

12/29/1997minutes

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Minutes of a **Public Comment Meeting** held by the Town Board of the Town of Riverhead, at Town Hall, Howell Avenue, Riverhead, New York, on Monday, December 29, 1997, at 1:00 p.m.: **Regarding the proposals for an aquarium or similar economic generator on a 3.2 acre waterfront site in downtown Riverhead**

Present:

James R. Stark,	Supervisor
Victor Prusinowski,	Councilman
James B. Lull,	Councilman
Otto Wittmeier,	Councilman

Also Present:

Barbara Grattan,	Town Clerk
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Absent:

Mark A. Kwasna,	Councilman
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Supervisor Stark called the meeting to order at 1:00 p.m. and the pledge of allegiance was recited, led by Steve Haizlip.

Public Hearing opened: 1:08 p.m.

Supervisor Stark: "According to that clock, it's 10 minutes after six. It is-- let the record show that the time is 1:08. Would the Clerk please read the notice of public hearing."

Barbara Grattan: "The Clerk doesn't have a notice of public hearing. She doesn't have it."

Supervisor Stark: "Can you ad lib it?"

Barbara Grattan: "Yes. I have affidavits of publishing and posting for a public comment at 1:00 on December 29th."

Supervisor Stark: "Thank you. The purpose of this public hearing today is to allow the residents of the Town of Riverhead or any interested parties to make comment on the two proposals that came concerning the-- what we often refer to as the Okeanos property located on Main Street. Probably the best way to do this-- and I know there are representatives from both proposals here-- I'm going to let them make an opening statement, not a full-fledged presentation. If people make comment, we'll certainly call either particular

organization back up to answer to expound upon, etc. So, Kenny, are you the lead agency?"

Kenneth Gaul: "Oh, I guess I'm the lead guy for the agency, yes."

Supervisor Stark: "You're the lead guy for the agency."

Kenneth Gaul: "In the absence of Mr. Shane who is the president of the Atlantic Coast Aquarium. What I would like to do today if I may, just to start-- I'm not going to go into a presentation. I guess there's a little bit of ad lib proposition, is that one thing I'd like to do for the record is to read into the record the letter that was sent to the sitting Town Board dated December 29th. And, again, this was authored by our president, Harvey Shane."

Councilman Lull: "Kenny, before you start, give your name."

Kenneth Gaul: "Sure, I will. Absolutely. I'm Kenneth Gaul, and I represent--"

Barbara Grattan: "Kenneth, what?"

Kenneth Gaul: "G-A-U-L, Gaul."

Barbara Grattan: "Thank you."

Kenneth Gaul: "And I'm the Vice-President of the Atlantic Coast Aquarium Corporation. As I said, in the absence of Mr. Shane, our President, he's enjoying the good weather in Florida right now as we speak. I would like to just read into the record if I might a letter that was prepared on the 29th of this month."

And it begins: Dear Town Board,

I would like to take this opportunity to clarify, in my opinion, a number of facts regarding the Atlantic Coast Aquarium proposal for development of an aquarium in Riverhead.

As you are all aware, the ACA was initiated at the request of the current Town Board which desired to create a viable aquarium in downtown Riverhead. At that time the Board and its legal and financial advisors requested that the ACA provide specific information,

cluding a business plan, a marketing analysis and a financial feasibility study. By June these milestones had been achieved and provided to the Town Board. In July, the Town then contracted with the ACA's experienced design team to develop a conceptual plan that would enable the organization to proceed with the bond issue in the early fall. Finally at the request of the Town, the ACA and its underwriter proposed a financing structure not requiring any Town guarantee. We have delivered on each one of these issues and on this occasion.

The ACA as structured is a 501 c (3) non-profit, private corporation. This is important because as such the ACA will reinvest all its annual surplus into the aquarium facility for the development of more exhibits and expansions. As a not-for-profit the ACA also has the ability to generate philanthropic revenues as well as pursue foundation money which is a valuable source of funds for all non-profit organizations.

As you are aware the Town required numerous criteria to be addressed in the response to the RFP that was submitted on December 18th. I believe it was the 18th it came before the Town Board and reviewed those-- that RFP with the Town. In the context of that review, our competing sponsor also presented and upon response to that presentation we noticed that competing vendor, if you will, did not provide the Town with most of the requirements set forth in that RFP. There was no market analysis, there's no business plan outlining the overall structure of the organization in any detail and personally as a successful man for many years, it was apparent to me that there was little attention given to the real detail necessary in putting forth such a huge undertaking as an aquarium in the downtown area.

In addition, there is no financial feasibility study which supported the numbers of the proposal and there are several items in the competing proposal to the Town which contain the purchase/lease proposal section on the project summary that deserve comment and that are incorrect and/or misleading.

We want to state at first that the proposing-- the competing proposal states in its summary that others, presumably the ACA, will attempt to go to bond sale once again. However, the fact is that the ACA has never attempted a bond sale. Perhaps what was being referred

by our opponents is the fact that they're referring to the financing of an aquarium bond sale by the once former Okeanos Ocean Research Foundation, which we might add had one of the principals involved with that activity of Okeanos and Mr. Sam Sadove served as the Executive Director. That bond sale did not come together and, therefore, it was not achieved.

Secondly, the competing proposal states that it has verified written commitments for project financing of some \$6,000,000. In support, two letters from banks are provided. However, neither contains the terms and conditions under which such fundings would be made available, and one states that it does not believe that its funding will be required. There is no description of the legal and financing structure for the project. We have a question as to what is the borrowing entity? What entity will enter into agreements with the Town? Which of the agreements with the Town, e.g., the lease and the site purchase agreement, will be guaranteed by the principals, that is Mr. Bisset and Mr. Petrocelli or their respective companies? And how will those guarantees be secured?

Further, the proposal characterizes the bank financing as a construction financing. There is no mention of, nor any commitment for, permanent financing, without which no project of the size that is being proposed could remain viable. This hardly provides the Town Board with any details necessary for it to assess the availability and stability of the project financing for the competing vendor. The contrast with the detail the ACA has provided, however, we believe that we have the proposal that is just right for this to be a successful project.

The ACA believes that in order for the two proposals to be properly compared, both financing structures should be detailed. The details that should be provided include:

1. name of borrower
2. the type of financing
3. term or length of financing
4. interest rate
5. conditions precedent to borrowing
6. security
7. amount of financing and covenants

The ACA has provided all of the above, and look forward to the similar disclosure from the other parties.

Third, the competing proposal states that it will result in no cost to the Town. However, in fact, there are a number of costs. The existing Town Bonds for the site will become retroactively taxable upon the execution of a lease with the competing offer. This is likely to result in a liability of several hundreds of thousands of dollars. How and when will the Town be made whole on this? Our competing project indicates that they do not include this cost and the ongoing cost of making these lease payments based upon a taxable, which is already high, as opposed to the ACA which is very low since we're tax exempt interest rate. Does this affect the viability of their project?

The competing proposal includes a proposal to contract with the Town to pay interest only for the outstanding Town Bonds for the ten years. The Town Bonds are due in seven years and require principle payments of at least \$70,000 per year in addition to the interest. Who will make these payments? This is not a cost to the Town? I don't know what is then.

In contrast I want to indicate to you clearly that the ACA proposal clearly demonstrates with a substantial study that there is sufficient funds to cover debt service as well as payment to the Town is we, the ACA, and the Town negotiate the lease option.

In addition to the above comments the issues necessary to be clarified and understood involve:

The ACA is a private organization, although we have a not-for-profit status

The ACA financing requires no guarantee from the Town

The ACA does not utilize any tax dollars from the residents

of Riverhead

The ACA is the only proposal developed with a professional design team offering years of aquarium service

The ACA is the only proposal that's established an experienced management consultant team consisting of staff from the National

Aquarium in Baltimore

The ACA has identified an Executive Director already with

experience at two major aquariums who will administer the operation of the facility

The ACA has developed real contractual relationships with both Cornell University and with the Riverhead Foundation who is responsible for the administration of the stranding program

The ACA as an organization was developed at the request of the Town Board for the sole purpose of operating an aquarium

Only the ACA holds the required charter from the Board of Regents to operate an aquarium in New York State, I might underscore that, that that charter is a prerequisite for anyone using the term aquarium in their presentation

The ACA has developed a credible financing structure that will be successful with the assistance of our investment banking firm referred to as ADVEST, who, I might add, just recently sold \$18 million bond issue in unrated bonds for the Mystic Aquarium in our neighboring state, Connecticut.

It is obvious to us that after review of the two proposals that the ACA has put a great deal of time into the development of a sound business plan. There is no question that the ACA proposal is strong in planning, design and management experience and overall credibility.

The ACA has developed a plan that was guided by the Town and its advisors. This plan has exceeded all expectations set forth by all parties. It is somewhat disturbing that after the Town has invested many dollars and much time of its dedicated staff, that the proposal from ACA, which does not rely again on a Town guarantee, and is a private project, includes both experienced design management, proposes a lease structure recommended by the Town's Bond Counsel, and represents all that the Town requests, possibly could not be selected for this project and move forward with the development of this exciting project referred to as the Atlantic Coast Aquarium Development.

We have developed a proposal that the Town can be proud of and that all involved know will continue long into the future as an aquarium, with many phases of development at the appropriate stages. I am certain that the Town Board will consider this information carefully when making any decisions regarding the aquarium proposal.

That basically concludes the body of the letter that was submitted on the ACA's behalf by Mr. Harvey Shane, President of the Atlantic Coast Aquarium Corporation. I'd be more than happy to identify any-

thing specific within the response letter and if it so pleases the Board, identify or go through the project as it was in terms of our presentation. I don't know which way you would like to go with this now, Mr. Supervisor."

Supervisor Stark: "I will certainly tell you momentarily."

Kenneth Gaul: "Okay. But if you would give Barbara a copy of that letter so we can retain ours-- I only had a couple made this morning."

Kenneth Gaul: "Okay. No problem."

Supervisor Stark: "So that will make it easier for the typist who has to rewrite this."

Kenneth Gaul: "No problem at all."

Supervisor Stark: "To-- and there is a couple of comments I think in the letter that are misleading, but I will address those later on. They're in the same church, but the wrong pew so to speak. Thank you, Ken."

Kenneth Gaul: "Okay."

Supervisor Stark: "Jimmy? Okay, Mr. Bowman."

Charles Bowman: "Good afternoon, Mr. Supervisor, members of the Board. We appreciate being able to come here and to present the facts as we believe the Board and the public will understand when this presentation is over.

To say that we had not intended to come here to criticize the ACA plan is certainly the first fact. That was never our intention; it never has been our intention and we certainly have always believed that the people who are involved in ACA have been well-intentioned and certainly are trying to promote the betterment of downtown Riverhead. However, when-- before Christmas when we opened up the News-Review and seen an ad like this, which to me seemed totally out of character and inappropriate, leads us to make sure that the facts are on the record. And, again, I don't think it was the purpose of this Board to have to go through this but the letter that was just

read into the record spends most of the time criticizing the Atlantis Aquarium proposal. The ad criticizes the Atlantis Sea Aquarium proposal. And rather than give the facts supporting theirs, you know, most of their time is being spent on these criticisms.

So, just to start out on the right foot, we'd like to make sure that the Board understands that the financing, first point for the Atlantis Sea Aquarium, of which the Board has letters of credit for \$6,000,000 from European American Bank and Chase Bank, is financing that is in place right now. And I hope the public understands that it has-- this financing is based upon assets of the principals of Atlantis Sea Aquarium, assets other than the property that we're talking about or the Seaquarium. You know. They have, the banks have looked at the principals, their assets, and say, we don't care basically what you're doing. You can be building an office building. And we're able to give you \$6,000,000, you know, without question. So that financing is in place at the moment.

On the other hand, the ACA has to sell bonds. I think the public and, again, you know, I'm a resident of Riverhead, I care about what happens in the downtown, we all do. We all saw what happened in the last bond sale. That bond sale-- some of the bonds were sold, yes. Some of them weren't. This financing for the ACA has to go through another bond sale. Those bonds are unrated. In other words, they're speculative.

We keep hearing Mystic. Mystic did do an \$18,000,000 bond sale. Terrific. It's a great aquarium. They do a tremendous amount of business. Their whole project was over \$52,000,000. The whole thing wasn't bonded. They had state money involved. It's a proven operation. Of course, they'll be able to sell the \$18,000,000. This is 100% financing the ACA is proposing. It's not a proven undertaking. They still have to sell the bonds that are non rated. Will that happen? Maybe. Perhaps it won't as well. We don't know what the market is going to be.

It's been brought up that the ACA is not going to cost the taxpayers of Riverhead any money. That may be true as far as tax dollars. But certainly their December 10th proposal in the RFP requested that the additional \$600,000 in Tanger money be allocated to this project. I don't think people realize that. No tax dollars, right. But that certainly is still money that the taxpayers of Riverhead should have

an accounting for. And that our proposal doesn't require any of that. That \$600,000 can be put to other uses. It could finish the theater. It could be done-- other things for downtown Riverhead. You know, there's lots of things in Riverhead that are on a wish list, that certainly that money could be applied to. I think that's very important.

It's also been claimed in the ad that the ACA is going to pay taxes, real property taxes. The only thing that they're going to pay is district taxes, special district taxes. You know. Our proposal not only will pay the special district taxes, but after the tax abatement period, it will pay full real property taxes. Which again as a resident of the Town of Riverhead, I think is very important, you know. We lost Grumman, you know. You guys have done a great job in getting other endeavors and commercial projects in Town so that the tax assessments will go up and I think that trend should continue. I don't think the Town of Riverhead residents want additional tax burden placed upon them. Again, ACA will pay just special district taxes, not real property taxes.

Our construction time line is looking to the spring of 1999 when it will be open. We have a proven managerial team, proven professionals in the design of aquariums and seaquariums. One of the top notch construction management firms as a principal. This will happen. We've all worked on very large projects and gotten them done. We're experienced in that.

As far as the ACA, they have to wait for the bonds to be sold even before they can make commitments. They're experts as far as some of the best aquariums in the world which have been brought up as far as the Baltimore Aquarium, are not contractual. It's basically a phone call that basically says, you know, we'll work with you on the design. We actually have contracts, you know, with other experts and we've hired them, having to use our own money, you know, to bring together what we thought was a terrific RFP for the Town of Riverhead.

We have phase implementation. We have additional property to use. Mr. Bisset obviously owns the property adjacent to the east. We have been talking with adjoining owners on the other side of the river. We've held preliminary conversations with the Town of Southampton. We have plans to make this a major education and

attraction for all around, not just using this property. And I think that has to be brought out, that the ACA proposal is very limited in scope. In fact, they're not even going to use the entire property in their first phase of operation. You know, our whole first phase is using the entire what is now town owned property, everything will be used even the waterfront.

You have owner involvement. In other words, the Atlantis Sea Aquarium will have the people who have invested their hard earned money and also have a passion, if you will, for marine programs, marine life. Not only is this part of our business, but it's also a life long interest for the people involved.

I was just astounded when I sat here the other day and I heard that some of the Board members-- one Board member, say that he really didn't care about the marine programs. You know, that he was in this just for downtown Riverhead, which is great, that's terrific that we want to see downtown Riverhead rehabilitated. However, you have to have-- "

Supervisor Stark: "You're referring to that other Board, not this Board."

Charles Bowman: "Not this Board, no, absolutely. The Board members of ACA. Not this Board."

Supervisor Stark: "I have been beat up enough here in the last couple of months."

Charles Bowman: "But in order to have a successful operation, you have to have an interest in what you're doing. You know. You can't leave it to other people. You have to have it inside you to be interested in this, you know. Whether you're a doctor, you have to be interested in medicine, you know, otherwise you're going to be a terrible doctor. You know. I would imagine if you're going to be a politician, you have to be interested in the people that you're going to be working with. Otherwise, it's just not going to work. You know. And to say that you're not interested in marine programs, you know, is like a man who has an environmental company saying, you know, I build wetlands, I don't care about them. You know. I mean it's just impossible to do a good job."

We have a terrific team put together of professionals in all areas of the field, every single base has been covered. And, again, our purpose is not to come here and criticize, however, we think that for the Town of Riverhead that this is certainly the best project; it's going to pay taxes; it's going to attract visitors. By the time we get through our phases, we hope over a million a year. We've put together a good RFP; it's solidly backed by financing. There is no pipe dream here. It's a fact. We can go ahead upon the Town's approval and get to work.

So on that note, we're all here and can certainly answer any questions on the presentation. We can go through the whole presentation again if the public sees fit. But we certainly hope that the time will be spent on the benefits of the proposals rather than criticism. And I thank you."

Supervisor Stark: "Absolutely."

Barbara Grattan: "Could I have your name, please?"

Charles Bowman: "Sure. Bowman."

Barbara Grattan: "Thanks."

Supervisor Stark: "What I think you're experiencing here is really two very viable projects that will help in the revitalization of the Town of Riverhead but like most contests, maybe there's some misinformation that gets out there, almost sounds like it's September, October again but there are some misnomers in Harvey's letter which we'll-- I'll address to again later. You made a couple of statements, Chuck, that I would have a tendency to disagree with insofar as tax abatement and stuff like that. So we'll address them during the course and what I would really like to do now is open it up to anybody who would like to make a comment. Both projects-- we'll let you come back up and address them. What we're trying to do is start a dialogue here of the community to give information I would think."

Rolph Kestling: "Are the microphones on? Not that I would need them."

Supervisor Stark: "The microphones are on."

Rolph Kestling: "Okay. My name is Rolph Kestling, Wading River. I would like to make a few comments. First of all, I'll start it off just from what I've been reading in the paper. I believe Mr. Wittmeier made a statement that he would like to see the money up front. Why, if this is such a big deal and such a profitable thing, do they need like a 10 year option? Something makes me think there's some other things going on here. In other words, what I'm sort of saying and I said from the beginning, 10 years, it doesn't work out, so it wouldn't be a thing, so in the meantime I'll use it as a boat storage yard. Right next to his place, it would be a perfect-- it's a booming business, boat storage. It's one of my questions.

The next thing, well that was a 10 year option. They want to get a million people. You know, a million people, that adds about 10,000 people a week? Now in the wintertime, you're not going to get 10,000 people a week here. To me that figure is a little bit too high if it succeeds. Second is, where are all these people going to park? Actually you're losing more parking place because I understand Little was interested in buying the parking lot on Main Street.

These are some of the questions that I'd like to answer. Why do they need a 10 year option? Give us the money up front. It's a big deal. You give the town the \$2,000,000-- \$3,000,000 and get the Town Board off the hook. I mean they're taking a lot of beating on that already. Pardon?"

Councilman Prusinowski: "Neither proposal puts the money up front."

Rolph Kestling: "Well, that-- "

Councilman Prusinowski: "Okay, so, I've just got to say again. Both proposals use the same type of mechanism. The Atlantic Coast Aquarium wants the town to subordinate the lease which means we'd be in second position and if that project didn't work and went belly up, we would still owe the Suffolk County National Bank the money. Likewise, the other proposal is 10 years. The Town Board-- this Town Board-- I'm sure the new Town Board is going to say the same thing. No matter what, it has to be eight years because the bonds expire in eight years-- or seven-- no matter what the term is that I'm sure the town is going to want those bonds to be paid off at the time of maturity. So neither one comes up with the money up front. I was

old that-- Michael had told me that they were going out to ADVEST and try to add the \$2,000,000 onto the initial bond sale, take the town out up front, and Mr. Bisset was supposed to go back and rethink his proposal and that's where really where we stand today."

Rolph Kestling: "Well, that's what I'd like to see. I'd like to see the money up front. Like I say, show me the money. In just going ahead and making a decision, I'd rather see that you board up the place for a while and let it sit there until somebody comes up with it. That's about it in a nutshell."

Supervisor Stark: "Thank you, Rolph. Calm, calm, just be calm."

David Macknee: "I'm always calm, Jim, you know that. Last summer, sometime-- "

Supervisor Stark: "Give me your name."

David Macknee: "Oh, I'm sorry. Dave Macknee. I'm a taxpayer from Calverton. Last summer I came down to a work meeting and we talked and I didn't realize at the time that you couldn't ask questions at a work session. In the end, I asked somebody would they-- I think I asked you, Jim, I wanted to have a few questions answered and you said you were busy, you had to go. But, Vic answered a few questions for me. I appreciate it. And we talked about did the Town Board actually put bids out; did they go looking for people to come in? I brought up Disneyworld, stuff like that. And Vic says, yes, you had and I said well, I'm not really too happy with the way we're putting money out on this proposition and nothing is getting done. And he said, believe me. If I'm wrong, you can tell me that I am wrong, Vic. He said that the Board or himself-- I wasn't sure whether he used the Board himself, would be more than happy to have this thing privatized. And I said-- is that true?"

Councilman Prusinowski: "That's absolutely true."

David Macknee: "Okay. Thank you. And at this point-- oh, then I think we talked about Bisset and I think what happened there-- I don't know (inaudible) as a matter of fact, but he didn't come to back with a second proposition after the first one. So that's why he wasn't in the box. Well, at this point, it seems we spent a lot of money and this man wants to board the place up. I'd like to see

the thing get going because we need to bring people in here downtown and we need to start this whole thing rolling."

Councilman Prusinowski: "Actually what we did in the end was exactly the conversation you and I had right here which was the Town Board again went out for a formal this time-- request for proposals which is done all over the country, competition is good. My newspaper business is cutthroat competition. Banks have cutthroat competition today with, you know, for customers, financing auto loans. A lot of competition. Competition is good. Plus throughout the Town, people were unhappy with the way we were handling the aquarium and I can understand why because there was a lot of misconceptions about our original intentions. When we originally-- this thing walked in the building here was-- and I was wary at that point, don't worry, you guys don't have to put up a nickel, we're going to do it all. The next thing you know, we're guaranteeing \$12,000,000. So and it was a big factor in the campaign.

So here we are now with two proposals. We gave enough time for anybody-- we advertised in the Wall Street Journal marketplace which any businessman knows on Thursday, entrepreneurs regularly read that paper and advertise in the eastern editions. So we went out there and-- so we can receive good proposals to the Town, so the Town government, meaning us and the next Town Board, because they're going to have a the say on this thing, is going to-- the Town government is going to have a choice of something that's in the best interests of the public. And I can tell you right now. Most people now-- I go around Town-- and I know that before the election we were getting beat up pretty bad and most people want-- that I understand-- they want the Town out, number one, the money, and they prefer that it be privatized. Now, whether or not both proposals are privatized, that's something that, you know, we're going to have a hearing on today."

David Macknee: "I thought that after-- "

Councilman Prusinowski: "And that's basically the gist of our conversation."

David Macknee: "Yes, exactly. And I thought that after our conversation and after the way the Board handled that, it was done much more professionally than it had been done in the past. What I

would like to say is that I think that we should privatize this. I don't think we should go on spending any more money, guaranteeing anybody anything else. We've done enough. All right. Now I don't know if we're going to lose that money that we put up with Okeanos or what's going to happen with that money. But we should not throw any more good money after bad. We should take the privatization thing and we should use it and get this ball rolling.

A guy that puts his own money up is a guy-- Jim, you've been in business. You know that. You've got your money hanging out there, you're going to work at it. You're going to make this thing go. Somebody else that don't have their money out there, working with somebody else's money, you know, whose money am I going to lose? Theirs or ours? I believe it should be privatized. Thank you very much."

Supervisor Stark: "Thank you. Anybody else that would like to make comment? Come right up, just like in church. Right up front. You haven't seen it since you got married last time."

Joe Turner: "I know what you meant about church, Jimmy. I'm Joe Turner. I'm the President and chief executive officer of Central Suffolk Hospital. I'm just completing the year as President of the Board of Directors of the Riverhead Chamber and I had the good fortune to spend what amounted to about 24 months as a Board member for what had been Okeanos and then in the transition phase and early on with the Riverhead Foundation. So it's with that particular background I speak in favor of the aquarium, the Atlantic Aquarium proposal. I haven't seen Mr. Bisset's proposal. I did look at the fact sheet that's around-- at least around downtown and have seen articles in the paper but I haven't looked at that in any great detail.

A couple of things I think you ought to consider when you look at the former Okeanos group, if I can refer to them as that. I think they've been from the time that this really started, have been as responsive to this Town Board as anybody I can imagine. And I say that after sitting there as a member of the group. If you wanted the project smaller, it became smaller. If you wanted messes cleaned up, either publicly or privately, those messes were cleaned up and there was quite a responsiveness to what you needed. Now, I'll comment just on that in a moment.

The second point is that the experience that is there with the consultants, with the experts that have been hired and I understand with the executive director also is just crucial to a project like this. And my family and I had the opportunity to go to the Baltimore Aquarium about 15 months ago and got just arranged by people up here but we had a wonderful tour. When we were finished, we did meet some people and they spoke very clearly about a commitment to want to make this work. They even talked about having played a role in the selection of the executive director, either recommending somebody, interviewing people, or at least looking at resumes. And I understand that has happened. So that is very important.

The final piece of it-- I guess I see a little bit differently than the gentleman that was here just before me and maybe it's because of my not-for-profit orientation. But I don't think it gets any more pure if you look at a hospital and what it wants to do for the community, churches, schools, libraries. You want to get at the basic core of what you want done for the community. That's in my view what this group wants to do, this not-for-profit group.

So I think in summary what I would say to you is I would encourage you to look at that proposal, the spirit in my view of what that group brings here is essentially the spirit of what I believe you have wanted to have done and that's to see something go downtown in a non-profit sense for the benefit of the Town. Thank you."

Supervisor Stark: "Thank you, Joe. Just to interject at the particular time it was-- Mr. Bisset first came to the Town, we really basically were trying to create a marriage of Mr. Bisset's operation and maybe the aquarium group at that particular time. Many people have-- state in a letter that at the Town's request, the ACA was initiated. Really it was the stranding program that first came to us which many of the people are still-- were similarly involved to keep the stranding program going. The million dollars that came from danger was for downtown remediation-- economic impact remediation with all intentions of this-- the previous Board make up and this Board to facilitate the arrival of an aquarium.

Yes, we did put some very stringent requests on that particular group when they formed the Atlantic Coast Aquarium that they meet those requirements as they were going along as we would kind of give out some seed money. It was not specifically yes, we specifically

wanted to have an aquarium or similar economic generator downtown.

We also instructed not only the ACA as they started to develop their program and their not-for-profit corporation that at least this board was not in any way, shape or form interested in guaranteeing bonds. That if, in fact, he wanted to proceed and you wanted to successfully build an aquarium in Riverhead, you would have to do it strictly on your own merit. And I don't believe anybody can disagree with that. Both proposals to some degree of, you know, plus or minus if we could debate them, have basically said that that's what they're going to propose. There will be no Town guaranteeing bonds to the actual building of an aquarium or research, education and entertainment facility downtown.

It is true that in the ACA they refer to \$600,000 which is left of Tanger remediation money be part if, in fact, the Town Board decided to go ahead with the ACA versus Bisset or vice versa, it would be up to the discretion in negotiations with those people as to whether that money would stay there or not. So those are just a few of the things, tax abatement, Chuck, I don't know whether you've checked with IDA, you, you certainly are subject to sales tax abatement but not property tax abatement because you're not in the manufacturing unless reproduction is considered manufacturing. So those are something the ACA would, in fact, work under a pilot agreement such as we had proposed for Okeanos.

In referring to the failure of the Okeanos, yes, they were-- none of those bonds were sold, they were committed to-- \$35,000,000 was committed to out of 54 so, I believe, if you talk to ADVEST or any other financial firm, you first go out and find you get a commitment and then once you've got the whole bond issue taken care of, you consummate the deal. Am I not correct? So there was some commitment there. So, those are some of the misleading-- but, again, I think we have two viable projects, both of them are and would retain the stranding program which I think is direly needed and important, not only to the educational research in the environment out here, both have a different vision of how they want to present their project and it's up to the Town Board to in effect decide on one. So, again, if you're out there in the audience the microphone does not jump at you. We have the press here; it gives an opportunity for people to express what they really want. I think there is a definite feeling in the community and both sides again have stated it. They want out of the

aquarium, the first time around, there was no objection. The people are very leery now as to successful operations whether it's privatized or not-for-profit which is really in effect privatization, too. So, Bob, why don't you come on up. Would you like to make a statement of some sort? Well, we're not going to have any formal presentations; they've already been done to the Board. What we're really seeking here is public comment as to what the public generally feels as to maybe which project they would like to see the Town of Riverhead go forward. Sure, Bob. Don't be afraid now, this is very relaxed forum here today."

Bob Pospischil: "Absolutely. Good afternoon. My name is Bob Pospischil. I'm the financial officer for (inaudible) and also for the Atlantis Aquarium. I would just like to clear up a point. A very good question was raised according to the lease and one, the 10 year lease which was the original-- our proposal while responding to the RFP, we have since said that we would go back and review that and upon reconsideration, we'll go with whatever the bond term is, which I think comes between seven and eight years. That's the amount of the lease we would have and the reason the lease actually goes into place, just so you understand, is people-- "

Supervisor Stark: "Yes, you've got to kind of keep in coming this way so that the recorder will-- "

Bob Pospischil: "One of the reasons for the lease is to ensure that the property gets utilized for what the intended purpose was and that is the for the aquarium. And to facilitate that the best way is to have the Town which owns the land control that lease for us to the issuance of the bonds which would be seven to eight years before they expire. We're willing to go along with that.

Secondly, that also frees up money to accelerate our phase in to get things up and running at a faster pace.

And the third issue I'd like to bring up part of the lease that brings into it that's actually differs between the two sides is that as part of our lease purchase agreement, not only do we lease the property for seven to eight years at no cost to the Town, we pick up whatever expense is incurred due to that, but in addition to that, at the end of that lease, we are willing and able to contract to the Town to purchase the property as opposed to the ACA which at this

point in time according to their proposal, after their bond issue goes, if it goes, then they would try to float another bond to try to purchase the land. If the attendance or for whatever reason the project does not meet expectations, the probability of that second bond issue to purchase the land, regardless of what price, that's just a promise, is very unlikely to go. So, therefore, the Town would be right back where it was in square one if they're unable to do that according to the proposal at the current time. I just wanted to make that clear."

Supervisor Stark: "Yes, thank you. Bobby, I'm going to hold you just for a second, I realize-- way in the back there, there's somebody that had their hand up."

James Brietenbach: "How are you doing? Jim Brietenbach, Fairway Avenue, Riverhead. I don't believe that the residents have had enough time to find out about these two proposals. I think that this Board is rushing this and I think that this should wait until after the new year and I don't believe this Board should be making this judgment. That's all I have to say."

Supervisor Stark: "What we're doing here today, James, is leaving the public hearing for public comment."

James Brietenbach: "All right. I think that this should wait, this judgment on this project."

Supervisor Stark: "I would only disagree with your respectfully. We've been working on this for four years."

James Brietenbach: "We know."

Supervisor Stark: "I saw that by your letters. Anybody else out there? Kenny, Dave, I'm going to go around a little bit."

Dave Weber: "Dave Weber would just like to address on the issue of the bond issue."

Supervisor Stark: "Okay, no problem. Kenny, you can come up next."

David Weber: "Okay, I'm David Weber and I'm managing director

ADVEST, Inc. and I have with me Gregory Anderson who is the senior Vice-President at ADVEST as well. We were part of the ACA presentation when we made the formal presentation on December 17th to this Board, I guess it was just a little more than 10 days ago. And at that time, it was brought up by certain members of the Board that the preference was basically as opposed to, you know-- the lease arrangement was to actually purchase the land itself or to, you know, look into-- which we did, look at the possibility of expanding the size of the bond issue to include the purchase of the land. We have gone back-- we have fine tuned some of the numbers and we do think that there is sufficient debt service coverage in the structure that we have, we did have a nice cushion there on the debt service coverage which we anticipated to be 1.5 times to allow for the additional amount to increase the size of the bond issue to purchase the land. I just wanted to clarify that, that that-- that is a viable option based on the numbers that we re-ran after the December 17th meeting."

Supervisor Stark: "You're going out for tax free?"

David Weber: "Also tax exempt-- "

Supervisor Stark: "Tax exempt, I'm sorry."

David Weber: "Tax exempt bonds on a not rated basis."

Supervisor Stark: "Yes, on a non-rated. You want to explain what a non-rated basis is versus a rated?"

David Weber: "Yes. Generally, certain general obligation bond issues generally have the rating of the Town or the municipality involved. In order to be a-- "

Supervisor Stark: "Or the organization."

David Weber: "Or the organization. In order to be investment grade, you have to be, you know, at least triple B rating. What we propose to do is similar to what we did in Mystic Aquarium, where we did the \$18,000,000. It was non-rated. It was strictly based on the projected revenues from the aquarium which is what we anticipate here. It would be a revenue bond issue not a general obligation bond issue and it would be non-rated and non-enhanced, not insured. It would just be-- just so you all know, we did survey and we did mention this

at the December 17th, but for the benefit of some people in the audience. This type of bond issue is a sophisticated type of bond issue. It's mostly institutional investors that ADVEST dealt with in the Mystic Aquarium deal. And we did go back to those same institutional investors and did based on the (inaudible) study that was done and some of the projected revenues, and we did discuss with those particular institutional investors whether there was a desire on their part to purchase these bond should we go to-- it's a catch-22 because we have to go to the market as the Supervisor pointed out so we can't, you know, say it's a done deal, but we did preliminarily survey them and there is an interest on their part to purchase these bonds even though they'll be non-rated showing a higher interest rate being non-rated. There is an institutional market for them. And a small retail market but a sophisticated retail market because it's a high net worth individual because the minimum denomination on any one of these bonds is \$100,000. So you can't purchase them in \$5,000 or \$10,000 denominations. You have to purchase them in a minimum of \$100,000 denominations. For some of the individual retail investors, you know, are more (inaudible) to some of the individual investors. So the bond would now-- "

Councilman Prusinowski: "Your bond sale would be \$13,865,000?"

David Weber: "Yes. I think we did it based on 14 and change, 14.2 million."

Councilman Prusinowski: "Just while you're up here, I want to say that Mr. Brietenbach's comments, one of the purposes of the Board going ahead with the public information meetings and the interviews was to set the stage so that time is not wasted. I believe this project is vital for the survival of all of Riverhead, not just downtown Riverhead and already the two applicants have already come back to the table with better terms that are more favorable for the Town of Riverhead. So that's how negotiations begin and there's no sense waiting here for six weeks since the election and not have anything to do when we're still collecting a paycheck downstairs. So as far as a Town resident, I'm already happy that both sides have come to the table with better terms so that when the final negotiations are done with the next Town Board, the Town is in a better position."

Okay, so what you're saying is you are going-- it's 14.2 million?"

David Weber: "That is a viable option based on the-- "

Councilman Prusinowski: "And the concept is when the bond sale is done there will be a closing and the property would revert to the new corporation?"

David Weber: "Correct."

Supervisor Stark: "If you had to go out and sell bonds today on an unrated bonds, not tax exempt-- no, I'm giving you a hypothetical case. I'm going to work back to tax exempt. What would your rate be out there, just today."

David Weber: "My guess, you're talking about a 2% differential between tax exempt and taxable bonds."

Supervisor Stark: "Today. In today's market."

David Weber: "Tax exempt would be somewhere between six and seven percent. Taxables would be I would say at least two percent higher."

Supervisor Stark: "So anywhere from seven to nine percent."

David Weber: "Eight to nine."

Supervisor Stark: "Eight to nine percent."

David Weber: "Right. Taxable."

Supervisor Stark: "On a taxable, untaxable, you could drop it back a couple-- "

David Weber: "The tax would then be between six and seven percent."

Supervisor Stark: "To 100 basic points."

David Weber: "Well, I would say a difference of 200 basic points."

Supervisor Stark: "Yes. So you would end up looking at an area if the bond market continues to be, and from what I'm understand-

ing is very favorable right now."

David Weber: "We're at a four year low right now."

Supervisor Stark: "Yes. Hopefully it will stay around for a little while. But, you're looking at an interest rate of somewhere six and a half to seven and a half percent."

David Weber: "Under seven percent."

Supervisor Stark: "Under seven percent?"

David Weber: "Yes. It will probably average six and a half percent."

Supervisor Stark: "And as a result of the market analysis I'm sure you read and studied, you believe that they could survive under those interest rates?"

David Weber: "Yes."

Supervisor Stark: "Because I do know that the market analysis does refer to at what rate that they could survive, still do debt service, etc., and operation."

David Weber: "We're talking one and a half times debt service coverage. Right."

Supervisor Stark: "Yes, okay. Thank you. Kenny?"

Kenneth Zahler: "I was prepared to get up here and say something completely different, but I think in lieu of what the gentleman from ADVEST just presented, it would seem that the Town of Riverhead clearly has very, very different proposals before it. One which pays them up front for the property, purchases the property from the Town outright, and the other which does not. So if there is any second thoughts on the part of the Town of future abilities for either of the two proposals to cover debt service, to pay interest or interest and principle, and the seven to eight year balloon, to deal with that, the ADVEST proposal, to me, makes the ACA proposal totally different."

Supervisor Stark: "In all due respects to both what you're saying in one respect is absolutely true. But in the other respect, is that one is looking at financing supposedly if bond could be issued and acquired, you know, sold. The other one is coming in with a line of credit right now which is six million-- three million that Mr. Bisset has obtained and three million that Mr. Petrocelli has obtained with a commitment in their proposal that their personal in house or in kind service could amount to an additional one to two million dollars. So both sides are covered there, Kenny, it's-- you really-- "

Kenneth Zahler: "It's-- "

Supervisor Stark: "No, no, no."

Kenneth Zahler: "Both sides are not covered."

Supervisor Stark: "No, no. What you are doing is you're beating a dead horse to the extent that when the Town of Riverhead decides as to what entity they would like to move forward with, negotiations really start. RFP's are a request for proposal; they don't necessarily have to be followed to the tune. They're a method of getting out to get somebody to bring information back to you or a proposal back to you. So it's as Councilman Prusinowski said, it's becoming interesting and it's nice to have two entities who, in fact, want to build either a seaquarium or an aquarium depending on the legalities of licenses from upstate, one having to have it the other one not having to have it. Both agreeing to retain and support the stranding program which I think is vital not only to educational research but also to our ecology of what we're all about out here on eastern Long Island. So, there's a lot of pluses on both sides. I think the underlying goal is for the revitalization of downtown. That's why we started out with this four, five years ago. Yes, we learned a lot; we made some mistakes. I don't know that's not why they put erasers on pencils. And it's very easy to look back and criticize somebody or to look back and say, hey, you made a mistake. You were part of that aquarium; we were part of the Okeanos trying to get it to come here to Riverhead. I see around the room Barry Barth from the BID. We all supported that venture. Unfortunately as it turned out from audit, we found out that they were truly in debt. I think we all realistically knew that they weren't going to make it and I'm kind of glad the bond issue didn't-- wasn't successful the first time because I don't think in the long run they would have been successful."

I think either one of these projects basically has a good shot. That's just a non-adversarial opinion up here. If it came to a vote here today, yes, I definitely have an idea which one I would vote to move forward with. But that's not the argument here today. It's just to get public comment either in support of one or the other. But I think the basic philosophical foundation, yes, we need an economic generator downtown and which is the best one for the benefit of the Town of Riverhead. That's the question."

Kenneth Zahler: "I think then what I would say to you gentlemen up there as well as to anybody assembled in the seats behind me, is there is one-- two very dramatic differences between the proposals. One is which the financing difference which has just come out today. The ACA proposal includes paying the Town up front and it is the only proposal that does."

Supervisor Stark: "If they sell their bonds."

Kenneth Zahler: "Yes, of course."

Supervisor Stark: "Okay."

Kenneth Zahler: "And-- "

Supervisor Stark: "That's got to be brought out, Kenny, because, in fact-- "

Kenneth Zahler: "Understand something. ADVEST did not come before you either today or at the work session without having done homework and having made phone calls to institutional investors and doing some preparation in terms of inquiring as to the saleability so they're not doing this off the top of their heads. I think they made that clear at the work session. But the other thing I wanted to make-- "

Supervisor Stark: "And I don't believe anybody is questioning the integrity of ADVEST or Merrill Lynch or excuse me, or the original bonding company."

Kenneth Zahler: "If I could just finish."

Supervisor Stark: "Who was the original? Paine Weber."

Kenneth Zahler: "If I could just finish. I think that's a major difference. And the other major difference is this. The people that are involved with ACI, the Community Development Agency director, the Town financial officer, etc. We know everybody who is involved. We are a bunch of people who have a passion for wanting to help downtown. It's clear-- I believe it's clear and I will reiterate it again, this is not an issue of public versus privatized. Both proposals are privatized. This is an issue of a for-profit versus a not-for-profit and the reason why I believe it is in the best interests of the Town of Riverhead to have a not-for-profit there is very simply. There will never be in the future a Board meeting involving the ACA at which the debate goes on, should profits be taken out or used to enhance the facility and add exhibits. That debate will never take place because it is a not-for-profit. It will only generate money to enhance and increase in size and I want to bring it back to the goal. The goal gentlemen right from the beginning was to create a traffic generator for downtown Riverhead. The larger the facility the more impressive the facility, the more people will come. You will achieve your goal if you attract more people. Thank you."

Supervisor Stark: "I would agree with some and disagree with others. Barry, did you have your hand up?"

Barry Barth: "Barry Barth. You know, I remember back when we were supporting the Okeanos project and I remember a time when there was a meeting called for 11:00 and Jim Stark didn't show up because you were agonizing over the financial reports of Okeanos and you had personally called for those reports to determine what was the level of indebtedness and I think that it was a situation where I think that if you had a chance to look at it again, you may not have supported bringing Okeanos to Riverhead. But, is this correct? You look a little skeptical. I don't want to say something that's not the truth."

Supervisor Stark: "I probably would have to agree with you."

Barry Barth: "Thank you. But, you know, in all reality, I don't think we made a mistake; I think we learned a lot and that being said, the issue of-- "

Supervisor Stark: "I'm always also a firm believer out of something bad comes something good."

Barry Barth: "As do I."

Supervisor Stark: "And I think the good is about to come."

Barry Barth: "Good. We've talked quite a bit about the financing and that seems to be a critical issue. Can someone here today either independently, you know, not from either one of the groups, explain what a letter of credit is? Is it, I mean, when I went-- and in the same context, when I go to buy a house-- "

Supervisor Stark: "A letter of credit is issued by a financial institution. May not get the exact definitive-- I'll give you my best is if you are required to have a letter of credit to do a project before you are awarded a project or what have you is, in fact, that particular entity would go to that particular financial institution and that financial institution would, in fact, issue a letter of credit which is usually binded or collateralized by assets, cash or what have you. By, for example, if I wanted to get a \$100,000 letter of credit with the Suffolk County National Bank, I would have to go over and they may take \$100,000 and put it in an escrow account which the only thing you could share out of that would be the interest and that is retained there until it's released by that agency that has that standing behind.

A person who wants to do a subdivision in the Town of Riverhead could put up a bond or could put up a letter of credit for the performance of completing the roads. The letter of credit is backed up by cash. Or equal collateralization that that financial institution is satisfied with it."

Barry Barth: "So there would be some conditions that this letter of credit would cause the person who received that to fulfill certain obligations."

Supervisor Stark: "Well, in the construction-- and if you're looking at-- the Sea Aquarium, they're claiming to have a \$3,000,000 letter which extends credit to Mr. Bisset and \$3,000,000 to Mr. Petrocelli. It's like going to build a house. You get a construction loan and that's what the banks are saying, and correct me if I'm wrong. That, in fact, if the two combining entities who want to build a seaquarium want to build it, we are ready, able and willing to extend a \$6,000,000 line of credit, three and three. Three with

Chase and three with European American."

Barry Barth: "So they-- "

Supervisor Stark: "Now, if the Town in their negotiations with whichever is selected, what they're saying is how you get your finance-- I mean they could put any numerous amounts of restrictions on that, in fact, ensure that the project is built, the project stays as an aquarium, seaquarium for "x" number of years, I mean, for argument's sake you could take a 10 year period. And, in fact, during that 10 years, this has to be an aquarium. What happens if either one failed in seven or six years or five years? What good is it going to be to the Town? I mean, you know, private enterprise whether it's for profit or not-for-profit, if they're not going to be able to exist over a period of years and actually develop bigger and better and stronger, they're like any entity in business. They're going to go out of business whether it's a non-for-profit or for a profit."

But a letter of credit is issued by the bank. It is backed up either by cash or collateral which satisfies any banking regulations they may have or their own fiscal policy."

Barry Barth: "Well, I would think these banking organizations would want to see the project finished within a period of time in order to continue to-- "

Supervisor Stark: "That certainly is between the people who are borrowing the money and the financial institution. Now the Town in effect could say, hey, this is the schedule we want to see you and your agreement with the Town would have to follow that schedule."

Barry Barth: "The point-- the bottom line of this whole thing is with the Atlantic Coast Aquarium, our only charter is for an aquarium. We can't do anything else. We can't turn it into a boat yard, we can't turn it into a recycling center, we can't turn it into a game farm. That's the only thing that we can do. With the other proposal-- "

Supervisor Stark: "Well, let me just ask you a question then. You go out, let's say you're chosen by the Town. You go out and you sell 14, 21 million. And in five years you're down the tubes."

Barry Barth: "That's our only other option."

Supervisor Stark: "Then what would you do with the property? You have now taken the Town out of the use of the property."

Barry Barth: "That property I would imagine would go to the investors who had-- "

Supervisor Stark: "Yes, and what are they going to use it for?"

Barry Barth: "They would probably sell it and, you know, pay-- "

Supervisor Stark: "For whatever they could find viable to be put on the property. In accordance with zoning and what have you."

Barry Barth: "The concern is because there's not that motivation for profit in the ACA's proposal and with-- "

Supervisor Stark: "Well, I think there should be a motive for profit whether you are a for profit or a non-for-profit. You don't pay your bills by breaking even."

Barry Barth: "And that's certainly not the proposal. The proposal is to-- "

Supervisor Stark: "So a non-for-profit can become a for profit."

Barry Barth: "And each one of those dollars is pumped back into the organization whereas in your business and my business that profit goes to take the wife out to dinner or buy a new car."

Supervisor Stark: "She's going to take me out for dinner; she's employed, I'm not."

Barry Barth: "The point I'm trying to get to and I'd like answered is that is there any restriction as far as the other proposal in that that would only allow them to do an aquarium or can they do anything else other than an aquarium on the site?"

Supervisor Stark: "It certainly would be in the business agreement if they were selected to create the economic generator downtown. It's certainly within the business agreement that is negotiated out

as to what the use of that property could be."

Barry Barth: "So that definition of business generator is determined by the Town Board or that's determined ahead of time? In this agreement that's being set up."

Supervisor Stark: "It would be determined by the Town Board and in negotiations, absolutely."

Barry Barth: "The other thing I just wanted-- "

Supervisor Stark: "I mean we're heading to have a-- our RFP went out for an aquarium, a seaquarium, or any other kind of economic -- there was at one time very frankly the possibility of a hotel complex there that people looked at it. You had private enterprise, Michael (inaudible) made a presentation here back two, three years, a couple of years ago. So what we did through the RFP to see what's the economic generator. We've got two of them. Now we've got to make a choice as a Town."

Barry Barth: "The other thing I just would like to talk briefly about is the advertisement that appeared in the December issue of the News Review last week. I helped to work on this advertisement and it was clearly for informational purposes. It was not intended to be critical of the other project but what I was trying to do is to clear up in a lot of the residents' minds the difference between the two projects and in no way was it intended to be critical of what they were trying to do."

I understand there was another piece of literature that was circulated over the weekend. I haven't had the opportunity to see that. I would like to see it and see if there was-- "

Supervisor Stark: "That was probably done in response to the ad that-- because of the early put to sleeps for the papers this last couple of weeks and the holidays."

Barry Barth: "We feel with all these projects that education of the people hopefully responded to this Town Board, is critically important and, you know, when we-- six months ago, we were all ready to go and the Town Board was ready to back the bonds and to do the right thing."

Supervisor Stark: "No, no, no. Now there's where you are mistaken. That was assumed. There was never a vote taken by this Board to continue to back a bond-- to guarantee some portion of the bonds. There was a lot of discussion on the part of the ACA that that's what they would probably have to need. And I think if you go to Jack Hansen and Andrea, I kept saying you better come back with a project that is totally living on its own. And I don't ever recall any discussion up here on the Board level or any vote taken that we would, in fact, guarantee any more bonds. I think we were told the first time around. We did it. The public went along. The bond prospectus failed and the message was sent. We don't want to get in any deeper. Get us a project that stands on its own. So that's been a misconception out there, was there during the campaign. It was there during the campaign that we chased Mr. Bisset away the first time. That we should have privatized it. Well, go look at the paper and quote Lombardi (inaudible) where, in fact, Mr. Bisset did come to the Town, thought he had the financial arrangements made with Mr. Gershaw (phonetic). Mr. Gershaw went to Montauk, bought Montauk Yacht Club and that kind of did it. And then Jimmy turned around and sought out other-- yes, so, Jimmy, I'm going to let you come up to the mike, but that's the facts. That's the facts and that's when his operation or his financing kind of broke apart, that an offspring of the stranding operation started to organize the Atlantic Coast Aquarium. And the monies that we gave really we're trying to save and keeping everybody above water down there. I guess we've been -- done pretty good. And we also acquired the state grants, too."

Barry Barth: "Okay. Thank you."

Supervisor Stark: "Thank you, Barry. Anybody else way out in the back? Dave. You've got a school board meeting this afternoon, I hope?"

David Macknee: "No. I don't wish to be derogatory in any way about any of the people that are on the Board of Okeanos or the Board after, but I would just like to state some facts. And I think that's what we're here to do, is that right? Is that correct?"

Supervisor Stark: "Well, I don't know if this is so much as an adversarial facts as to trying to get some information out."

David Macknee: "But you feel I'm wrong, then you come out here

and I'll-- "

Supervisor Stark: "No. I get in too many arguments with you. It's a day of peace here today."

David Macknee: "Okay. Actually when it started off it was a long shot. It was a good shot and I believe it was a good shot. It was the right thing for us to do and we did it. All right. I think after the first time it sunk, the people that were on the Board at that time, kind of circumvented that-- and I didn't like that. As a businessman, I kind of think that they had a-- I don't know how it happened-- "

Councilman Prusinowski: "Which bank are you talking about? North Fork Bank?"

David Macknee: "Yes."

Councilman Prusinowski: "Well, the people that are on the Board when the bonds were sold are not the people that borrowed the money from the North Fork Bank. Misconception number one."

David Macknee: "Okay."

Councilman Prusinowski: "I know the details of that loan. Quite frankly, those people-- I see Bob Dick in the audience-- they didn't have anything to do with borrowing that-- right, okay. They had no-- they had-- the people that were on the Board at the time other than maybe one or two, did not borrow the money from the North Fork Bank. That's number one. The Town of Riverhead had nothing to do with the loan from the North Fork Bank. Okay."

David Macknee: "But what I'm saying is they did borrow the money and the people were there-- now, let me ask you this. Were there people on that Board at that time that became people for the next Board?"

Councilman Lull: "No. There is not one person-- there's not one person on the Board-- "

David Macknee: "Now, that was on that Board?"

Councilman Lull: "That was on in 1994. No."

David Macknee: "Oh. Or that came on in between the-- okay, okay-- so "

Councilman Lull: "Only two Town representatives who were appointed to watchdog."

David Macknee: "Okay. All right. Now the second part comes when the second group of people came in, they said now they realized that there were problems, they realized all the things like a business- man goes in, says, oh, wow, look at this. We've got wetlands; we've got-- my God, what the hell am I-- "

Councilman Prusinowski: "That wasn't the problem. The problem you had on the first go around was that the original aquarium when it was proposed to the Town Board at the time, was only going to be \$25,000,000 total, total bond sale. And it kept growing and growing as research. And there were some-- like I said in our work session here last week, there was a time when we were thinking with our hearts more than we were thinking with our head and we should have clamped down at that time.

What happened was that when they put the prospectus out, the market even with the \$12,000,000 guarantee which would only expose the Town and any-- over five years, only 4.5 million at any one time -- it goes up to a peak and it came down, still found it risky because the majority of the \$50,000,000 or whatever our total bond sale-- \$58,000,000-- was unsecured. It was unrated. Okay. Only \$12,000,000 was rated. So there was some good financial reasons why the bond market did not bite at the \$58,000,000.

So what the new group has put together now is a much smaller proposal. One of the major factors that everybody wants is the property to (inaudible). So now they've come back today and they've said we're going to sell bonds in one proposal, take the Town out right away. The other group was told at the work session, it's got to be at least seven to eight years, no more but we advise you to go back and juggle and take the Town out as soon as possible on the property because that's really what the majority of the people of the Town want. I think that's the right way to go for whichever proposal is selected, get the Town out of it right away because that gives a

sense of security to the people that (inaudible).

We voted for it but we did have public hearings and that's there for the general Town and I think the general Town wants the debt out as soon as possible. The question of which is, you know, the better attraction and who's got the management, that will all have to be determined later, but the essence of the two proposals are what we've come to today."

David Macknee: "Okay. I agree with most of it except for the fact that if they were the business men that they were supposed to be, and I'm not knocking them for what they are. They tried and it didn't work. They would have put together a better proposal, less money, or something else where they would have made this thing roll. Now it hasn't rolled. All right. Now we have somebody that's there with cash in hand. Gee, I don't know, cash in hand. It's awful hard to turn down."

Councilman Prusinowski: "Well, that's the purpose of our meeting today, obviously you're in favor of that proposal."

David Macknee: "Okay. Thank you very much for hearing me. Have a good New Year."

Supervisor Stark: "Keep the school board budget down."

David Macknee: "I'm working on it."

Supervisor Stark: "Okay. Yes, Bob."

Bob Pospischil: "I'll keep this brief. Bob Pospischil again. I just want to address a couple questions that came up by Ken Zahler and a couple other issues that were related to the financing just to make sure that we're all very clear on this. One, they said that a big difference in the two proposals because one now may have the bonding-- the ACA may have the bonding to purchase the land up front.

Really what you have to do when you look at the overall picture, the big picture, is what total cash comes to the Town. An analogy I'd like to make is like if you win the lottery. If you a \$20,000,000 lottery, you can take \$20,000,000 over 20 years or you can take \$5,000,000 up front. That's essentially what we have here. You may

get your \$2,000,000 for your land right now but in real estate taxes if the ACA is chosen, in real real estate taxes over the long term, will never be paid. Part of our complete lease purchase agreement with the Town would be that we would end up paying real estate taxes forever which would equate to millions of dollars over the long haul. So not only would we take the Town off the hook for the \$1,750,000 that the Town owes on the land now, with a guaranteed letter of purchase at the end of the 78-- seven to eight year lease, but when you factor in the taxes that would be paid in real estate that would not be realized with the ACA, the actual package comes into far greater than \$2,000,000. You're looking at \$1,000,000 beyond that.

Secondly, you say a non-for-profit, and I couldn't agree with you more, Town Supervisor, non-for-profit has to be profitable in order to stay in business. And just like Adelphi University and some of the other non-for-profit entities, they can stay non-for-profit and drive themselves in the ground because part of the non-for-profit structure you can't have management fees or consultant fees paid out of those profits and actually show a actual real dollar no profit or a negative profit which can cause you to go out of business. So the fact that you make money doesn't mean that it all is going to go back into the project. There are ways to funnel that money not back into the project but into consultants or managerial fees.

Third. A letter of credit. Actually what we have proposed to the Town is better than a letter of credit. It is guaranteed funds and the difference being although subtle, I think major. And that is the banks are so confident in the personal and business capabilities of both principals involved here, that they will forward the funds regardless of the project. In other words, these funds are not relied upon Seaquarium. We could get this money for whatever use we wanted. In addition to that, in the letter that was read into the record earlier, they made it as a shortcoming when they made a statement and I have a rough quote on that statement, financing may not be even required. How much stronger can you get that? What that statement actually means in legal terms and financial terms is there's so much cash available, that you might not even have to borrow the money. You could just finance it personally. Now, obviously as a business entity the better way to do it is the leverage of money that is to borrow it. But the bank is saying you are so strong financially, you could fund this project without borrowing the money. That's how much money you have.

So when I say guaranteed funds, cash in hand, that's exactly right.

Lastly, the letter also referred to a construction loan. That there's no long term agreements. If you have ever been involved in business with any type of substantial project that takes time to build, the normal everyday cost of business from any financial institution is to first learn about a construction loan. You cannot mortgage, you cannot get long term financing until you have a CO. They won't do it. So the first step is to get a construction loan. Once the project is built and you get your CO, you turn that construction loan into a long term mortgage. That is our intent. I just want to make that point clear."

Supervisor Stark: "Thank you, Bob. I see a young lady in the back with her hand up."

Joan Brattan: "Hi. I'm Joan Brattan. I just want to say I do want this Board to make the decision about the aquarium. I do think at this time that the Atlantis does look like a project that is saying we have the money, we will do it. And I hope the Board will make the right decision along this line and I thank the Board and Mr. Stark for these many years. And thank you very much."

Supervisor Stark: "Thank you. Kenny?"

Kenneth Gaul: "Just in response to what Bob had indicated as to the issue of these two projects. And, yes, this is a community that's suffered and you poor folks on the Town Board-- "

Supervisor Stark: "We are going to get into point, counter-point, as Councilman Prusinowski-- "

Kenneth Gaul: "Well, only to one point. Only-- because that's what negotiations are all about."

Councilman Prusinowski: "Exactly."

Kenneth Gaul: "And you people in this community have to be responsible as to what you're doing for the future of this Town. That's what public service is about. Okay. And I think one of the real fundamental issues and let's take the profit mode because Mr.

supervisor, you're absolutely right. Not-for-profits have to run profitably. They have to run efficiently to stay alive. Ask Joe Turner, running that hospital up there. A not-for-profit environment, the hospital business which I'm in also. Personally, my own profession is hospital both in the private and the public sector. The point is you have to be profitable and you have to have a good business sense and you have to come through and be established as good management and responsible-- exactly.

The key issue I think though is probably what brought this whole issue to the table. Is that you people have the-- you people, I say the Town Board, the residents of Riverhead, saw that you had a downtown situation that was dying. And you stood up and you stepped to the plate and you said what are we going to do to resurrect this downtown? And you came up with an idea. It was a fabulous idea. So fabulous, in fact, that you attracted an individual who's made an investment in a local marina, who now wants to increase that investment. Why? For the profit of it. For the profit of it. And that's healthy; it's healthy for everyone. He does pay taxes and you're right, maybe in eight, ten, twelve years there will be a tax bill that will be paid, hopefully, for the next 20, 30, or 40, 100 years.

The point is though, I think that we have to come to real grips with, is that there's a certain stewardship I think that the Town and the community need within this project. And that stewardship really revolves in the involvement. And there's where the difference I think comes between the two entities. The not-for-profit does have public accountability. I don't think we can underscore that strongly enough. The public accountability for something that you want in the middle-- in the heart of downtown, is something that is going to have to be responsible to this community, this town, and to the people that sit in your seats in the future. And I believe the only way in which to really create that is creating it in an entity-- "

Councilman Prusinowski: "And I'm dying. You set me up for a classic remark. We had an accountability and it was the election. Three of us are going to not be here and part of it was this aquarium. Anyway, so, the accountability was there. And the public have spoken."

Kenneth Gaul: "But I think we've also identified that there was a lot of misinformation."

Councilman Prusinowski: "I remember, Jimmy, writing letters and how stupid we were and everything else. So, I mean, the fact of the matter is we live in a community that people-- this is not my seat, this is the Town Board. The people sit here. And what I'm saying is the people have spoken."

Kenneth Gaul: "What I'm saying is-- "

Councilman Prusinowski: "I just couldn't resist that."

Kenneth Gaul: "-- different between the two entities and the two proposals-- "

Councilman Prusinowski: "I understand what you are saying. You're talking about the volunteers structures and all that stuff."

Kenneth Gaul: "Not only the volunteer structure, but the fact that a not-for-profit board just can't react because they're driven by a profit motive. All right. Now, as a business person, we all know the bottom line is the bottom line. Now there's nothing wrong with looking at bottom lines but if there's a decision to make a re-investment in capital because it's going to make exhibits, it's going to keep attendance high, it's going to reach out and do better for the community-- "

Councilman Prusinowski: "Well, let's take the hospital which I know which at Suffolk Life we have a lot of advertising. Let's take your profession and really you are for profit because-- I mean you're non-for-profit but you are struggling to be profitable because it's important to reinvest. But I mean the hospital profession has been innovative because you're going into preventative health care, you know-- most hospitals now have different services that they offer today that they never offered before. Because I know they advertise with us."

Kenneth Gaul: "And, Vic, I have to just share with you. It's because of the competitive environment that was created by change in state legislature that forced the industry to change and become competitive."

Councilman Prusinowski: "Right."

Kenneth Gaul: "And free marketplace does dictate-- "

Councilman Prusinowski: "Right. And the decision that's going to have to be made here is that there are two groups. And you have one group that if they are not making a profit and they run out of cash reserves, they are going either to have to borrow money from the bank, that's the Atlantis Aquarium-- not the Atlantis Aquarium, the group that you represent. The deep pockets are not there. But when I look at this financial statements of the other group, if they are not making a profit they might be quicker to react to the public -- in other words to put new attractions in, react in a faster manner, and they have to dig into their deep pockets to do that."

Kenneth Gaul: "Or to establish a Chapter 11, go bankrupt and become an eyesore for the downtown area."

Councilman Prusinowski: "Absolutely. Well, either one can do that. Either one-- "

Kenneth Gaul: "You're absolutely right. And those are realities of life."

Councilman Prusinowski: "And that's just some of the things that we have to choose here."

Kenneth Gaul: "But the public accountability I'm saying, even in deference to the fact that the ACA is not-for-profit. The ability for us to utilize this site as a location regionally to acquire the kind of deep pocket reserves, because we haven't even looked at the endowment capability of this endeavor is phenomenal and I think it has to be considered also."

Councilman Prusinowski: "Okay."

Supervisor Stark: "Anybody else who would like to make comment?"

Councilman Wittmeier: "Can we make a statement, Jim?"

Supervisor Stark: "Sure. Supervisor-elect. You've got to come up here. You've got to learn that. Or Barbara is going to be giving you hell if you recognize people out in the audience."

Vinny Villella: "Vinny Villella, Town of Riverhead."

Supervisor Stark: "Let the record show that it is Supervisor-Elect."

Vinny Villella: "Elect. Thank you. When we had the meeting here two weeks ago, when we had the meeting here two weeks ago, both proposals were very good. I was happy with both of them. But the problem we had is that it did not take care of the liability of the Town. And that's where I was not going to vote on any proposal. And it stands that way. Whoever takes care of the liability of the Town first, will get my vote. And of that day, that was Thursday. Friday, there was a lot of action going in my store with people coming in, saying we're going to do this, we're going to do that. Fine. Whoever takes care of that issue will get my vote because the Town liability is what comes first in my eyes. And that was a campaign issue and that's the way it's going to be. So, I just want to thank everybody and I see I think the ACA addressed that. I think Bisset's group might address it. Whatever happens when we're up there, that's when I will make my decision because both groups are sound decisions, sound proposals, but they've got to take care of that liability. Thank you."

Supervisor Stark: "Anybody else would like to address? I think we pretty much covered the gaunt. Surprisingly enough, Supervisor-Elect, you will have that ability. I would only suggest and recommend to you that before it comes to a vote up here, that some negotiations take place. This is just a process. We had a presentation; we've called for a public hearing today to keep this process going. The decision as to which one of these entities is going to be awarded this project in the Town of Riverhead does not rest with this present Board. There is going to have to be a SEQRA process yet. There are a lot of things that are going to have to happen but if the future Town Board sits back and waits, without addressing this rather rapidly, I think you are going to do a detriment to the Town. You have two good projects; you've all studied; you've been a part of it as part of the BID. Both of them present good prospects. I'm a product of private industry myself, I have feelings there. So I believe the Board may want to have comments of their own but we will pass this project on and we will watch aggressively, not only this Town Board but the future Town Board for the next two years and thereafter are all concerned about the well-being of the Town of Riverhead. So, I

leave it at that. The debt that has been incurred by the Town on this particular piece of project was all supported by all of us, all of us, that's including the BID, and most everybody in this room. It was done openly and willingly. And, yes, I did, Barry, have some very second thoughts after seeing the audit of the Okeanos. But I felt the future and the hope of downtown laid in putting an economic generator down there. And if that hope was not kept alive and the assessed valuation of downtown started to deteriorate, what little would be exposed by the Town dollar wise would have been far further hurt by the loss of assessed valuation. I think we can look downtown with a seaquarium or aquarium coming there, the hope is still there. And downtown is starting to reprosper. And, again, you have to have something in your store which people are willing to buy in order for them to come in. But I see activity down there. So we've kept it alive.

Now it's going to be up to the new Board's decision as to what direction they want to go. Do they want to go with a non-for-profit, out-for-profit direction of one team, or a for-profit, pays taxes, who are people who are in business and very well respected in their individual businesses. That's a decision the new Board is going to have to make.

The purpose of this public hearing was not to determine which one was going to get it. I would have loved to have done it in my term. We belabored it a long time, but we did it methodically and we've come to that point. If we could have accomplished it in our term, excuse me, I believe we would have. But this process here today, and I'm glad to see you here today, Vinny, I would have loved to see your two new colleagues here too also to listen to the pros and cons and what have you. But, Barbara will have some minutes for you here within a week.

It is important to the revitalization of downtown to keep this project moving forward as rapidly as possible. So, with all due respect, I'm going to ask openly that it's one of the major projects that you Board addresses immediately after you take office. I believe Otto wants to make a comment."

Councilman Wittmeier: "Barry, I'm going to talk, so. No, that's all right. Back in '96, when I was elected for a one year term, after being appointed and serving one year term, I said that this was

the hardest job I've ever had in my life, and I have to say that now on the eve of my departure, I have to reaffirm that saying that this was the hardest job in my life. Because you try to please the constituents of a Town and no matter what decision you make, there's going to be a certain part of them that are not going to be happy.

As far as this proposal and this project, I've been involved with it for two years. It's too bad that we have the sour taste of Okeanos in us for some of us. I would like to say that the Riverhead Foundation, the people that I have been associated with and the work that they've done and the accountability that they've had with the money that we gave them from Tanger has been excellent. I applaud them for whoever is in the room.

We have two excellent proposals before us and I want to tell you it's going to be a tough decision for the new Board to make. In an interview I had this past week in the newspaper, I had stated that I would like to-- if I had been here, to vote for a proposal where it made the Town whole. In other words, brought us out at the front. I mean we should not be in the aquarium business or the real estate business. So I wish both of the applicants good luck and thank you."

Supervisor Stark: "Vic? Anybody else?"

Councilman Prusinowski: "I supported the concept-- it was part of the plan. It was part of the plan that we started with, was the generators. Tanger was brought into Town and Barry knows and many people in the room that part of the plan was to balance it off with the traffic generator on the other side of Town, I've said it a thousand times, and I think that it's going to be a tough choice for the new Town Board. One is more privatized than another the way it stands as of today, but on the other hand, I think the number one concern in the Town is to get the obligations of the bonds taken care of as soon as possible and I believe that whichever way the Town Board chooses, I think in the end you will have two fine projects and I think once the-- this traffic generator is built that you will see an influx of new capital dollars coming into the downtown area which is something that we've been preaching right along. And it's not just saving downtown merchants. We have a whole-- Second Street, Third Street, all the people that live there, their property values of their homes, and I think you will see a changeover. We have a new bread and breakfast law. I think you'll see the people that own

a lot of those big homes on Second and Third Street start switching over to that type of operation and that's why the ordinance was put there.

As far as parking, Barry knows, we've already got a million discussions on the parking, that's the least of the problem because when this thing is built, it's going to be two years and then we can all start talking about parking again. So I wish I could have made a decision on this, but-- "

Supervisor Stark: "Let the record show it is 10 after 6. All right, Councilman, then we're going to call this and wind it up and-- "

Councilman Lull: "Of the four of us up here, I'm the only one who will be here as we make a decision next time and Councilman Kwasna will also be part of that decision. I will make it public and I've certainly said the same thing in private to Vinny. We need to move forward. You know that this is not something that can be delayed. It is a process; it's been a long process. And it's a process that has developed and (inaudible) in a correct way.

I have been very disturbed by a couple of the comments that I have heard, comments that talk about failures of the past and that type of thing. There have been no failures of the past. There was one and that one failure was a failure that was, as everybody has said here, was entered into with the full knowledge of the Board and other members of the community that this is something that we really wanted to see work. But it was not to be. The first one was not to be. But we learned from that; what came out of that is sitting in this room right now. And that gives us the greatest hope for the future of downtown.

We need to take the energy that comes from both of these projects, the energy that comes from the people involved in these projects, and we need to move forward and we need to move forward as quickly as possible. This is a project that is absolutely essential to the downtown. It will work in tandem with the development of the downtown theater and with all the other things that have been going on in the downtown area.

It is going to be necessary for the future Board for us to sit here and make this decision as quickly as possible. It is not some-

thing that we can afford to wait any longer. I agree with Jim. Actually, to a certain extent, I would like to have done it on the watch of the Board that got the project started. But it cannot be that way. SEQRA process does not go that quickly. You must take it step by step. We can move to the next steps as the new Board comes in. We need to make that process and we need to move forward as quickly as possible."

Supervisor Stark: "Thank you, Jim. With that note, our last meeting is on December 31st at 9:00 a.m. I wish everybody a happy and healthy and prosperous Sea World in 1998."

Meeting adjourned: 2:50 p.m.

Barbara Hutton
Town Clerk