

RIVERVIEW TECHNOLOGY CORPORATION
Board of Directors Meeting
Minutes
November 7, 2012

Members Present:	Daryl Becker, Susan Corle, Jim Fleming, Tim Hatten, Will Hays, Steve Hovland, Chris Launer, Pat Tucker, Katie Worrall;
Ex-Officio	Bennett Boeschstein
Others Present:	Hannah Benson, Dean DiDario, Jon Maraschin, Ken Short, Greg Stephen

Call to Order and Approval of Minutes: Chris Launer called the meeting to order at 9:15 AM. Pat Tucker made a motion to approve minutes from the quarterly meeting on August 2 as well as minutes from the special meeting on September 5. Will Hays abstained from the August 2 meeting because he was not there. Katie Worrall seconded and the motion carried unanimously.

4bi: Lease Negotiation Fee: Pat Tucker explained that it is typical to pay a lease negotiation fee outside of the property management fee. Pat has asked Katie Worrall for a report on what the local market would charge for the services that BIC has provided with the lease negotiation, since she is a commercial realtor. Executive Committee would like to make this a yearly payment, not a lump sum payment. Katie said that lease negotiations are based on net rent, and asked if the lease has a termination clause, because paying it annually is unusual for the market. Jon answered that because of DOE's budgeting they cannot allocate money for the entire term of the lease, only year by year. So with the lease, we have a one year hard commitment, and after the first year they have the ability to get out in 90 days with notice. This is a typical DOE lease. Katie thinks that it would be fair to make the payments on an annual basis. To determine the fee, you would take 3% of base rent without expenses. 3% of the supplemental amount or \$743,895 starting rent would be \$23,316/year that RTC would pay BIC for negotiating the lease with DOE, which will be documented. Katie said that it is typical to charge up front, not pay yearly, so it is a bonus to be able to pay yearly with the understanding that the RTC would not pay for any time after the DOE leaves if that were to happen. Jon Maraschin said that RTC pays BIC a total of \$130K/year for services, including property management, executive director, and accounting, and that if these services were contracted outside of the Incubator, they would pay significantly more. The lease negotiation fee would be in addition to the fees they already pay. Pat added that before Jon came on board, they had hired somebody outside of the Incubator, and the amount spent was significant. Susan Corle asked Katie what she thinks of these types of fees. Katie said that they are two very separate things and it is very typical and reasonable, however, the fees are generally much higher if an outside firm is brought in. Jon also added that if someone else was brought in to run things, DOE may leave. Katie says that our proximity to DOE helps, it is convenient to have us right next door. Pat Tucker said that paying a lease negotiation fee would not create a hardship in financials so she made a motion to pay BIC a 3% lease negotiation fee annually for the next ten years. Tim Hatten seconded the motion, all members voted aye and the motion passed unanimously.

4b. 2013 Proposed Budget and Forecast: Jon presented the proposed budget for 2013 for RTC to adopt. We kept \$50K as a reserve repair fund which the odds of spending are going down. There is also a DOE maintenance expense. Greg Stephen has built the 3% lease negotiation fee into the budget. Jon also indicated that the forecast and budget did not include any money to purchase Mr. Rockwell's property; if negotiations move forward, Jon indicated that he would bring any request before the board for approval. Operating expenses show \$53K. Chris said that net operating income totals \$31K, which includes \$22K of the approved lease negotiation fee. Fiscal year 2013 looks to be pretty tight primarily because we are down \$100K due to a lowered lease rate. Jon said that we had assumed DOE would leave Bldg. 12A six months into the year and move into Bldg. 46. That would be a \$28K decrease in net income. We had budgeted for a change in square footage, so this amount could change. If DOE vacates Bldg. 12A and moves in Bldg. 46 and does not take additional square footage, this is where we will be at on the budget. We are also deciding how much we will charge for square footage for Bldg. 46. This budget is very conservative and pragmatic. Chris said that with the economy, it is hard to get more money for square footage. In return for lower lease rate, DOE spent \$700K in improvements. Jon said that we can also expect energy savings of \$4-\$8K because of upgrades, but this is not reflected in the budget and shouldn't be until next year so that we can see the actual savings. As for the 2013 forecast, Jon believes we will have the same net income from property management. It shows \$46K in property management and investments and that is because of the money that has been committed to the DOE to redo the exterior of Bldg. 46 and to bring fiber to the site. Chris said that the forecast shows a nice cash flow summary of where we think we will be. 2014 and beyond we should begin building money nicely. Pat added that we will also have nice, updated buildings. There is \$25K left over from the \$50K designated for maintenance. Jon suggested that the money left over not be moved to Board Designated Funds. There is \$56K in BDF we should take \$25K of that and start getting rid of BDF. Susan asked what the purpose of BDF is. Greg explained the history of BDF and Jon says that we really don't need the BDF account, so let's spend it over the next couple of years; this will make our financials more transparent. If money is needed for capital improvements, we will go to the board and ask for funds. Pat suggested we go ahead and get improvements done; specifically we redo the parking lot. Jon explained that the parking lot will be \$150K to completely resurface. It was just patched, and he is not comfortable putting that much money into the parking lot at this time, the money would be better kept on reserve. Will Hayes asked how we could go about moving the BDF somewhere else, and Steve Hovland explained that to move the money, it is as simple as the board voting to move it, and a journal entry on accounting's side. Will Hayes moved to approve the 2013 budget and forecast. Katie Worrall seconded, all members voted aye, and the motion carried unanimously. Will Hayes made a motion to move remaining BDF into undesignated funds net of the \$25K approved for property maintenance in the 2013 forecast. Katie Worrall seconded, all members voted aye, and the motion carried unanimously.

Other Business: Chris asked for an update on the fiber optic project. Ken Short said that because there is a high pressure sewer line close to where they were going to bring the fiber through, they are trying to find a better location. Chris asked how Ken plans on resolving this issue. Ken explained that locators came to find the sewer line, but after

two holes were dug, they still could not precisely locate it. Bennett Boeschstein said that the city public works can find the sewer line and Jon said that they have already offered to help. Ken will get in touch with them to find the sewer line, but other than that, we are good to go with the fiber. They ran a camera through the pipe that the fiber would come through and the camera shows the pipe is clear.

Daryl Becker asked about the big hole near the entrance of BIC because it is a safety hazard. Jon explained that BIC's neighbor, Daryl Rockwell, dug the hole on land that he owns, and asked Ken if he would ask Daryl to fill the hole. Ken agreed to talk to Daryl.

3a. Building 46 Proposed Project: Jon explained that the DOE has asked to move their computer lab to Bldg. 46, which at this time is leased to a BIC tenant. DOE wanted to put a warehouse on site, but the area where they wanted the warehouse to go has a tree in the way and they will not cut down the tree. They are now thinking of building a smaller warehouse, and should have the drawings soon. When they move, Bldg. 12A MUST be taken down. Once that building is removed, Legacy Management will not put another building in its place. They want to break ground on a new warehouse the beginning of 2013. They might want Bldg. 46 and 12A through next year. Chris thinks that it is best for them to keep 12A through 2013 and lease Bldg. 46. But we do want Bldg 12A taken down. Jon explains that these costs are already built into the budget. It would be best if they keep Bldg. 12A through the year, and once it comes down, we can charge more for Bldg. 46. Having Bldg. 12A removed is a big deal for us. Katie inquired about the square footage of each building. Jon is waiting for verification of square footage based on conversations with the DOE for the downstairs of Bldg. 810. DOE gave us the square footage when the RTC took over the site, but we never verified it. Dean suggested to the DOE that Chamberlin Architects verify the square footage as an independent third party. The end result, based on preliminary reports, may be that DOE has been under paying the RTC and there may need to be some type of reconciliation. Chris thinks it is good to have it taken care of now instead of later on down the road and wonders will DOE pay for verification. Jon answered yes, that the DOE has already asked for permission to have Chamberlain do the verification at their cost.

3b. Old Business: Jon said that the High Performance Building Standards upgrade at the DOE is on track and there have been no surprises. It is not 100% completed, but it is almost there. Chris asked what is done and what is paid for? Jon said that the upstairs kitchen in Bldg. 810 is almost completed, but they are just waiting on cabinets. The bathroom in Bldg. 12A has some issues with the tile, but again, that is being addressed and will be finished soon. There are additional problems with the sewer line, and we are in the process of replacing 50 feet of that. But the big picture is that everything is done.

Pat asked whether Bldg. 46 is part of BIC lease, and if not, it should be. Jon said that Bldg. 46 was being used by a forensic business, but that they have never moved in. They are now looking into moving into a space in the Technology building. When this happens, the lease on Bldg. 46 will be cancelled and the building will be transferred

back to RTC. Pat asked how much potential revenue is being lost by not leasing it, and Jon answered about \$4K a year, but that it needs some fixing up. The best use of the building would be for RTC to have it and lease it to DOE. Chris asked if this was done, would there be a new lease for Bldg. 46. Jon said yes, there would be a supplemental lease with RTC. What is fair and fits the mission of RTC is for RTC to lease building to DOE.

Jon went on to discuss the south end of the property that 5 Star CDL, an anchor tenant of BIC, will be leasing from RTC. This will bring income to the RTC.

4a. Financial Statements 9/30/2012 Draft Year-End: Dean explained the operating portion of the financial statements. It is down 7.25% because of the reserve repair fund, and also because repairs, mechanical, and utilities were \$41K under budget. The budget shows that we are over in water usage \$4K because of line breaks, but overall it was a positive year in the budget. Chris asked what the taxes portion of the financial statements related to, and Greg explained that taxes were paid for the Black Bridge, but that money was reimbursed and shows on the financial statements under “other income” as a \$6K recovery.

Pat asked if US Bank has been asked to reduce the rate of our loan. Jon said that the rate is locked in and that any reduction is a loss to the bank. Once the loan is paid off, should we revisit the prepayment penalties of paying off the loan? Pat asked how difficult it is to get a loan and Chris explained that it is hard, and US Bank took the loan when others wouldn't even look at it because of the contamination of the site and because of DOE's year by year lease, they didn't know if they would be back next year. Pat asked if it would be difficult to find financing on construction of a new building. Jon answered that yes, it would be just as hard.

Greg went on to discuss the DOE project income statement for project improvements. We were reimbursed \$641K and expenses were \$693K, which left us with a deficit of \$51K. The project came in under budget and saved DOE as well as RTC money. Costs were shared between DOE and RTC, so savings were also shared between the two. DOE is now being asked to run all maintenance requests through Aya Nova so that the RTC can work more efficiently on all issues due to the lower lease rate which went into effect October 1st. The DOE understands that the maintenance guys will not be as present at DOE as they have been during the last year with all of the projects.

Jon brought up the idea of switching energy providers from Xcel to AM Gas to save money. Xcel will not accept our tax exempt status. This will be a yearly contract, no longer than that. The Board indicated that this decision was within Jon's authority and he could proceed appropriately.

Adjournment: There being no further business, Chris Launer adjourned the meeting @ 10.20 a.m.

Next Meeting – February 6, 2013