

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
December 31, 2011
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Riverhead Industrial Development Agency's financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2011. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of the Agency exceeded its liabilities at December 31, 2011 by \$51,177.
- The Agency's total assets decreased by \$59,626 in year 2011. The Agency's total liabilities increased by \$22,181 in year 2011.
- The agency's 2011 operating revenue decreased \$61,594 from the 2010 operating revenues.

Basic Financial Statements:

- The financial statements presented herein include all of the activities of the Riverhead Industrial Development Agency and its component unit the Riverhead IDA Economic Job Development Corporation.
- The financial statements present the financial picture of the Agency, which is an enterprise type fund and, accordingly, reflects business-type activities. These statements include all assets of the agency as well as liabilities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are located immediately following the financial statements.
- The balance sheet and statement of revenues, expenses and changes in net assets report information about the Agency as a whole and about its activities. These statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's net assets and changes in net assets. A net asset is the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating.

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Condensed Comparative Financial Statements:

	Condensed Balance Sheets at December 31,			
	2011	2010	Dollar Change	Percentage Change
Cash	\$ 69,194	\$ 143,459	\$ (74,265)	-52%
Current assets	401	329	72	22%
Property and equipment (Net)	17,398	2,831	14,567	515%
Total assets	\$ 86,993	\$ 146,619	\$ (59,626)	-41%
Current liabilities	\$ 33,653	\$ 13,635	\$ 20,018	147%
Non-current liabilities	2,163		2,163	100%
Total liabilities	35,816	13,635	22,181	163%
Unrestricted	51,177	132,984	(81,807)	-62%
Total net assets	51,177	132,984	(81,807)	-62%
Total liabilities and net assets	\$ 86,993	\$ 146,619	\$ (59,626)	-41%

	Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31,			
	2011	2010	Dollar Change	Percentage Change
Total operating revenue	\$ 93,715	\$ 155,309	\$ (61,594)	-40%
Total operating expenses	175,612	171,246	4,366	3%
Operating income (loss)	(81,897)	(15,937)	(65,960)	-414%
None-operating revenues	90	198	(108)	-55%
Changes in net assets	\$ (81,807)	\$ (15,739)	\$ (66,068)	-420%

Analysis of Financial Position and Results of Operations:

- Agency operations during 2011 resulted in \$69,225 in revenues being generated by fees associated with completed projects. The Agency continues its approach to economic development by attracting new businesses and helping existing businesses expand. It is anticipated that the operating revenue of the Agency in 2012 will be more than the current year.

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2011.

The Charges for services line in the 2011 budget was established at \$150,000. During 2011 several projects did not close and a new executive director was hired on March 1, 2011. These events resulted in an approximate \$56,000 operating revenue shortfall.

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Payroll was budgeted at \$90,600 in anticipation of having an executive director for twelve months. The position was vacant from January 1 through February 28, 2011 and filled March 1, 2011 resulting in the payroll and related costs being under budget. Professional fees were under budget due to the decreased activity of the Agency.

The marketing and business development was less aggressive than budgeted resulting in under-spent variances in business development, dues and subscriptions, seminars and conferences, travel and entertainment.

The aggregate variance in all other budget lines was immaterial and individual explanation of each line is deemed unnecessary for this report.

General Overview of IDA Function

The Riverhead Industrial Development Agency (RIDA) is a public benefit corporation of the State of New York created in 1980, pursuant to Article 18A of the General Municipal Law. The purpose of RIDA is to promote economic development or redevelopment and prevent economic deterioration in the Town of Riverhead by assisting in the acquiring, constructing, reconstructing, leasing, improving and equipping of certain manufacturing, warehousing, research, civic, commercial, and industrial or public housing projects.

The Riverhead IDA Economic Job Development Corporation (the "LDC") is considered a component unit. The LDC is a non-profit organization formed by the Town of Riverhead. It shares its' membership and purpose with the IDA. The LDC was incorporated on February 3, 2011 and was not active during 2011.

In order to promote economic development and redevelopment RIDA is authorized to provide financial assistance by issuing both tax-exempt and taxable industrial development bonds, by providing an exemption from mortgage recording taxes and sales and compensating use taxes and by providing real property tax abatement for a project. RIDA is authorized to provide financial assistance for applicants that either wish to locate or expand their eligible project in the Town of Riverhead. Typical projects eligible for financial assistance include the purchase and rehabilitation of existing buildings, the construction of new buildings or the construction of additions to existing buildings; including, in each case, the purchase and installation of machinery and equipment.

In providing financial assistance, RIDA acts as a conduit through which the transaction takes place. Although RIDA may issue bonds, it does not loan money to an applicant. Rather, a financial institution provides moneys directly to an applicant either by purchasing RIDA bonds, with RIDA making the proceeds available to the applicant, or by loaning moneys directly to the applicant. It is the responsibility of the applicant to arrange for a financial institution to finance the applicant's project. The applicant and the financial institution are responsible for negotiating all terms and conditions of any proposed bond issue or loan independent of RIDA.

A project bond issue or loan is secured by the financial strength and credit of the applicant. All bonds issued by RIDA are special obligations of RIDA and neither RIDA, the Town of Riverhead nor the State of New York guarantee the payment of such obligations.

On January 13, 2006, New York State Governor Pataki signed into law the Public Authority Accountability Act of 2005, which imposed new rules and requirements for governmental agencies and their Boards. All members of the Board of Directors of RIDA have completed the training requirements included within the Act and have filed necessary financial disclosure statements. The Board of Directors has adopted policies and codes required by the Act and have amended the Agency by-laws to establish an Audit Committee and Governance Committee and appointed members thereto. A website has been established to make available for public review documents, notices and reports of the Agency. The Agency is taking all necessary action to comply with the provisions of the Act.

On December 11, 2009, New York State Governor Paterson signed into law the Public Authorities Reform Act of 2009, regarding the creation of an independent authorities budget office necessary to provide oversight of the operations and finances of public authorities in real time. The new law imposed additional rules and requirements for governmental agencies and their Boards. RIDA is taking all necessary action to comply with the provisions of the Act. A website is being redesigned and improved to meet the requirements of the law and to generate more public awareness as well as attract new businesses to Riverhead.

Provided on the following pages is a summary of the recent projects that have received financial assistance from the RIDA and those projects for which the Agency has pending applications. Specific information on projects can be obtained by contacting RIDA.

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COMPLETED PROJECTS

Eastern Property Investor Consultant (EPIC)

In September 2009, RIDA received an application for financial assistance from Eastern Property Investor Consultant with respect to the acquisition of a parcel of land of approximately 0.327 acres and the existing buildings located thereon, such buildings being located at 28, 30 and 40 Peconic Avenue, Riverhead, and to demolish thereof and construct a new four-story approximately 42,514 square foot building, the first floor of which is expected to be rented to presently unidentified commercial tenants and the remainder of which is expected to be rented to presently unidentified residential tenants as "workforce housing", and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$8,530,000.

The financial assistance requested by EPIC: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes. RIDA approved enhanced real property tax benefits consistent with the uniform tax exempt policy.

Public hearing on the application was held by RIDA on November 9, 2009 after sufficient public notice and certified notice to the chief fiscal officers of the affected taxing jurisdictions was given.

Resolution approving the provision of financial assistance occurred on December 7, 2009.

The closing for the project occurred on November 9, 2011.

Peconic Management Group, LLC

In June 2011, RIDA received an application for financial assistance from Peconic Management Group, LLC with respect to the construction of a 5,700 square foot medical facility on a .75 acre parcel located at Roanoke Avenue, Riverhead, for provision of medical offices with a Comprehensive Regional Bariatric Center and Outpatient Pulmonary Rehabilitation Center, and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$1,500,000.

The financial assistance requested by Peconic Management Group, LLC: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes. RIDA approved enhanced real property tax benefits consistent with the uniform tax exempt policy.

Public hearing on the application was held by RIDA on July 11, 2011 after sufficient public notice and certified notice to the chief fiscal officers of the affected taxing jurisdictions was given.

Resolution approving the provision of financial assistance occurred on August 1, 2011.

The closing for the project occurred on August 18, 2011

Bowl 58 LLC

In December 2009, RIDA received an application for financial assistance from Bowl 58 LLC with respect to the acquisition of a parcel of land of approximately 6.5 acres being located at 96 Main Road, Riverhead, and the construction of a new approximately 33,000 square foot building to be used as a 28-lane bowling center with a lounge, restaurant, arcade and party rooms, and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$10,200,000.

The financial assistance requested by Bowl 58: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes.

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Public hearing on the application was held by RIDA on December 7, 2009 after sufficient public notice and certified notice to the chief fiscal officers of the affected taxing jurisdictions was given.

Resolution approving the provision of financial assistance did not occur and RIDA rescinded the resolution approving financial assistance in October 2010.

PENDING APPLICATIONS

E.B.S. Building Systems LLC

In April 2010, RIDA received an application for financial assistance from E.B.S. Building Systems LLC to support the establishment of its company in the Town of Riverhead. The company proposes to acquire approximately 10 acres located at EPCAL and construct thereon approximately 67,300 square feet of buildings to be used by E.B.S. in the manufacture of wood building components, including roof and floor trusses and wall panels and the purchase and installation of equipment.

The financial assistance requested by E.B.S.: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, (iii) a partial abatement of real property taxes through a Payment-in-Lieu of Tax.

The closing did not occur in 2011.

Wading River Catering, LLC

In June 2011, RIDA received an application for financial assistance from Wading River Catering, LLC a limited liability company qualified to do business in the State of New, on behalf of the Applicant and other related entities with respect to the construction of 6,600 square foot expansion to be used as a dining/meeting/storage facility with an aggregate cost estimated to be \$2,795,000.

A public hearing was not held in 2011.

Hampton Jitney, Inc

In July 2011 RIDA received an application for financial assistance from Hampton Jitney, Inc, a privately held corporation incorporated in the State of New York, with respect to the construction and equipping of a new building and related site improvements at 253 Edwards Avenue, Calverton, to be acquired by Applicant pursuant to an option to purchase presently held by the Applicant, for use as a bus maintenance repair, fueling and wash facility with necessary offices, a lobby including a snack bar, car rental facility and customer waiting and seating area, and a bus fueling area and customer parking area, and incidental work in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$8,745,800. The Project is expected to be operated by the Applicant, with possible incidental subleases from time to time for portions thereof, such as the snack bar and the car rental facility.

Public hearing on the application was held by RIDA on August 1, 2011 after sufficient public notice and certified notice to the chief fiscal officers of the affected taxing jurisdictions was given.

Resolution approving the provision of financial assistance occurred on October 3, 2011.

The financial assistance approved by RIDA for Hampton Jitney, Inc: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the present assessed value of such real property. The financial assistance described in (i), (ii) and (iii), above, is consistent with the uniform tax-exemption policy adopted by the Agency pursuant to Subdivision 4 of Section 874 of the General Municipal Law.

The closing did not occur in 2011.

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Main Road Holdings, LLC

In December 2011, RIDA received an application for financial assistance from Main Road Holdings, LLC, a limited liability company qualified to do business in the State of New, on behalf of the Applicant and 10 Pin of Aquebogue, LLC (the "Related Party"), a limited liability company qualified to do business in the State of New York, with respect to the acquisition by the Applicant of a parcel of land of approximately 6.02 acres being located at 96 Main Road, Riverhead, New York, and the renovation of an approximately 31,000 square foot building and the landscaping of the area surrounding the building, to be leased to and operated by the Related Party and to be used as a bowling center with a lounge, restaurant, arcade and party rooms, and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$5,250,000.

The financial assistance requested by Main Road Holdings, LLC with respect to the Project: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes through a Payment-in-Lieu of Tax.

A public hearing was held in January 2012 and the project is scheduled to close on February 28, 2012.

Mirah Max, LLC

In December 2011, RIDA received an application for financial assistance from Mirah Max LLC, a New York business corporation qualified to do business in the State of New York on behalf of Mirah Max LLC, Ralph's of Riverhead, Inc. and other related entities (collectively, the "Related Parties"), with respect to the renovation and reconstruction of a distressed building located at 309 East Main Street, Riverhead, New York, comprising a 6,000 square foot one-story commercial building. The project will completely upgrade and modernize the existing building and reduce the building footprint to provide commercial space for use by retail food business. The project will create separate store fronts, new façade, new electric service, new water service, new gas service, new HVAC systems, new roof, new bathrooms, new demising walls and interior partitions, new fire alarm system, new signage and awnings, commercial and restaurant fixtures, including expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$1,150,000.

The financial assistance requested by Mirah Max LLC and the Related Parties with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, (ii) a partial abatement of real property taxes through a Payment-in-Lieu of Tax, and (iii) exemption from mortgage recording tax.

A public hearing was held in January 2012 and the project closed on February 10, 2012.

Marketing

RIDA works closely with local economic development organizations, such as the Town of Riverhead Community Development Agency and the Riverhead Chamber of Commerce to market the Town of Riverhead as a business location. Cooperative meetings are arranged to provide incentive proposals to potential companies. Co-sponsored seminars/events are both cost effective and effectual means from a public relations standpoint as well as marketing. RIDA also works closely with regional and national economic development organizations such as the Stony Brook Small Business Development Center, municipal economic development departments on Long Island, and the Long Island Association (LIA). RIDA participates in the LIA's IDA Coalition to boost the cooperative efforts and marketing of the region. Memberships to the New York State Economic Development Council and the International Economic Development Council not only provide exposure, but are prime resources for leads and networking. Outreach to regional brokers was also initiated during 2011 to enhance the rebranding initiated in 2010.

Efforts are ongoing with in-house marketing efforts using electronic media, such as the improved website and social networks. Cold calls, editorials, and general public relations are all part of the grassroots approach to the Agency's marketing efforts.

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General Business Assistance

The RIDA Director fields calls from real estate brokers, attorneys, and companies interested in establishing a presence in the Town of Riverhead who are seeking direction as to location, permitting processes and information regarding benefits and incentives.

In addition, due to previous employment as the Suffolk County Empire Zone Coordinator, the new Director has the experience and knowledge to handle inquiries for assistance programs offered outside those of the Agency; providing a one stop service for businesses. These resources include low cost financing options, State and Federal incentive programs, grants, business planning employment and housing assistance. The RIDA Director assists businesses through the government and financial maze and helps interested parties find suitable sites and provides contact information to resources.

Contacting RIDA's Financial Management

This financial report is designed to provide a general overview of the RIDA's finances. If you have any questions about this report or need additional information, contact the following:

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901