

TROPHY DEPOT, INC.
JIMAR REALTY, LLC

400 Rabro Drive
Hauppauge, New York 11788

Via Email Only - Tony.Catapano@suffolkcountyny.gov

March 24, 2021

Mr. Anthony J. Catapano
Executive Director
Suffolk County Industrial Development Agency
H. Lee Dennison Building
3rd Floor
100 Veterans Highway
PO Box 6100
Hauppauge, NY 11788

RE: Trophy Depot, Inc.
Jimar Realty, LLC
Straight Lease Transaction
November 18, 2015
400 Rabro Drive
Hauppauge, NY

Dear Mr. Catapano:

We are writing to you as the principals of Trophy Depot, Inc and Jimar Realty, LLC in connection with our request to terminate the Suffolk County Industrial Development Agency's (SCIDA) benefits previously granted to us in November of 2015 due to being forced to sell the premises located at 400 Rabro Drive, Hauppauge, New York as we need to downsize and relocate our business operations due to the effects of the Covid 19 pandemic since the initial outbreak last year.

We are requesting that there be no recapture of the benefits previously granted due to the sale of the premises as we have fulfilled all of our obligations to the SCIDA in terms of jobs to be created and actual jobs created. We fulfilled and exceeded our obligations in the 2016 year by 63 jobs, in the 2017 year by 9 jobs, in the 2018 year by 21 jobs and the 2019 year by 8 jobs. In addition to these full time jobs, we have employed a seasonal work force on annual basis of approximately 30 to 40 temporary employees for the months of March thru June and the months of October thru November when we run two (2) production shifts, 7 days a week, during our peak seasons when school sports are most active.

Trophy Depot, Inc is a manufacturer of awards and trophies and relies heavily upon schools and other educational institutions around the entire country for the majority of its business and derives its sales from advertising and mass marketing online. Trophy Depot, Inc. sales have plummeted more than 80% due to school sports programs being shut down or substantially limited and with the outlook for another lost or limited sports season this year will not be able to sustain itself with its existing business overhead structure in its present manufacturing facility and needs to downsize its operations at a new location.

The re-opening of schools has become a national crisis and a catastrophe for all of the children who have not had in class learning, extra circular activities, and sports activities. The closing of schools has had a direct impact on our business operations, and we are desperately waiting for the re-opening of school's for our business to reopen as we continue to have limited monthly sales causing us to reduce our labor workforce.

We were able to secure Federal PPP funds in late April of 2020 which enabled us to rehire approximately 1/3 of the employees that we had to lay off due to the effects of the pandemic and secured a second round of PPP funds to continue to keep our employees on the payroll. We continued to keep employed our current workforce without sufficient monthly sales being generated and have continued to fund the deficit for payroll to date with our personal funds and loans that we made and continue to make which will likely never be repaid to us. We have personally advanced more than \$600,000.00 to date for our employee's payroll and continue to fund operating deficits out of our personal funds and loans.

Our lender, Sterling National Bank, previously allowed us a limited forbearance period of our financial obligations to them and has allowed a limited period of time for us to sell the building and pay off our mortgage obligations. If we did not sell the building our lender would have elected to accelerate the payment of our mortgage obligations and cause a default rate of interest to be charged only to add on to the outstanding debt obligations due our lender. We were stuck between the proverbial rock and hard place last year after the pandemic hit and schools shut down.

We reviewed the financial feasibility for the sale of the building with our accountants prior to entering into the contract to sell our building and based upon the payment of our two (2) mortgages, penalties to the lender for prepayment of our mortgages, real estate brokerage commissions, unpaid PILOT payments, legal fees and other closing costs along with a significant capital gains tax to be recognized and paid from the sale of the premises, we will yield limited funds. We will need to set aside part of the sales proceeds for the payment of federal and state income taxes to be paid. The limited funds from the sale are needed to re-locate our business operations to hopefully allow us to restart our business or we will be faced with going out of business.

The closing of our building is scheduled to occur sometime in April. We understand that the purchaser, Regent Baby Products Corp. and their affiliate are seeking IDA benefits and are awaiting final approval by the SCIDA.

We have owned several commercial properties in Nassau and Suffolk Counties over the past twenty years. We purchased and upgraded our Rabro Road facility due to our expansion and growth as we increased our sales from our marketing efforts on the internet and online sales. We invested more than our original estimated project cost of \$13,000,000 as we needed to install a sophisticated inventory and conveyor system to handle increased demand and had unexpected capital improvements to make to the building after we closed. We invested additional funds as needed into our business and to modernize our factory as was evidenced by meeting and then exceeding the job hiring targets required by the IDA benefits previously granted to us.

We will be unable, due to our present financial constraints, to purchase a new replacement property and will have to lease a smaller facility to continue our business operations or be faced with going out of

business. The cost to breakdown miles of our conveyor system, switches, robotic racking and a picking system and to reinstall and rewire our equipment at a new facility are estimated at \$1.5 million dollars alone. We are obligated to leaseback our building for a minimum six (6) month period at a cost of \$630,000.00 with not enough projected sales to cover our fixed and variable overhead to operate our business at the premises while we search for a new location.

We are attaching a projection prepared by our accountants of the estimated net proceeds of sale taking into consideration the payment of our estimated federal and state tax obligations after the sale based upon all present available information to us at this time.

Our IDA benefits are subject to recapture and we are submitting this letter to request that any recapture of previous IDA benefits granted be abated in their entirety or be minimized to allow us the chance and the opportunity to stay in business. We are being forced to sell our building by our lender, have fully complied with our obligations to the Suffolk County IDA to date and request a termination of the existing IDA benefits without any recapture of any previous benefits granted to date.

This is an involuntary termination and not a voluntary termination of our IDA benefits. If the Suffolk County IDA compels repayment of the previous IDA benefits granted, it will only serve to continue to punish us further for an event that was not in our control and has affected all of us in one way or another this past year. The recapture provisions were not meant to be punitive in nature but meant to compensate or return the benefits for the loss of the benefit of the bargain previously reached between the IDA and the owner. We have lived up to our agreement to date.

As we have all heard the saying, over and over again this past year, ***this was not my fault***. We have been advised by our legal counsel that the Covid 19 pandemic is analogous to a force majeure event excusing performance and the imposition of the recapture provisions.

Thank you for your time and consideration of our request.

Sincerely,

Trophy Depot, Inc.
Jimar Realty, LLC

James O' Boyle, Member and Shareholder
Marian O' Boyle, Member and Shareholder