



ECONOMIC DEVELOPMENT CORPORATION

Tuesday, January 8, 2019

<b>Board Members Present</b>	<b>Board Members Excused</b>
Robert Sollenne, Chair	Karen Parkhurst
David Bunnell, Secretary (via phone)	Walt Matyjas
Karen Springmeier	Joseph Bridgeford, Vice Chair
Supervisor Daniel Marshall	Kevin Hill, Treasurer
Supervisor Fred Lightfoote	
Supervisor Robert Green, Jr.	
	<b>Guests</b>
	Brian Young, Deputy County Administrator
	Harry Sicherman, Harrison Place Studio
	Dan Wise, Real Eats America (via phone)
<b>Non-Board Members Present</b>	Keith Lydon, Real Eats America (via phone)
Suzanne Vary, Econ. Dev. Specialist	Mike Nozzolio, Harris Beach (via phone)
Mike Manikowski, Executive Director	
Jessica Kazmark, Staff	<b>Contract Staff</b>
Brigitte Larson, Staff	Jim Coniglio, Underberg & Kessler, Local Counsel
Bob Mincer, Staff	
Michael Wojcik, CFO	

**CALL TO ORDER:** Robert Sollenne called the meeting to order at 8:38 am. A quorum was present.

**OLD BUSINESS:**

**Real Eats loan:**

Mike Manikowski explained that Real Eats would like to discuss the commitment letter and see if there were some terms that could be renegotiated. Harry Sicherman was present at the OCEDC meeting and will provide insight for the OCR grant. Dan Wise, Keith Lydon and Mike Nozzolio were all participating via phone. Mike asked Dan Wise to present his thoughts on the situation. Dan started off by stating that Real Eats has had a wonderful start to 2019, and that last year was quite successful, commenting that there has been significant improvement. Dan also stated that acquisition costs have gone from around \$42 down to \$32, dropping significantly, and by year end he believes that there will be 8000 orders per week. Dan explained that one issue at hand is the personal guarantee, as Dan cannot commit to a personal guarantee and would like to offer different options. Dan has personally invested about a \$1 million into the Company and feels as though that shows his dedication and commitment to Real Eats and its success. Dan commented on how the management team is also taking home less salary for the time being and that they all believe in the Company as well. Dan reiterated that Real Eats is not the same service as Blue Apron and that this year they have signed Ailaya LeeKong, a celebrity chef who

has brought a new level of culinary design to the Company and that the customers are responding very well. The Company has also hired a Chief Marketing Officer. Dan explained that he had some other suggestions instead of offering a personal guarantee. Exceptions included signing over the revenue of tax credits to the OCEDC, and assigning all corporate assets to the OCEDC. Dan concluded his concerns and allowed questions and discussion from the Board.

Rob Sollenne explained that the standard collected collateral for the OCEDC is a personal guarantee, life insurance, and security position on business assets. However, with the significant economic opportunity, the question is how many of those standard requirements the Board would be willing to negotiate. Jim Coniglio stated that he believes any property right can be assigned to a third party. With respect to the pledge of revenue it was questioned how reliable the revenue would be with respect to a certain amount. Jim also stated that tax credits are tied to performance standards in terms of investments and employment, and that there may be some fluctuation in the value. Jim will research this before giving his final opinion on the matter. Harry Sicherman confirmed that the OCR funds and the OCEDC loan are two different loans and will be handled as such. Michael Wojcik commented that the original plan had Real Eats securing about \$3 million in outside capital and it was questioned if this is still the case. Dan stated that the Company has actually not needed as much outside capital as the original plan and is very close to finalizing investments. It was asked if any of the outside investors would have an issue with the OCEDC being first on all Company assets, and Dan does not think it would be a problem. The number of jobs was briefly discussed as the original plan was retention of 30 jobs, but Real Eats currently does not have 30 employees. It was stated that by the end of the month the Company would like to have a total of 20 employees on staff and potentially employ 200 by the end of 2019.

Rob Sollenne explained that the goal is for the growth of economic development. Rob offered a proficiency guarantee, guaranteeing whatever potential loss there was in the \$200,000 loan from the OCEDC, plus the OCEDC would take the business assets. Dan pointed out to the Board that he is no longer the sole owner of the business. At this time, Dan owns about 55% of the Company.

Supervisor Fred Lightfoote questioned what period of time the Company is basing their 2019 sales projections. Dan explained that the projections have been based on the operating metrics of the business over the last year.

Rob Sollenne explained that the issue at hand is that the Board would be deviating from its standard practice and it is the Board's responsibility to protect the funds the OCEDC have and the loans that are given out. The Board must minimize that risk. Multiple options were discussed, one being to take a combination of routes, possibly convertible debentures or stock warrants, to be able to share in the success since the OCEDC is taking the risk up front. This could be in addition to taking a portion of the refundable tax credits, which would need to be structured. A limited guarantee was also discussed. It was also determined that if Real Eats moved out of Ontario County, that they would be subject to a penalty. Dan stated that there is no plan to leave Geneva, as he believes it is a great story and location for the Company.

Jim Coniglio questioned Dan and Keith on the current assets of the Company. It was determined that the Company owns about \$130,000 in kitchen equipment at this time but will change on a monthly basis. It was also stated that there is more equipment planned to be purchased in 2019.

Dan Wise, Keith Lydon, and Mike Nozzolio concluded their statements and thanked the Board for their time.

*At 9:25 am Karen Springmeier motioned that the OCEDC Board enter into Executive Session to discuss the financial history of a corporation, seconded by Supervisor Fred Lightfoote. Unanimously approved.*

*At 10:02 am, Karen Springmeier motioned to come out of Executive Session, seconded by Supervisor Robert Green, Jr. Unanimously approved.*

*Supervisor Robert Green, Jr. made a motion to defer to Staff and Jim Coniglio to clearly define the recommendations for the term of the Real Eats \$200,000 loan from the OCEDC. Recommendations will be presented at the special OCEDC meeting. Supervisor Dan Marshall seconded the motion. Unanimously approved. Motion carried.*

#### **Star Cider:**

Michael Wojcik explained that Star Cider is working diligently to secure their financing through Lyons National Bank. Michael stated that documents are circulating and it is recommended to extend the commitment another month.

*Supervisor Robert Green, Jr. made a motion to extend the commitment for the Star Cider loan another thirty (30) days. Supervisor Fred Lightfoote seconded the motion. Unanimously approved. Motion carried.*

#### **ADMINISTRATION:**

##### **December 11, 2018 Minutes:**

Rob Sollene presented the December 11, 2018 minutes for approval as presented.

*Supervisor Fred Lightfoote made a motion to approve the December 11, 2018 minutes as presented. Supervisor Robert Green, Jr. seconded the motion. Motion unanimously carried.*

##### **Invoices for payment:**

Michael Wojcik reviewed and submitted the invoices for payment for approval, which included 7 invoices totaling \$11,958.48.

*Supervisor Fred Lightfoote made a motion to approve the invoices for payment. Supervisor Dan Marshall seconded the motion. Karen Springmeier abstained. Motion unanimously carried.*

##### **December Financial Statements:**

Michael Wojcik briefly reviewed the OCEDC's preliminary financial statements as of December 31, 2018 explaining that it was better than anticipated. Michael also stated that multiple entries will need to be completed and that the final statement will be available for review at the next meeting.

##### **Recognition of Supervisor Green:**

Mike Manikowski commented on Supervisor Robert Green's service with the OCEDC Board and stated that he will attend one more meeting to conclude the Real Eats situation.

#### **ADJOURNMENT:**

*Karen Springmeier made the motion to adjourn the meeting at 10:15 am. Supervisor Robert Green, Jr. seconded the motion. Motion unanimously carried.*

Respectfully submitted,  
*Brigitte Larson*, Staff