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INDUSTRIAL REVENUE BONDS

AND

TAX LEASE PROGRAM

APPLICATION

for assistance through

**the
County of Chautauqua
Industrial Development Agency**

**County of Chautauqua Industrial Development Agency
200 Harrison Street
Jamestown, New York 14701**

Phone: 716-661-8900

Fax: 716-664-4515

**Application for Financial Assistance
through the
County of Chautauqua
Industrial Development Agency**

The information listed on this form is necessary to determine the eligibility of the project applicant. Please fill in all blanks, using "NONE" or "NOT APPLICABLE" where necessary. If an estimate is given, put "EST" after the figure. Attach additional sheets if necessary. All information completed with this form will be treated confidentially. This application is only for the purpose of determining whether the applicant is eligible for consideration by the Board of Directors of the County of Chautauqua Industrial Development Agency. Return eight (8) copies of this application to the County of Chautauqua Industrial Development Agency at the address listed on the cover of this document.

PART 1

A. APPLICANT

Federal ID # 26-4629631

Company Name: 31 Sherman St. Investors, LLC

Office Address: c/o The Krog Corp.
4 Centre Drive
Orchard Park, NY 14127

Telephone: 716-667-1234

Company officer completing this application:

Name: Paul R. Neureuter

Title: President (The Krog Corp.)

1. Number of locations of present business facilities:

- a. County of Chautauqua: (1)
- b. New York State: (1)
- c. Outside New York State: (0)

2. Business Organization (check appropriate categories):

Corporation Partnership

Sole Proprietorship Subchapter S

Other (Specify) LLC

3. Is business publicly or privately held? Public Private

4. List principal stockholders and percentage of ownership if applicable:

<u>Name</u>	<u>Percentage</u>	<u>Home Address</u>
WCA Hospital	50%	Jamestown, NY
Sherman Medical Realty LLC	30%	Jamestown, NY
Graf/Krog Sherman St. LLC	20%	4 Centre Dr., Orchard Park, NY 14127

5. Is the business a subsidiary of, or affiliated directly or indirectly with any other organization? Yes No If "Yes" indicate relationship and name and address of the related organization(s) on a separate sheet.

6. Complete the following information:

<u>Officers</u>	<u>Name</u>	<u>Address</u>	<u>Social Security Number</u>	<u>Other Principal Business Affiliations</u>
Manager	Daniel P. Reininga	Dunkirk, NY		Graf Realty Corp. Inc.

B. References (these will be contacted):

1. Banking (List names of banks, account officers address and telephone number):
M&T Bank, Mr. Michael Murek, One Fountain Plaza, Buffalo NY 14203
(716) 848-3164

2. Business Suppliers (List three largest accounts – names, addresses, telephone numbers, and list suppliers' terms of sale):
 - 1) Sherwin Williams, 2578 Walden Ave., Buffalo, NY (716) 685-1444
 - 2) Avalon Document Services 721 Main St., Buffalo, NY (716) 995-7777
 - 3) L.A. Hazard & Sons, 3689 California Rd., Orchard Park, NY 14127 (716) 662-4906

3. Major customers (List three largest – names, addresses, telephone numbers, and show percentage (%) of gross business obtained from each):
 - 1) Whitney Capital, Mr. Tom Granville, 2001 Marcus Ave. Suite N118,
Lake Success, NY 11042 (516) 352-6100
 - 2) WNY Urology, Mr. Richard Terhaar, 3085 Harlem Road, Cheektowaga, NY 14225
(716) 844-5600
 - 3) Hart Hotels, Mr. David Hart, 617 Dingens Street, Buffalo, NY 14206 (716) 893-6551

Commercial Contractors
Retail Customers

4. What are your terms of sale? N/A

5. Current Landlord (List name, address and telephone number):
31 Sherman St. Investors, LLC
4 Centre Drive
Orchard Park, NY 14127

6. Legal Counsel (List name, address and telephone number):
Jonathan Schechter, Gross, Shuman, 465 Main St., Suite 600, Buffalo, NY 14203
(716) 854-4300

C. Business Description

1. Describe type of business: Real Estate Development
2. Describe the principal products and services: Real Estate development
3. Describe the market(s) served: Jamestown, NY

D. Present Location

1. If you rent:
 - a. What is the present annual rent (state whether firm has a gross or net lease): N/A
 - b. When does the lease expire? N/A
2. If you own:
 - a. What is the current annual mortgage payment? N/A
 - b. When does the mortgage terminate? N/A
3. Describe present location (include square footage, number of buildings, number of floors, etc.) 11,500 SF/FL - (2) floors and basement , Total 34,500 sf
4. List the current annual taxes by respective taxing jurisdictions:
 - a. Building(s): \$83,000
 - b. Land: \$0

E. Previous Financial Activities

1. What were your company's estimated capital expenditures in Chautauqua County, New York, during the past three (3) years? (Specify by place, year and amount.)
- New Entity
2. Has your company ever been a recipient of funds obtained through tax-exempt or taxable bonds? Yes No If "Yes" give details below:
3. Describe your company's effort to secure assistance or financing in the County of Chautauqua, or any other area, on a separate sheet.

F. Types of Financial Assistance Requested
(Cross out those which are not applicable.)

1. ~~Industrial Development Revenue Bonds~~
 - ~~A. Tax Exempt~~
 - ~~B. Taxable~~
2. Tax Lease
3. ~~Other loan(s). Describe:~~
4. Other:
 - a. PILOT for real property tax: Applicant requests PILOT for years one (1) through ten (10).
 - ~~a.2 In the event Empire Zone Certification is not achieved,~~
 - b. Mortgage Tax Abatement
 - c. Sales Tax Abatement

Part 2

A. Describe the Project

(Include a general, functional description and prospective location.)

31 Sherman Street, Jamestown, NY

31 Sherman St. Investors, LLC will be the Owner of property located at 31 Sherman St., Jamestown, NY. The property is approximately two acres and includes an existing 2 story plus basement masonry and steel medical office building of roughly 11,500 gross sq. ft. per floor.

The project involves Mechanical / Electrical upgrades to accommodate WCA Hospital's Speech & Hearing and Occupational/Physical Therapy services, renovating 1st floor Common Areas, Elevator Lobby, new elevator entrance vestibule and 2nd floor Common Areas. Mechanical, Electrical, Plumbing and Fire Alarm systems will also be upgraded throughout. Scope of Work for each of these spaces entails tying new utilities into existing.

Exterior work entails restoration of brick masonry, new entrance vestibule, new landscaping, new sidewalks and new asphalt.

The purpose of the building upgrades is to allow (1) WCA to consolidate and improve its Speech & Hearing and OT / PT services in order to better serve the Jamestown community, (2) to provide first class medical office space that will encourage new physician recruitment, and (3) provide a state-of-the-art Orthopedic Center of Excellence including such shared complimentary functions as Diagnostic Imaging, Orthopedic exam space and Physical Therapy Rehabilitation.

B. Reasons for Project

1. Briefly describe the reasons why this project is necessary and what effect it will have on your business:

31 Sherman St. Investors, LLC acquired the building for the purpose of adapting an existing under-utilized existing building into a productive property. The City of Jamestown is hampered by numerous partially vacant properties. Our company has extensive experience determining viable and productive new uses for these structures, thus improving the overall aesthetics of the community while creating space for new job creation and economic growth.

Given the properties close proximity to the health-services district of Jamestown, we deemed the highest and best use of the building to be re-utilized as a Orthopedic Center of Excellence which will service the increasing demand throughout the primary market for both inpatient and outpatient orthopedic care. And as health reform evolves and more emphasis is placed on clinical and quality outcomes, it is essential to design care under Centers of Excellence to achieve clinical integration, to deliver the highest patient outcomes possible, to maximize competitive edge and to demonstrate value to payers, patients and referring physicians. Through the redevelopment of this facility, achieving these goals is greatly enhanced leading to increased surgical volumes and being able to capitalize on fresh revenue opportunities brought on by new technologies and therapies.

Investment in the property and its extensive renovation will provide a virtually new building where today an older building in need of major repairs and upgrades exist.

Inducements from the IDA are imperative to the success of the Project.

The new services result in new, well compensated jobs. In addition, the upgraded office space will be utilized as a critical tool in the recruitment of quality orthopedic physicians.

2. If your business is unable to arrange suitable financing for this project, what will be the impact on your company and the County of Chautauqua? Would your company proceed with the project without Agency assistance and / or financing? Describe in detail:

Without inducements in the form of PILOT, mortgage tax and sales tax abatements, the Project will not proceed. The results of this will include: (1) inability to return partially vacant building to productive use, (2) failure to provide new advanced medical services to the community and (3) failure to provide new job creation.

C. Type of Project

1. Check category which best describes your project:

- | | |
|--|---|
| <input type="checkbox"/> Manufacturing | <input type="checkbox"/> Warehousing |
| <input type="checkbox"/> Industrial Assembly | <input type="checkbox"/> Pollution Control |
| <input type="checkbox"/> Research | <input checked="" type="checkbox"/> Other (Specify) |
| | Medical Office Building |

2. If pollution control, check appropriate items below:

- | | |
|------------------------------------|--|
| <input type="checkbox"/> Air | <input type="checkbox"/> Noise |
| <input type="checkbox"/> Water | <input type="checkbox"/> Solid Waste |
| <input type="checkbox"/> Air/Water | <input type="checkbox"/> Other (Specify) |
| | N/A |

D. Proposed Location

1. Does the project consist of (check appropriate categories):

- | | | |
|--|---|--|
| a. Construction of a new building | Yes | <input checked="" type="checkbox"/> No |
| b. Renovations to an existing building | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| c. Construction of an addition to an existing building | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| d. Acquisition of an existing building | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

If the Company is to acquire an existing plant, attach a photograph and indicate if it is in operation, about to be abandoned or abandoned. If in operation, describe present products.
N/A

List costs or orders made by Company for the project, at the date of this application, on a separate sheet.

2. Describe the proposed location(s) of this project, including square footage, number of floors, address, etc. (If new construction is involved or expansion of existing plant, attach proposed floor plan):

31 Sherman Street, Jamestown, NY

11,500 sq. ft/floor

(2) story and basement

3. List the present owner of the project site and the owner's name, address, and phone number. (If currently owned by the applicant, indicate date of purchase, reason for purchase and current use of the site):

Land Owned by: WCA Hospital, Paul Desantos, 207 Foote Ave., Jamestown, NY 14701

Building Owned by: RAWEE Venture Company, Dr. Bert Rappole, 207 Foote Ave., Jamestown, NY 14701

4. Does the project site currently have existing occupant(s)?

Yes No

If "Yes", list all lessees, the amount of space occupied by each, and the date of termination of such leases on a separate sheet.

Floor	Current Lease	Current Lease Term	Current S.F.	Proposed Lease	Proposed Lease Term	Proposed S.F.
Basement	Storage			Storage		
1 st Floor	Vacant		10,500	WCA Hospital	(15 yr. lease executed ending 3/31/2024)	10,500
2 nd Floor	Industrial Medicine	Ends 12/31/2011	1,230	Industrial Medicine	(Ends 12/31/2011)	1,230
	Jamestown Radiology	Month to Month	1,180	Jamestown Radiology	(5-10 yr. lease pending)	1,180
	Dr. Swanson	Month to Month	2,000	Sherman Medical Realty LLC	(15 yr. lease pending)	7,655
	Dr. Robinson	Month to Month	1,725			
	Dr. Gentile	Month to Month	1,380			
	Vacant		2,550			

5. Is there a relationship legally or by virtue of common control between the applicant or present owner?

Yes No

If "Yes", provide details on a separate sheet.

WCA Hospital is the current land owner and is contributing land as part of equity stake in 31 Sherman St. Investors LLC.

6. Does the Company have an option to purchase the project site or has a contract of sale been executed for such purchase? (If so, attach particulars.)
 Yes No

Legal documents effecting land and building purchase have been prepared and will be executed contingent upon IDA approval.

7. Has the Company placed any purchase orders or entered into any other agreements or contracts with respect to proposed project costs? (If so, attach particulars.)
 Yes No

E. Location Maintenance Costs

1. What are the real estate taxes on the land and the building? (If current rate is not available, give assessed value for each and so state.)

Land \$0

Building \$83,000

2. What is the estimated useful life of the:

a. Facility 30+ years

b. Equipment N/A

3. Is proposed Project site served by:

a. Transportation Rail Truck Air
 Water

b. Utilities Sewer Water Gas
 Electric Power

F. Employment

1. Employment at present time, if Company is now in existence within Chautauqua County, and an estimate of such employment at the proposed location at the end of one and two years:

Tenant Employment

Present First Year Second Year

Full Time

Part Time*

Seasonal*

*Estimate percent that total part time or seasonal working time bears to total annual full working time %.

Total \$

2. Estimate the annual payroll:

At present \$

In one year \$

G. Project Costs

1. List the costs necessary for the construction, acquisition or renovation of the project. (The project costs should **not** include working capital needs or moving expenses.)

<u>Description</u>	<u>Amount</u>
Land	\$
Building(s)	\$ 1,435,000
Renovation	\$ 1,491,000
Machinery and Equipment (Do not include furniture costs)	\$ 0
Installation	\$ 0

(G. Continued)

Fees (Do not include your own counsel fees)	\$ 80,000
Architectural Fees	\$ Included in Building
Financial Charges (specify) Application fee	\$ 255,000
Other (specify) Insurance	\$ 12,000
Preconstruction/Development Service	\$227,000
Subtotal	\$ 3,500,000
Agency Administrative Fee	\$
<u>Total Project Cost</u>	\$

2. What is the amount of funds and term requested for financing through the County of Chautauqua Industrial Development Agency?

\$ N/A Years N/A

H. Project Schedule

1. Indicate the estimated days for:
 - a. Financing of the project 30 days
 - b. Commence of construction (immediately upon approval of inducements)
 - c. Completion of construction 210 Days
2. List the date(s) and in what amount(s) the estimated funds will be required:
N/A

I. Other Agency Involvement

1. Have you contacted any other governmental agency in reference to this project?
 Yes No

If "Yes", please indicate the agency and the nature of the inquiry below:
2. Have you contacted any financing institutions or other industrial development agencies in New York State, or elsewhere, for financial assistance in reference to this project or one of a similar nature?
 Yes No

If "Yes", please indicate below the institution and / or agency and the present status of the inquiry:

J. Financial Information (attach the following)

1. Certified financial statements for the last three (3) fiscal years. N/A
- For Industrial Development Bonds (IDB) complete Questions 2, 3 & 4.**
2. Pro forma sheet as at start of operations at project site.
 3. Project profit and loss statements for first two (2) years of operation at projected site.
 4. Projected "cash flow" statement, by quarters, for first year of operation at project site.

Certification

Daniel P. Reinenga

(Name of chief executive officer of company submitting application)

deposed and says that he/she is the Manager
(Title)

of 31 Sherman St. Investors, LLC, the corporation named in attached application;
(Company name)

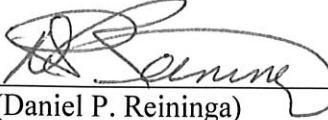
that he has read the foregoing application and attachments and knows the contents thereof; that the same is true to his knowledge, contains no information or data that is false or incorrect and is truly descriptive of the project which is intended as security for the requested financing.

Deponent further says the reason for this verification is made by the deponent and not by 31 Sherman St. Investors, LLC
(Company name)

is because the said company is a corporation. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application as well as information required by deponent in the course of his duties as an officer of and from the books and papers of said corporation.

As an officer of said corporation (hereinafter referred to as the "applicant") deponent acknowledges and agrees that applicant shall be and is responsible for all costs incurred by the non-profit County of Chautauqua Industrial Development Agency (hereinafter referred to as the "Agency") acting in connection with the attendant negotiations and ultimately the closing of the project and (or) financing. If, for any reason whatsoever, the applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action or withdraws, abandons, cancels, or neglects the application, then upon presentation of invoice, applicant shall pay to the Agency, its agents or assigns all actual costs involved in conduct of the application and the drafting of documents up to that date and time, including fees of counsel for the Agency.

The costs incurred by the Agency and paid by the applicant, including the Agency's counsel's fees and the administrative fee, may be considered as a cost of the project and included as part of any resultant bond issue, subject to the limitations imposed by law.

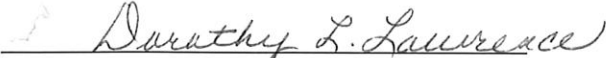


(Daniel P. Reininga)

Notary

Sworn to before me this

2nd day of March, 2010



(Seal)

DOROTHY L. LAWRENCE #4045244
Notary Public, State of New York
Qualified in Chautauque County
My Commission Expires 4/30/2011

TO: Project Applicants
 FROM: County of Chautauqua Industrial Development Agency
 RE: Cost/Benefit Analysis Questionnaire

In order for the County of Chautauqua Industrial Development Agency (the "Agency") to prepare a Cost/Benefit Analysis for a proposed project (the "Project"), the Applicant must answer the questions contained in this Project Questionnaire (the "Questionnaire") and complete the attached Schedules. This Questionnaire and the attached Schedule will provide information regarding various aspects of the Project, and the costs and benefits associated therewith.

Since we need this Questionnaire to be completed before we can finalize the Cost/Benefit Analysis, please complete this Questionnaire and forward it to us at your earliest convenience.

PROJECT QUESTIONNAIRE

1. Name of Project Beneficiary ("Company"):	31 Sherman St. Investors, LLC
2. Brief Identification of the Project:	Renovation of existing 2-Story 11,500 sq. ft./floor brick masonry building for medical space.
3. Estimated Amount of Project Benefits Sought:	
A. Amount of Bonds Sought:	N/A
B. Value of Sales Tax Exemption Sought	\$58,000
C. Value of Real Property Tax Exemption Sought	\$207,000
D. Value of Mortgage Recording Tax Exemption Sought	\$43,000

PROJECTED PROJECT INVESTMENT

A. Land-Related Costs	
1. Land acquisition	\$ _____

2. Site preparation	\$250,000
3. Landscaping	Included in #2
4. Utilities and infrastructure development	Included in #2
5. Access roads and parking development	Included in #2
6. Other land-related costs (describe)	N/A
B. Building-Related Costs	
1. Acquisition of existing structures	\$ _____
2. Renovation of existing structures	\$797,000
3. New construction costs	N/A
4. Electrical systems	\$100,000
5. Heating, ventilation and air conditioning	\$189,000
6. Plumbing	\$25,000
7. Other building-related costs (describe)	N/A
C. Machinery and Equipment Costs	
1. Production and process equipment	N/A
2. Packaging equipment	N/A
3. Warehousing equipment	N/A
4. Installation costs for various equipment	N/A
5. Other equipment-related costs (describe)	N/A
D. Furniture and Fixture Costs	
1. Office furniture	N/A
2. Office equipment	N/A
3. Computers	N/A
4. Other furniture-related costs (describe)	N/A
E. Working Capital Costs	
1. Operation costs	\$ _____
2. Production costs	\$ _____
3. Raw materials	\$ _____
4. Debt service	\$ _____
5. Relocation costs	\$ _____
6. Skills training	\$ _____
7. Other working capital-related costs (describe)	\$ _____

F. Professional Service Costs		
1. Architecture and engineering		\$90,000
2. Accounting/legal		\$ _____
3. Other service-related costs (describe)		\$ _____
G. Other Costs		
1. General/Excess Liability Insurance		\$40,000
2. _____		\$ _____
H. Summary of Expenditures		
1. Total Land Related Costs		\$250,000
2. Total Building Related Costs		\$1,111,000
3. Total Machinery and Equipment Costs		N/A
4. Total Furniture and Fixture Costs		N/A
5. Total Working Capital Costs		\$ _____
6. Total Professional Service Costs		\$90,000
7. Total Other Costs		\$40,000

PROJECTED CONSTRUCTION EMPLOYMENT IMPACT

I. Please provide estimates of total construction jobs at the Project:

Year	Construction Jobs (Annual wages and benefits \$40,000 and under)	Construction Jobs (Annual wages and benefits over \$40,000)
Current Year	12	1
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		

- II. Please provide estimates of total annual wages and benefits of total construction jobs at the Project:

Year	Total Annual Wages and Benefits	Estimated Additional NYS Income Tax
Current Year	\$700,000	\$50,000
Year 1	\$ _____	\$ _____
Year 2	\$ _____	\$ _____
Year 3	\$ _____	\$ _____
Year 4	\$ _____	\$ _____
Year 5	\$ _____	\$ _____

PROJECTED PERMANENT EMPLOYMENT IMPACT

- I. Please provide estimates of total existing permanent jobs to be preserved or retained as a result of the Project:

Year	Existing Jobs (Annual wages and benefits \$40,000 and under)	Existing Jobs (Annual wages and benefits over \$40,000)
Current Year	12	14
Year 1	12	14
Year 2	12	14
Year 3	12	14
Year 4	12	14
Year 5	12	14

II. Please provide estimates of total new permanent jobs to be created at the Project:

Year	New Jobs (Annual wages and benefits \$40,000 and under)	New Jobs (Annual wages and benefits over \$40,000)
Current Year		
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		

III. Please provide estimates of total annual wages and benefits of total permanent construction jobs at the Project:

Year	Total Annual Wages and Benefits	Estimated Additional NYS Income Tax
Current Year	\$ _____	\$ _____
Year 1	\$ _____	\$ _____
Year 2	\$ _____	\$ _____
Year 3	\$ _____	\$ _____
Year 4	\$ _____	\$ _____
Year 5	\$ _____	\$ _____

IV. Please provide estimates for the following:

A. Creation of New Job Skills relating to permanent jobs. Please complete Schedule A.

PROJECTED OPERATING IMPACT

I. Please provide estimates for the impact of Project operating purchases and sales:

Additional Purchases (1 st year following project completion)	\$ _____
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Additional Sales Tax Paid on Additional Purchases	\$ _____
Estimated Additional Sales (1 st full year following project completion)	\$ _____
Estimated Additional Sales Tax to be collected on additional sales (1 st full year following project completion)	\$ _____

II. Please provide estimates for the impact of Project on existing real property taxes and new payments in lieu of taxes ("Pilot Payments"):

Year	Existing Real Property Taxes	New Pilot Payments	Total
Current Year	\$83,000	\$0	\$83,000
Year 1	\$83,000	\$41,500	\$41,500
Year 2	\$83,000	\$45,650	\$45,650
Year 3	\$83,000	\$49,800	\$49,800
Year 4	\$83,000	\$53,950	\$53,950
Year 5	\$83,000	\$58,100	\$58,100
Year 6	\$83,000	\$62,250	\$62,250
Year 7	\$83,000	\$66,400	\$66,400
Year 8	\$83,000	\$70,550	\$70,550
Year 9	\$83,000	\$74,700	\$74,700
Year 10	\$83,000	\$78,850	\$78,850

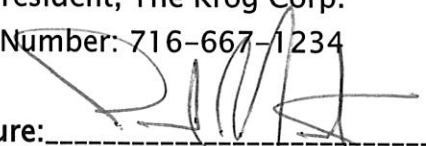
III. Please provide estimates for the impact of other economic benefits expected to be produced as a result of the Project:

(See Above)

CERTIFICATION

I certify that I have prepared the responses provided in this Questionnaire and that, to the best of my knowledge, such responses are true, correct and complete.

I understand that the foregoing information and attached documentation will be relied upon, and constitute inducement for, the Agency in providing financial assistance to the Project. I certify that I am familiar with the Project and am authorized by the Company to provide the foregoing information, and such information is true and complete to the best of my knowledge. I further agree that I will advise the Agency of any changes in such information, and will answer any further questions regarding the Project prior to the closing.

<p>Date Signed: January 18, 2010</p>	<p>Name of Person Completing Project Questionnaire on behalf of the Company.</p> <p>Name: Paul R. Neureuter Title: President, The Krog Corp. Phone Number: 716-667-1234</p> <p>Signature: </p>
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31 Sherman Street Investors LLC

Fixed PILOT payments for 31 Sherman Street Investors LLC are as follows:

YEAR	PILOT PAYMENTS
1	51,500
2	54,307
3	57,266
4	60,387
5	63,679
6	67,149
7	70,809
8	74,668
9	78,737
10	83,018