

**ESSEX COUNTY INDUSTRIAL DEVELOPMENT  
AGENCY**

**&**

**ESSEX COUNTY CAPITAL RESOURCE CORPORATION**

**Joint Application for Financial Assistance**

The County of Essex Industrial Development Agency (the Agency") is a body corporate and politic of the State of New York (the "State"), established in 1974 under section 914-aof the State General Municipal Law, and operating pursuant to the provisions of Article 18-A of the State General Municipal Law. The Essex County Capital Resource Corporation ("ECCRC") is a not for profit corporation, established in 2010 under section 1411 of the State Not-for-Profit Corporation Law. The Agency provides several forms of financial assistance under State law and pursuant to the Agency's "uniform tax exemption policy", including tax-exempt revenue bond financing, PILOT agreements, and "straight lease" agreements. ECCRC provides tax-exempt financing for economic development projects which fulfill public purpose and reduce the burden of Government. In order to be considered for the financial assistance the Agency may provide, the applicant should complete the Application in duplicate, sign and date the Application, and return the completed Application to the Agency together with a processing fee of \$1,000, or \$1,500, as appropriate.

Please answer all the questions in Parts A through D either by filling in the blanks, completing the answer in the space provided in the Application, or by attachment. Please refer to section IV of Part D of the Application for a statement of costs and fees applicable to providing financial assistance. **All information submitted in the Application will be kept confidential. No Application will be considered until a fully completed and executed Application, in duplicate, is received by the Agency, together with applicable processing fees.**

Questions about the application should be directed to Jody Olcott or Carol Calabrese at (518) 873-9114, or faxed to (518) 873-2011.

**PART A**

**Applicant and Project Information**

1. Applicant name, address, telephone, fax, email and contact person:

CHAMPLAIN VALLEY MILLING, INC  
31 CHAMPLAIN AVE  
WESTPORT, NY 12993-0454

New location  
19 Myres Way  
Willsboro, NY  
12996

2. Applicant business form:

Sole Proprietorship

Corporation **C**

✓

Partnership  
 Limited partnership

Not-for profit corporation (see Part C, page 8)  
 Other

a. If a corporation, what is the state of incorporation? NY. If not a New York Corporation, is applicant authorized to do business in New York?

Yes  No

b. If a not-for-profit corporation, is the Corporation qualified under Internal Revenue Code section 501(c)(3) with the Internal Revenue Service?  Yes  No

c. If the applicant is a corporation, indicate the names and addresses of the principal shareholders, or members in the case of a not-for-profit corporation:

3. Please list applicant financial references (at least three (3) institutions), indicating name of institution, address, telephone, fax, email and contact person:

A.

B.

C.

See Attached (A)

4. Please indicate the major trade references of the applicant:

Name:

Address:

Contact Information:

See Attached (A)

5. Please provide the name, address, telephone, fax, email and contact person of and at the law firm or attorney representing the applicant:

Whitson + Rogers Law office (Hilary Rogers)

Elizabethtown, NY 12932

518 412-4111 hilary@whitsonlawfirm.com

6. Please provide the name, address, telephone, fax, email and contact person of the CPA firm or financial advisor of the applicant:

R. Scott Boushick + Assoc.

Saranac Lake, N.Y.

518 891-1754 (P) 518 891-1755 (F)

7. Indicate what type of financial assistance the applicant is seeking from the Agency:

Tax-Exempt Revenue Bond Financing

Taxable Bond Financing (straight lease financing)

- Capital Resource Corporation (non-profit corporations) (see Part C, page 8)
- Pollution Control Bond Financing
- Straight Lease Back Transaction
- PILOT Agreement
- Sales Tax Exemption
- Mortgage Recording Tax Exemption
- Other (please specify)

\*Please note that for any proposed project for which tax-exempt financing is requested, the applicant will be required to complete a detailed "tax questionnaire" to determine eligibility under the Internal Revenue Code for tax-exempt financing.

8. If the applicant is seeking usage of the Essex County IDA sales tax exemption as part of the assistance for this project, please provide an estimate of the total sales tax to be saved by using assistance and the usage of the sales tax exemption (i.e. equipment purchase, construction, etc.).

\$ 354,880

9. If the applicant is seeking PILOT Agreement as part of the assistance for this project, please indicate which PILOT schedule:

Schedule A:

Year 1	100%
Year 2	100%
Year 3	50%
Year 4	45%
Year 5	40%
Year 6	35%
Year 7	30%
Year 8	20%
Year 9	10%
Year 10	5%

Schedule B:

Year 1	50%
Year 2	45%
Year 3	40%
Year 4	35%
Year 5	30%
Year 6	25%
Year 7	20%
Year 8	15%
Year 9	10%
Year 10	5%

Please note: Projects with a lesser economic impact based on an economic assessment will be eligible for Schedule B, (i.e. If project does not include a high level of commitment for: permanent payroll level in terms of number of jobs created, and/or number of potential spin off jobs, and/or high investment in total project, or a local business impact, and/or community investment).

**Project Data**

1. Provide a general description of the proposed project, indicating (i) location, (ii) dimensions of the building or facility, (iii) type of construction of the building or facility, and (iv) intended use of the building or facility: ATTACHMENT pg 3, 1

- a. Please attach a photograph of the site or existing facility to be improved. ATTACHMENT
- b. Please attach a copy of the preliminary plans of the proposed project. ATTACHMENT
- 2. If the proposed project is a manufacturing facility, briefly describe the proposed manufacturing process. ORGANIC FLOUR MILL  
WE TURN GRAIN INTO FLOUR + CRACKED GRAINS  
SEE ATTACHED LIST OF PRODUCTS -
- 3. If the proposed project a commercial facility, briefly describe the proposed retail sales operation contemplated. N/A
- 4. If the proposed project is a dormitory, healthcare, senior housing or education which a non-for-profit corporation must engage in, briefly describe the proposed project. N/A
- 5. If the proposed project is a pollution control facility, briefly describe the type of pollution to be abated, and existing orders of environmental agencies to abate pollution. N/A

6. Utilities on site:

Water: Municipal:  Yes  No  
Describe other: \_\_\_\_\_

Sewer: Municipal:  Yes  No  
Describe other: \_\_\_\_\_

Electric Utility Provider: NYSGETE  
Gas Utility Provider: Griffith Energy

7. Indicate the current legal owner of the building or site or the proposed project:  
Champlain Valley Milling, Inc.

8. Indicate any existing or proposed leases for the proposed project and provide a copy of such lease:  
NONE

9. Indicate any purchase option agreement relating to the proposed project and provide a copy of the purchase option agreement: **N/A**
10. Indicate any litigation or controversy regarding (i) title to the site or building to be acquired, constructed or improved, (ii) conditions on or under the site including environmental or hazardous waste conditions, (iii) the financial condition of the Applicant or any entity controlling the Applicant or any entity which the Applicant controls, and (iv) the general operations of the Applicant. **N/A**
11. If the applicant is or is controlled by a corporation or by a person or entity which is a majority shareholder in a corporation listed on a national stock exchange, please provide a copy of the annual report (including certified financial statements) of such corporation for its two (2) most recent fiscal years. **N/A**

**Employment Information**

1. Please provide the following information regarding the projected employment roll of the applicant at the proposed project before and after the Agency has provided financial assistance:

	Current		First Year		Second Year	
	Male	Female	Male	Female	Male	Female
Full Time	4	2	6	2	7	3
Part Time						
Seasonal	1					

Will any construction jobs to created or retained as a result of this project? If so, please indicate below: **10-15 CONSTRUCTION (Approx. 4 months)**

Indicate any changes in the quality of the workforce at the proposed project, which is expected as a result of the Agency providing financial assistance below: **The workforce will be trained in most aspects of the mill. This will include monitoring and running the flour mill, forklift operation, light repair work and they will be trained on the principles of HACCP and food safety.**  
 Please provide the average estimated salary of the jobs to be created: **\$ 40,000/year**

12. Please indicate the annual payroll at the proposed project before and after the application of the Agency's financial assistance.

Annual Payroll (before Agency assistance): **\$ 345389**

First year after project completion **\$ 435000**

Second year after project completion

\$ 520,000

**Project Costs**

1. Please provide an estimate of cost of the following items of the proposed project:

Land/ <i>Building</i>	\$ <u>280,000</u>
Improvements to Land (other than site work)	\$ _____
Site Work	\$ <u>435,560</u>
Building Construction	\$ <u>1,265,050</u>
Machinery and Building Fixtures	\$ _____
Equipment	\$ <u>2,348,180</u>
Legal Fees (excluding financing costs)	\$ _____
Architect and Engineering Fees	\$ <u>107,000</u>
Financing Costs (including transaction legal counsel)	\$ _____
Working capital	\$ _____
Other (please specify) <i>Contingency 10%</i>	\$ <u>443,579</u>
Total	\$ <u>4,879,369</u>

2. With respect to the total costs of the proposed project:

a. Indicate the amount to be financed: \$ 4,879,369

b. Indicate the term of the financing: 30 YEARS

c. Indicate the name, address, telephone, fax, email and contact person of the financial institution where the applicant is seeking financing: SEE ATTACHED (A)

d. Has the applicant received a written commitment from the financial institution to finance the proposed project?  Yes  No  
If Yes, please provide a copy of the commitment letter.

- e. Indicate whether the applicant would like the Agency's assistance in obtaining a financial institution to assist in the financing of the proposed project? (If so, an additional \$500 processing fee is payable to the Agency.) **No.**
- f. Indicate what amount of the cost of the proposed project is expected to be paid from funds generated by the applicant without borrowing: **- 0.00**
- g. Indicate any contribution of funds from an equity offering or venture capital funding for the proposed project: **0.00**
4. For a manufacturing facility only, please indicate the dollar value of "capital expenditures" (as determined in accordance with the provisions of the Internal Revenue Code) that the applicant or entity related to or controlled by the applicant, has expended within the County of Essex during the past three (3) calendar years? **0.00**

### Project Construction Schedule

1. Indicate the proposed date for commencement of construction or acquisition of the proposed project, assuming financing of the proposed project is available to meet the applicant's schedule: **5/1/16 START**
2. Indicate a schedule for the application of proceeds of financing and other moneys to acquire, construct, and equip the proposed project to completion: **START DATE 5/1/16**  
**DOWNPAYMENTS as need for Building, construct, and equip -**  
**END DATE ~~and~~ START 11/1/16**
3. Indicate the date on which the completed project is expected to be first placed in service: **11/1/16**

### PART B Environmental Compliance Review

Please provide the following information regarding environmental review of the proposed project.

1. Has the applicant retained an environmental engineer to assist with the environmental review compliance procedures relating to the proposed project?  Yes  No  
 If so, please provide the name, address, telephone, fax, email and contact person of the firm:

If not, would the applicant like the Agency's assistance in obtaining the services of an environmental engineer?, (If so, an additional \$500 processing fee is payable to the Agency.)

*No.*

2. If an environmental assessment form or a draft environmental impact statement has been prepared by the applicant, please attach a copy of the completed form to the Application.
3. To the knowledge of the applicant, has there ever been any toxic or hazardous waste materials located or stored on the site of the proposed project site, or has any activity ever been conducted on the site of the proposed project which could be expected to generate toxic or hazardous waste material?  Yes  No
4. For a proposed project located in the Adirondack Park, has the applicant received the permission of the Adirondack Park Agency to acquire and construct the proposed project?

Yes  No

If not, when does the applicant expect to receive such permission?

If Yes, please provide a copy of the APA permit.

### PART C

1. Is the company a not for profit corporation qualified under Section, 501(c) 3 of the Internal Revenue Code?

Yes  No

If yes, please provide the IRS designation letter.

2. Does the project fulfill a public purpose for Essex County or a municipality within Essex County? *No*

3. What are the economic development aspects of the project? *This project will bring new revenues and employment opportunities.*

4. Are there serious policy or potential issues which may preclude the project being financed by a municipality or Essex county? *No*

5. In what way is the burden of government eased by the issuance of bonds by CRC, including the application of the Wicks Law to awarding a construction contract? *N/A*

### PART D

#### Certification

(to be executed by the principal of the applicant and acknowledged by a notary public)

1. *Samuel M. Sharma* (name of chief executive officer of company) deposes and says that he/she is the *President* (title) of *Champlain Valley Milling* (name of corporation or other entity) named in the attached Application; that he/she has read the foregoing Application and knows the contents thereof, that the same is true to his/her knowledge.



- II. The grounds for deponent's belief relative to all matters in the Application which are not stated upon his/her own personal knowledge, are investigations which deponent has caused to be made concerning to subject matter of the Application, as well as information acquired by deponent in the course of his/her duties as an officer of and from the books and papers of said corporation or other entity.
- III. As an officer of the applicant deponent acknowledges and agrees that the applicant shall be and is responsible for all costs incurred by the County of Essex Industrial Development Agency (the "Agency") and legal counsel for the Agency, whether or not the application, the proposed project it describes, the attendant negotiations, or the issue of bonds or other transaction or agreement are ultimately ever carried to successful conclusion.
- IV. By executing and submitting this application, the applicant covenants and agrees to pay the following fees to the Agency, the same to be paid at the times indicated:
- (a) The sum of \$1,000 as a non-refundable processing fee, plus the sum of \$500 if Agency assistance in retaining professionals if requested, to be paid upon submission of the Application;
  - (b) The sum of:
    - .75% on the first \$10 million of project financing
    - .50% on the next \$11 million to \$20 million
    - .25% on the next \$21 million to \$30 million
    - .125% on the next \$31 million
 for which the Essex County IDA provides financial assistance, to be paid at transaction closing;
  - (c) An amount equal to \$2,500 payable to the Agency's bond/transaction counsel for the preparation and review of the inducement resolution, the environmental compliance resolution, TEFRA hearing proceedings and the "tax questionnaire" assuming no further activity occurs after completion of inducement proceedings, to be paid within ten (10) business days of the receipt of bond/transaction counsel's invoice;
  - (d) All fees, costs and expenses incurred by the Agency for (1) legal services, including but not limited to those provided by the Agency's general counsel (Briggs & Norfolk) and bond/transaction counsel (Squires, Sanders & Dempsey), and (2) other consultants retained by the Agency in connection with the proposed project; with all such charges to be paid by the applicant at the closing, or, if the closing does not occur, within ten (10) business days of receipt of the Agency's invoices therefore (Please note that the applicant is entitled to receive a written estimate of fees and costs of the Agency's general counsel and bond/transaction counsel prior to inducement);
  - (e) The cost incurred by the Agency and paid by the applicant, including bond/transaction counsel and the Agency's general counsel's fees and the

processing fees, may be considered as a costs of the project and included in the financing of costs of the proposed project.

- V. The applicant further covenants and agrees that the applicant is liable for payment to the Agency of all charges referred to in section IV above, as well as all other actual costs and expenses incurred by the Agency in handling the application and pursuing the proposed project notwithstanding the occurrence of any of the following:
- (a) The applicant's withdrawal, abandonment, cancellation or failure to pursue the Application;
  - (b) The inability of the Agency or the applicant to procure the services of one or more financial institutions to provide financing for the proposed project;
  - (c) The applicant's failure, for whatever reason, to undertake and/or successfully complete the proposed project; or
  - (d) The Agency's failure, for whatever reason, to issue tax-exempt revenue bonds in lieu of conventional financing.

Champlain Valley Milling, Inc  
(name of corporation or entity)

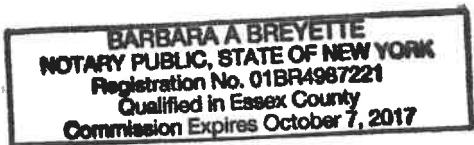
Samuel M. Shuman  
(name of officer)

President  
(title)

NOTARY

Sworn to before me this 8 day of March, 2001 <sup>2016</sup> ap

Barbara A Breyette  
(Signature)



**PART E**

As a condition to issuing industrial revenue bonds for the proposed project, the County of Essex Industrial Development Agency (the "Agency") is required by the Office of the New York State Comptroller ("OSC") to obtain the following supplementary information on an annual basis from the applicant during the term any such bonds are outstanding:

1. Outstanding balance at beginning and end of the year and principal payments made during the year.
2. Current interest rate (for adjustable rate bonds, the interest rate at year end).
3. Current year real estate tax exemptions for county, local (city, town, village, fire district) and school district taxes.
4. PILOT (payment in lieu of taxes) payments made each year to county, local and school district taxing authorities.

In addition to the above, in reporting to OSC during the first year such bonds are outstanding the Agency will need the following from the applicant:

1. An amortization schedule showing the planned principal reduction each year for the life of the bond issue (if applicable).
2. The amount exempted for:  
(a) sales tax, and  
(b) mortgage recording tax

This information is required by January 31 of each succeeding year and should be submitted in writing to the Agency at its office at 7566 Court Street, Elizabethtown, New York 12932.

The applicant, through its signing officer, certifies that it has reviewed, understands and will comply with the above, as required by OCS.

Champlain Valley Milling, Inc  
(Company)

By: Samuel R. Pincus  
(Name and Title)

Date: 3/8/2016

(A)

pg 2, (3-4)

3) Champlain National Bank  
3900 NYS RT 22  
Willsboro, NY 12996  
518-562-1776 x 1615  
Contact: Tim KONONAN

4) Robert Mosher  
1706 Rt 225  
Noyan, Qc, Canada J0J 1B0  
450-294-2757  
Contact: Nancy

Klaas Martens  
1443 Ridge Rd.  
Penn Yan, NY 14527  
315-694-1263  
Contact: Klaas

Mountain High Organics  
9 South Main St.  
New Milford, CT 06776  
860-210-7805  
Contact: Joanne Fellin

## Mission Statement

We are dedicated to being stewards to our employees, our community, our customers and our partners. We show this through grace of our actions and providing the highest quality, most consistent hand-crafted flour and grains.

## Our History and Current Business

Founded in 1985, Champlain Valley Milling (CVM) has been milling hand-crafted flour and grains for over 30 years. We are a family owned C-Corporation who has always had the ability to think long term and in turn always do what is best for our employees and our customers.

Our products focus on organic flours and grains. We purchase local organic grains, from right here in New York, along with organic grains from the Plains of United States and Canada. A large portion of our business focuses on producing "white flour", whole wheat flour and rye flour. We enjoy and value our long standing relationships with our farmer partners. Through the organic process and certification, they are a major reason for our success and our ability to help our customers. Our customers are very demanding regarding quality and consistency. In the art of baking, flour is the largest component and can have the biggest consequences on a "good loaf" or a "bad loaf" of bread. We ensure through our care with our farmer relationships, our mill production, and our customer service, that our customer bakers receive the consistency and quality they demand, along with it being delivered to their bakery when they demand it. We are NOFA Vermont organic certified and Orthodox Union Kosher certified.

## Our Customers and Market

Our customers are organic bakeries, primarily in the Northeast United States. Wegman's Stores Bakeshop, Hillcrest Foods, and Eli's Bread in New York City are a small sample of our customer list (please see addendum of complete list). We service bakeries directly and distributors who service bakeries. Our market is organic bakeries who demand high quality and consistent flour. Consumers increasing demand for organic food and flour continues to grow at a rate well above overall "conventional" (non-organic) flour consumption. Total US organic food purchases in 2000 were \$6,100,000,000 and in 2013 were \$35,000,000,000\*, an increase of almost 600%. Organic breads and grains account for about 10% of these total sales<sup>^</sup>. The organic food market continues to increase as consumers want to know what is in their food, where it comes from and have an alternative to Genetically Modified Organisms (GMO) foods. By the nature of organic definition and certification, organic food is not GMO, and is certified with documentation back to the original farmer producer. Champlain Valley Milling has an excellent reputation with our customers and the market place as a top quality certified organic producer, but also passionate about what we have been milling since 1985 and long before the recent surge in organic consumer awareness and increased sales.

## Our Competition

Our competition is twofold. The large production millers across North America and the small organic mills primarily in the East of the United States and Lower Canada. The large “conventional” miller produces large volumes of flour and most produce and sell their organic flour in the same manner, high volume and few offerings. They mainly produce in large batches at their own specifications, most offer only two different types of white flour. There are many bakeries who demand the care, unique specifications and quality that CVM provides on each and every load. We work with our bakery customers to custom make flour to their specifications. Our other competition is found mostly outside the state of New York in a small organic Canadian mill and a small organic mill in North Carolina. Both of these competitors primarily produce organic flour and grains.

## What Makes Champlain Valley Milling Special

So what makes Champlain Valley Milling different from our competitors? As mentioned earlier, we custom make our flour to our customers specifications. Because of this, we are able to produce the highest quality and most consistent flour in the milling market. We are able to change orders quickly, both specifications and amount of flour needed by our customer. These are attributes which differentiate us from the large millers across the country. And our purchase of local New York grains as well as milling in New York, allows us to differentiate ourselves from our large mill competitors as well as our smaller organic mill competitors in Canada and North Carolina. We also produce ancient and heritage grains which the large mills do not. Even growing at a faster rate than organic food is the number one fastest growing segment in food consumption and sales, that is “Buy Local”. We are able to mill and deliver “Local Organic Flour” to our customers better than any of our competition. New York and Boston are both only four hours away from our mill. Our customers also praise us for our attention to detail and our stewardship in customer service set us apart from the competition.

## Our Partner Farmers

Our suppliers are farmers found right here in New York State, Vermont, the Great Plains of the United States and in Western Canada. We are passionate about working with local New York State farmers to expand their crops into more organic wheat and other grains to help our local farmers expand their offerings. While New York production of grain is growing rapidly, we still have needs over and above what our New York farms can produce, so we still procure grains in other aforementioned locales. These farm relationships often go back to the late 1980’s and early 1990’s. We also work with grain breeders Mark Sorrells at Cornell University and Heather Darby at University of Vermont to help develop grains which grow best in New York and bake best for our customers. Our communication between the grain breeder, baker, our mill and the farmer, regarding grain quality and bake-ability and what to grow the next season is far ahead of our competition. Our competition either won’t do or they do not have the expertise to perform at the CVM level.

### Our Current Facility

Our current facility has been in operation since 1985. It is a three story wooden structure found at 6679 Main Street, Westport, NY 12993. The facility is confined to its current size of 9,000 square feet and the property lines and structure itself offer no opportunities for expansion of the building. The current property, being made of wood and other like materials, cannot pass certification for upcoming Food Safety requirements requested by our current and future customers. The building and property at 6679 Main Street is owned by Champlain Valley Milling and currently has two outstanding commercial promissory notes, both with Champlain National Bank. The total of the first note has a residual due in payment of approximately \$64,350 (December 31, 2015) through December 27, 2019 and the second note has a residual due in payment of approximately \$55,218 (December 31, 2015) through November 16, 2018.

### Business Seasonality

Champlain Valley Milling is busy throughout the year. Our customers order on a regular basis which keeps our current mill consistently producing our flour and grains on an ongoing basis. We have no seasonality where one season or month is higher or lower than another. For example, in calendar year 2015, 47.9% of our sales occurred January – June and 52.1% of our sales occurred July – December. Our business model and mill production certainly helps with our consistency in regards to fixed costs and maintaining key employees for full time work throughout the year.

### Regulatory Oversight of the Business

The two main agencies that oversee the milling industry as a whole is the United States Department of Agriculture (USDA) and the Food and Drug Administration (FDA). Both of these agencies oversee different regulatory aspects of our business. The USDA oversees and regulates organic certification. The USDA does require third party independent certification, and CVM is proudly certified by NOFA Vermont. Organic certification is a must for our customers and prospective customers. The FDA oversees and regulates the Food Safety and Modernization Act of 2010 (FSMA). While enacted in 2010, the FSMA is an ongoing process and requires certification from a third party such as the American Institute of Baking. There are different levels of Food Safety, all of which we will be able to achieve in our new building. The New York State Department of Health (NYDOH) also regulates our mill as a food producer.

## Management

Champlain Valley Milling has a history of long term owners and key employees. Our ownership is comprised of the following: Derinda M. Sherman (50.84%), Samuel M. Sherman (35%), Herbert Savel, MD (10%) and Carl Huttig (4.16%). Two of the owners, Derinda Sherman and Sam Sherman have extensive involvement with the milling operations as detailed below. We are proud to be a majority Woman-Owned Business.

Sam Sherman, President and CEO, has been with CVM since its founding in 1985. Sam has extensive sales, milling operations and grain procurement expertise. Sam is able to lead the scope of the business from “beginning to end”, from the farm to the customer.

Derinda Sherman, VP of Human Resources, has been with CVM since 1993. Derinda not only supports the needs of our employees, she also has the knowledge and scope to address logistics and customer service as needed.

Ayra Pettit, Director of Logistics and Customer Service, has been with CVM since 2000. Ayra’s excellence in customer service has allowed CVM to not only maintain our relationships with our customers, she is responsible for much of our growth and premium customer service that our customers have come to expect from CVM.

Adam Perry, Mill Operations, has been with CVM since 2009. Adam has helped CVM become one of the premier flour millers in the North America by ensuring that we have the highest quality and most consistent flour.

Michael Bittel, COO (Contracted), has over 15 years of executive milling operational and sales experience. Michael’s background also includes grain procurement and farmer relationships.

## Financial Needs

Champlain Valley Milling is fronting ten percent of the proceeds for this expansion, requesting fifty percent of our financial capital needs from Champlain National Bank and the forty percent through the NYBDC and affiliate partners. We are happy to share our vision of capital expansion with you. Here is a list of our equipment and needs:

- “Old Adirondack” building found at 19 Myers Way on the Town of Willsboro
  - 25,000 square foot warehouse
  - 30 feet x 70 feet x 70 feet milling area
  - 10 +/- acres of land



## Financial Needs (Continued)

- New grain bin storage bins
  - 2 – 1,000 bushel
  - 2 – 27,000 bushel
- Advanced cleaning house – complete with electronic scales to measure grain going into the mill and electronic scales for flour at the end of milling
- Color sorter – allows us to sort out impurities with color and size, the best way to minimize contamination
- Cutting-edge roll stands – these roll stands are fully automated and recognize and regulate the flow of flour utilizing electronic sensors (which we currently do not have).
- State of the art sifters – these sifters are stainless steel and advanced food grade plastics which will address and exceed our food sanitation and food safety goals. Easy access doors enabling easy and quick cleaning
- Purifiers, impact detachers, drum detachers and bran dusters – crucial items of equipment ensuring more efficient milling
- Two tempering tanks at 60,000 pounds each
- One 60,000 pound flour storage tank
- Truck receiving pad with belt conveyor to bucket elevator (3,200/bu cap)
- Bin Air System – rated at 20,000 lbs/hour
- Grain cleaning system
- Tempering system
- New cracking system and storage for cracked grain and seeds (12 bins)
- Two new packing stations – one for flour and one for other grain

## Benefits of Capital Investment and Expansion

The benefits from this capital investment and expansion project will help CVM in Food Safety, efficiencies (profit) and increase our product offerings dramatically.

- Our current employee team consists of six full time people and one full time person for five and half months of the year. The main benefit of this project is that we will be able to maintain our current jobs and then add more jobs. If we do not achieve this capital project, we will no longer be able to mill or do business in our current facility. This would mean in the near future we would have to close the mill and six full time people and one person for five and half months of the year would lose their jobs. If we are able to achieve this capital project, we will not only save these jobs but we will need to expand to nine full time people year around. We would also expand the opportunity and add more agricultural related jobs in New York State as we will need more local grains to help us meet production and demand.
- Our new building will help us increase our current milling capacity from 360 hundredweights (CWTs) to 2280 CWTs.
- Our wheat storage capabilities in our new location will triple from our current situation. This will allow us to purchase and store grain on site, taking advantage of the ability to store more grain when we source an attractive price.
- CVM will now have the capability to mill white flour and whole wheat flour at the same time. Currently we can only mill one type of flour at a time. The efficiencies to mill two flours at once will help us to further increase production output and continue to increase quality and consistency.
- With our new milling equipment we will be able to expand our mill product offerings. There are many specifications to producing custom white flour, but the two main ones are protein and ash. Protein is generally derived from the wheat itself, if you have “x” protein wheat, then you know you will have “x” protein flour produced. Ash is different. Ash, for the most part, is the amount of bran left over in white flour that was not sifted out in the milling process. Our current milling equipment has a limit to how much ash we can remove. The new equipment will allow us to achieve lower ash in our flour and expand our flour offering to our customers and our market. This may seem a small detail, but it is tremendous in the aspect of how much more we can expand our product offering.

## Benefits of Capital Investment and Expansion

- Our new milling equipment is also rated more efficient on make-readies and 3 – 5% more efficient on throughput than our current milling equipment. This will allow us to realize tremendous gains in profit per hundredweight. In addition, the roll stands, with the benefit of electronic sensors, help regulate flour flow and “push or pull” flour through the system allowing for high production run efficiency and allowing the roll stands to separate when needed so as not cause damage to the rolls.
- The new building and equipment will help us achieve and exceed all Food Safety goals, regulations and requirements.
- The new bagging equipment will allow us to better meet the food safety demands and needs of our customers.
- Another aspect which will broaden our product offering, we will add in line milling equipment which will allow us to add malted barley, an organic and natural way demanded by many bakers to aid in the art of baking. Currently, our mill cannot offer the addition of malted barley.
- The additional 60,000 pound flour storage tank will allow us to mix finished flour with our current flour storage tanks to achieve higher protein match and custom requirements for our customers.

## Financial Outlook

CVM is blessed to be positioned with a profitable long term business model which will continue through this expansion. As noted within “Benefits of Capital Investment and Expansion” above, with this expansion we will be able to perform the following in reference to increasing sales revenue and bottom line profit:

- Offer new items which will increase our market share with our current customers and bring on new customers into the CVM family.
  - Malted Barley option in our flour
  - Flour offerings with lower ash
  - Larger grain storage which in turn will allow us to mill more flour at any given time

## Financial Outlook (Continued)

- Maintain and even increase quality, which is a continued competitive advantage
- our increased production capacity to fill customer demand
- Positive changes in operating expenses
  - Larger grain storage so that we don't have to rotate bins as often and the ability to purchase grain
  - The new milling equipment will capture more of the heart of the wheat berry (endosperm) and produce more white flour per hundredweight of grain, 3 – 5% better yield than our current equipment
  - The ability to mill white flour and whole wheat flour at the same time will save us money with less make-readies
  - New equipment which is rated to run more efficiently and considerably less downtime for maintenance, cleaning, etc.
  - Our new truck receiving pad will allow to cut our unload time from three hours to twenty minutes, cutting our freight costs dramatically

Now that this capital investment and expansion will give us the production capability and the efficiencies to compete and grow the business, how will we expand our market presence and revenue? Here is our plan:

CVM is currently in negotiations with three key customers to expand our business rapidly with them. The flour is currently being milled by our competitors, these customers want locally produced flour which CVM could provide them competitively with this expansion.

We are also currently looking for an experienced sales representative to represent us and expand our current relationships throughout New York, New England and Pennsylvania as well as foster new relationships.

We have identified distributors and bakeries who focus on organic and local, but to date we have not approached them because we do not have the milling capacity and third party food safety certification. With this expansion we can better serve our current customers and better expand into new customers.

## Financial Outlook (Continued)

CVM plans on taking our farm to mill to baker expertise and within two years from expansion also offer conventional “non-organic” flours, ancient grains and heritage grains. The “Buy Local” moniker will still hold true for CVM conventional flours. This expansion into conventional flours and grains will also help us expand and partner with many more New York farmers who are not organic producers. This will further help our New York economy by offering more high yield and high dollar crops to our farmers. The larger mills in New York do not and will not be offering the farm to mill to baker expertise and they will not be purchasing local New York grains.

We would also like to aggressively sell to the retail trade whose customers now desire “Buy Local”. Many stores have “bulk bins” which carry many of our flour types and ancient and heritage grains. These “bulk bins” are supplied in 10# bags and 25# bags and poured into the bin by the retail customer. As mentioned above, we will have the ability to provide organic and conventional items to a broader market.

## Our Future

The future at Champlain Valley Milling is bright. We have passion; we love what we do and we value our relationships with our partner farmers and our customers. Crafting flour for us is an art and joy, not a commodity. We take special care on what grain we bring in, how we mill the flour and how we deliver it to our bakers. With the proposed installation of our capital expansion project and our passion, the sky is the limit!