richard Calvin McNeely, Hari Achuthan, Lexi Bruening from Channel 7 News, Benjamin Wisniewski, Esq.

- I. Call to Order:** Mr. Converse called the joint meeting to order at 8:00 a.m.
- II. Pledge of Allegiance**
- III. Privilege of the Floor:** None.
- IV. RBM Manufacturing Corp. (Runningboards Marketing) –** A request for a 6-month period of interest only payments, effective March 1, 2022, and an adjustment to the amortization schedule adding those 6 months to the end of their loan. The current balance on the \$400,000 loan is \$381,391.11 as of February 28, 2022.

Mr. McNeely started off by saying that being a franchiser is tough. He said that they had trouble getting trucks last year and that he and his wife contracted COVID and were unable to work for 4 months. He said that they have 14 franchises up and running with a third of them in good shape, a third of them in the middle, and the last third struggling a little bit. He said that they signed two deals last week: one in Kansas and the other in Texas.

Mr. McNeely noted that they will be receiving trucks they ordered rather quickly, but noted that they will make it work. He said that they are continuously working on their franchise disclosure document which is strong. He said the pipeline continues to grow, but noted that the brokers take 40% and the goal would be to eliminate the broker in the future.

Mr. Converse asked if there are regulations in other cities and states that they run into. Mr. McNeely said that they mostly fall under the traffic laws, but noted that it is not always the case since some don't address it.

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Mr. Jennings asked if they are in the Syracuse area. Mr. McNeely said that they go to Syracuse for events, but aren't there every day. Mr. Jennings asked about the banking relationship. Mr. McNeely said that working with Watertown Savings Bank has been excellent.

Mr. Aliasso asked about going backwards and using the effective date of 3/1/22. Ms. Nuffer indicated that a March payment has not been made and Mr. Eaton commented that we are waiting for action from the board to adjust accordingly. It was noted that they started making principal payments in December.

After discussion, a motion was made by Mr. Aliasso to send the request to the full board of directors, seconded by Ms. Powers. All in favor.

Mr. McNeely left the meeting at 8:15 a.m.

V. Convalt Energy, Inc. –

A request for a total loan of \$1,250,000 split between the JCIDA for \$750,000, the Watertown Local Development Corporation for \$300,000 and the Sackets Harbor Local Development Corporation for \$200,000 for working capital to construct a 315,000 square foot facility adjacent to the Watertown International Airport at a cost of \$63,870,000. The term will be 7 years at 3% fixed. Collateral will be a cross-corporate guarantee from its parent company, ACO Investment, a 2nd lien on the manufacturing facility, manufacturing equipment and the two building being purchased for storage. There will also be a personal guarantee from the company president. Jobs projections are 122 in year 1, 122 in year 2 and 382 in year 3.

Mr. Zembiec said this is an unusual project we have an opportunity to work on that we started at the end of 2020. He said the project is moving along and has been through the county planning board review as well. He said that while its not official, we plan to participate with the Sackets Harbor Local Development Corporation (SHLDC) which may contribute between \$100,000 to \$200,000. He said that we are meeting with them April 11th. The other lending partner is the Watertown Local Development Corporation (WLDC). He said that we are working on them to get them comfortable since they don't usually put money in upfront on a project. He said financing is not approved yet, but indicated that we are seeing enough progress and have a good feeling about it. He said the discussion today is about the range the board is comfortable with fronting a portion of the total loan while we wait for the other lenders to meet.

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Mr. Achuthan said that since we last met (6 or 7 months ago), they completed all the preliminary submissions to the Town of Hounsfield, so the engineering is moving along quite well. He said that they have dismantled the Sunpower factory in Oregon and have an exit date of May 31st. They have estimated it will take 250 truckloads to transport the equipment. He said the project is moving along but noted that it is delayed by 3 or 4 months. He said the equipment was paid with cash and noted that the value of what they purchased has gone up significantly because of the current global dynamics. He said that with the investigation into panels from China be diverted through other countries to avoid prohibitions against use of forced labor, it will be challenging to get the panels, but said that timing is great for them as manufacturing will come back to the United States.

Mr. Achuthan said the challenges they run into are that the estimated costs of lumber prices are up 50% to build crates for the equipment and labor cost is up 40%.

Mr. Rutherford joined the meeting at 8:22 a.m.

He said the bigger issue is the transportation cost has fluctuated three times. He expects the prices to come down within the next two weeks.

Mr. Achuthan said for the day to day, the company still does not have any debt as everything is paid for in cash, so they have injected a significant amount of equity.

Mr. Achuthan said that they are close to finalizing two warehouse locations in the City of Watertown for a total of 160,000 square feet to store the equipment which will be another asset on their books.

Mr. Achuthan said the 2021 construction business (Lincoln Infrastructure) recorded \$4.8 million in revenue and is projecting \$60 million this year. He said the equity will be taken out and support the project because of market conditions.

Mr. Achuthan said that they announced a large transmission corridor project in Maine.

Mr. Achuthan thanked Mr. Zembiec and his team for allowing them to work together as we go through this process. He said that they have hired a number of people that are retired veterans and military spouses. He said that his immediate goal is to move the equipment here from Oregon.

Mr. Zembiec asked Mr. Achuthan to explain why the working capital is important at this time. Mr. Achuthan said it's important to give them a cushion on capital with unforeseen market conditions and for hiring which is extremely challenging to find the right people with the right talent. He said that they are finding the right people and hiring them even though they are 5 or 6 months ahead of target to embed them within the organization. He said based on those conditions they are requesting the working capital ahead of the move

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so they don't delay the exit from Oregon. He said that once the equipment is here, they are expecting to break ground June 1 or at the latest July 1 and get the factory up and running by June 1, 2023.

Mr. Achuthan said that they are very close to appointing a lender for the factory and already have plans for the second factory. He said that 2022 business is primarily construction for building data centers.

Ms. Powers asked if the second lien position will be behind the financing lender as the first lien. Mr. Achuthan said yes. Mr. Rutherford noted the term sheet indicated that subordinate lending was not allowed. Mr. Achuthan said that it is a separate entity since they are lending to the parent. Mr. Rutherford said that if the term sheet says they are taking a position on the equipment and no subordinate lending, he is wondering how that will work. Mr. Achuthan said the lender will take first position on the equipment, but the IDA is getting the second lien position as long as the lender approves it. He said what could happen is they would close us out before they go to them or have them closed out first.

Mr. Rutherford asked when Mr. Achuthan anticipates site plan approval. Mr. Achuthan said May 1 but noted that it could be June 1. He said that they have a public hearing scheduled for next week.

Mr. Rutherford noted the aggressive construction timeline and asked how Mr. Achuthan anticipates the supply chain for steel and concrete. Mr. Achuthan said that his team has already checked on those items and anticipates 3 to 4 months. He said the issue will be for breakers, switches, and transformers that have a 6-month lead time. Mr. Achuthan said that he expects that the supply chain should be normalized by the time they get the project started. He noted that there were delays negotiating with National Grid for upgrading the 3-phase line and he reported the issue is resolved.

Mr. Achuthan said that the timing is right with the market condition. He said until Convalt's own plant is operating they will have panels made under contract in Asia that they will sell to help get the brand name up and running and the product in the market.

Mr. Jennings asked if the permits are lined up. Mr. Achuthan said that they are waiting for the Town of Hounsfield.

Mr. Rutherford asked Mr. Achuthan when he anticipates the actual lender commitment. Mr. Achuthan said that a term sheet was finalized and given to Mr. Zembiec and is 60 to 90 days away since it has to go through a USDA process. Mr. Rutherford asked about ESD tax credits. Mr. Achuthan said he is having conversations with them and has a meeting scheduled for tomorrow.

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Mr. Zembiec spoke about the local agencies' timeline. He said the other participants will meet in April. He said the question for the board is how much the IDA should float in the short term. Mr. Achuthan said that the County should have skin in the game. He said that they have assets, no debt, fantastic revenues and no issues on repayment. Mr. Rutherford said that he wants to support the project, but needs to get comfortable structurally by being able to demonstrate economic impact since the project will be outside city limits. He said that it will need to be approved by city council. He noted that it is only a procedural issue and will need to show employment statistics. Mr. Achuthan pointed out that they are close to purchasing two warehouses in the city that they will convert and use to store the equipment from Oregon. Mr. Rutherford asked what will happen to the warehouses after the equipment is removed. Mr. Achuthan said that they will keep them because they will need the space.

Mr. Zembiec said that we can do multiple loan agreements. The first would be a demand note for \$850,000 to float now in the short term and a master loan for permanent financing once the participating lenders are on board.

Mr. Achuthan said the current price for transporting the equipment is \$1.8 million.

Benjamin Wisniewski, Esq. joined the meeting at 9:00 a.m. He is legal counsel for the Town of Clayton.

Mr. Rutherford asked if the local agencies could get the final amount for the transportation costs when applicable. Mr. Achuthan said yes and indicated that they are transparent and need the public/private partnership.

Mr. Walldroff asked what we will be showing for in-kind. Mr. Achuthan said that he will need to show the amount of capital for the property because he just realized that the IDA property contribution is not reflected on the term sheet. It was noted that the IDA has \$2 million into the property right now.

A motion was made by Mr. Johnson to recommend to the full board a \$850,000 bridge loan to Convalt Energy, Inc., seconded by Mr. Aliasso. All in favor.

Executive Session:

At 9:09 a.m., a motion was made by Mr. Jennings, seconded by Mr. Aliasso to enter into executive session to discuss the financial history of a particular company. All in favor. Committee members, staff members, board members, Mr. Achuthan and Mr. Rutherford remained.

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At 9:21 a.m. a motion was made by Mr. Aliasso, seconded by Ms. Powers to leave executive session. All in favor.

On the motion, all in favor.

VI. Other – None.

VII. Adjournment: With no further business before the committee, Mr. Aliasso made a motion to adjourn the meeting, seconded by Mr. Jennings. The meeting adjourned at 9:22 a.m.

Respectfully submitted,

Peggy Sampson