



**Buffalo and Erie County Regional Development Corporation
Meeting of the Board of Directors**

December 21, 2022 @ 12:00 p.m.

**Northland Workforce Training Center, Community Room
683 Northland Ave, Buffalo, NY 14211**

1.0 Call to Order

2.0 Approval of Minutes

2.1 Minutes of the November 30, 2022 Meeting of the Board of Directors (Action Item) (Pages 2-3)

3.0 Reports / Action Items / Information Item(s):

3.1 Financial Report (Informational) (Pages 4-7)

3.2 Loan Status Report (Informational) (Page 8)

3.3 Approval of the Following Loan Case(s)

a) A. Pratt Holdings/Sherex Fastening Solutions (Action Item) (Pages 9-15)

4.0 Management Team Report:

4.1

5.0 Adjournment- Next Meeting January 25, 2023

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
(RDC)**

DATE AND PLACE: November 30, 2022, at Center of Excellence in Bioinformatics and Life Sciences (CBLIS), 701 Ellicott Street, Conference Room B2-205, Second Floor, Buffalo, New York 14203

PRESENT: Denise Abbott, Hon. Diane Benczkowski, Rev. Mark E. Blue, Hon. Joseph Emminger, Michael P. Hughes, Hon. Howard Johnson, Tyra Johnson, Richard Lipsitz, Jr., Denise McCowan, Glenn R. Nellis, Kenneth A. Schoetz and Paul Vukelic

EXCUSED: Hon. Bryon W. Brown, James Doherty, Dottie Gallagher, Hon. Brian Kulpa, Brenda W. McDuffie, Hon. Mark C. Poloncarz and Hon. Darius G. Pridgen

OTHERS PRESENT: John Cappellino, President & CEO; Beth O’Keefe, Vice President of Operations; Gerald Manhard; Chief Lending Officer/Secretary; Grant Lesswing, Director of Business Development; Soma Hawramee, Compliance Portfolio Manager, Brian Krygier, Director of Information Technology; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Laurie Hendrix, Administrative Coordinator; Robert G. Murray, Esq., General Counsel/Harris Beach PLLC and Christopher C. Canada, Bond Counsel/Hodgson Russ LLP

GUESTS: Zachary Evans and Daniel Castle on behalf of Erie County; Alex Carducci on behalf of the City of Buffalo; Steve Helms on behalf of Perry’s Ice Cream; James Fink on behalf of Business First; Jonathan Epstein on behalf of Buffalo News and J. Dale Shoemaker on behalf of Investigative Post

There being a quorum present at 12:35 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by Vice Chair, Mr. Lipsitz, who presided over the meeting in the absence of the Chair.

MINUTES

The minutes of the October 26, 2022 meeting of the members were presented. Mr. Nellis moved and Ms. Abbott seconded, to approve of the minutes. Mr. Lipsitz called for the vote, and the minutes were then unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Mr. Cappellino presented the October 2022 financial report. The balance sheet shows the RDC finished the month with total assets of \$22.5M, consisting mainly of cash and loans receivable. Liabilities reflect amounts due to ECIDA for 2022 costs and net assets are \$22.2M. Two loans paid off during the month. The October income statement shows \$50,000 of revenue, mainly loan interest income, and net income for the month was \$86,000. The year-to-date income statement shows revenues of \$653,000 and \$205,000 of expenses, for net income of \$448,000 through October. Of this revenue, \$194,000 is the last of the CARES Act grant income, which will be used for the ongoing administrative costs of that loan portfolio. The negative provision for loan losses is a result of loan payoffs and adjustments to reserves during the year. Mr. Lipsitz directed that the report be received and filed.

Loan Status Report. Mr. Manhard provided this report to members. Mr. Lipsitz directed that the report be received and filed.

Approval of the Following Loan Case:

A. Perry's Ice Cream Company, Inc., 1 Ice Cream Plaza, Akron, New York. \$2,000,000 120-month Term Loan, Secured and Guaranteed. Mr. Manhard reviewed this proposed \$2,000,000 loan request, proceeds of which will be used for working capital and equipment.

Mr. Emminger noted that the RDC Loan Committee thoroughly reviewed and approved the loan case and spoke in favor of the project. General discussion ensued.

Mr. Blue moved and Mr. Vukelic seconded to approve of the loan as proposed. Mr. Lipsitz called for the vote and the requested loan was unanimously approved.

Videoconferencing Procedures. Mr. Cappellino reviewed the proposed Videoconferencing Policy and some of the important components of the Policy.

Mr. Blue moved and Mr. Hughes seconded to approve the Videoconferencing Policy. Mr. Lipsitz called for the vote and the following resolution was unanimously approved:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY
REGIONAL DEVELOPMENT CORPORATION ("RDC")
APPROVING THE USE OF VIDEO CONFERENCING UNDER
EXTRAORDINARY CIRCUMSTANCES PURSUANT TO SECTION
103-A OF THE NEW YORK PUBLIC OFFICERS LAW

There being no further business to discuss, Mr. Lipsitz adjourned the meeting at 12:50 p.m.

Dated: November 30, 2022

Elizabeth A. O'Keefe, Secretary

Regional Development Corporation

Financial Statements

As of November 30, 2022

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

November 30, 2022

	November 2022	October 2022	December 2021
ASSETS:			
Restricted Cash**	\$ 5,653,365	\$ 5,922,980	\$ 7,790,415
Accounts Receivable	194,746	194,750	10,168
Direct Loans *	17,123,876	16,799,091	14,748,199
50/50 Bank Participation Loans *	65,380	69,831	112,852
Reserve for Loan losses	(524,886)	(524,886)	(610,903)
Total Loan Assets, net	<u>16,664,370</u>	<u>16,344,036</u>	<u>14,250,149</u>
TOTAL ASSETS	<u><u>\$ 22,512,481</u></u>	<u><u>\$ 22,461,766</u></u>	<u><u>\$ 22,050,732</u></u>

LIABILITIES & NET ASSETS

Accounts Payable	\$ -	\$ -	\$ 133
Due to ECIDA	286,298	260,398	297,384
Total Liabilities	<u>286,298</u>	<u>260,398</u>	<u>297,518</u>
Restricted Fund Balance	<u>22,226,183</u>	<u>22,201,368</u>	<u>21,753,214</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 22,512,481</u></u>	<u><u>\$ 22,461,766</u></u>	<u><u>\$ 22,050,732</u></u>

* Loan Portfolio Summary:	November 2022	October 2022	December 2021
# of Legacy RLF Loans	32	31	32
# of CARES Act RLF Loans	30	30	30
# of 50/50 Bank Participation Loans	1	1	1
	<u>63</u>	<u>62</u>	<u>63</u>

** Cash is invested in interest bearing accounts at M&T Bank. The maximum FDIC insured amount is \$250,000, with the remainder collateralized with government obligations by the financial institution.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
 Month of November 2022

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 45,313	\$ 47,083	\$ (1,770)
Interest Income - Cash & Inv.	2,874	42	2,832
Administrative Fees	2,375	1,250	1,125
Grant Income - CARES Act RLF	-	8,591	(8,591)
Other Income	219	417	(198)
Total Revenues	50,781	57,383	(6,602)
EXPENSES:			
Management Fee - ECIDA*	23,800	23,800	-
Rent & Facilities Expenses	2,100	2,083	17
Professional Services	66	3,333	(3,267)
General Office Expenses	-	142	(142)
Other Expenses	-	1,815	(1,815)
Total Expenses	25,966	31,173	(5,207)
NET INCOME/(LOSS):	\$ 24,815	\$ 26,210	\$ (1,395)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2022 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: November 30, 2022

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 486,729	\$ 517,917	\$ (31,188)	\$ 486,729	\$ 411,138	\$ 75,590
Interest Income - Cash & Inv.	5,820	458	5,361	5,820	2,463	3,357
Administrative Fees	15,625	13,750	1,875	15,625	-	15,625
Grant Income - CARES Act RLF	193,650	94,502	99,148	193,650	5,179,241	(4,985,591)
Other Income	2,256	4,583	(2,327)	2,256	11,619	(9,363)
Total Revenues	704,080	631,210	72,870	704,080	5,604,461	(4,900,382)
EXPENSES:						
Management Fee - ECIDA*	261,800	262,200	(400)	261,800	293,700	(31,900)
Provision for Loan Losses	(86,017)	187,500	(273,517)	(86,017)	(41,335)	(44,682)
Rent & Facilities Expenses	23,100	22,917	183	23,100	23,100	-
Professional Services	27,387	45,334	(17,947)	27,387	43,902	(16,516)
General Office Expenses	2,437	1,558	879	2,437	2,602	(165)
Other Expenses	2,403	19,960	(17,557)	2,403	63,623	(61,220)
Total Expenses	231,111	539,469	(308,359)	231,111	385,593	(154,482)
NET INCOME/(LOSS):	\$ 472,969	\$ 91,741	\$ 381,228	\$ 472,969	\$ 5,218,869	\$(4,745,899)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2022 budgeted figures.



**Loan Status Report
November 2022 - December 2022**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Perry's Ice Cream, Inc.	Akron	\$2,000,000

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
ABM Holdings 1 LLC dba Midland Machinery (Mfg.)	Tonawanda	\$ 475,000

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Johnson's Taphouse (brewery)	Hamburg	\$ 600,000
Perry's Ice Cream, Inc.	Akron	\$2,000,000
Total: 2 loans		\$2,600,000

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
3 - Loans	Various	\$1,600,000

<u>2022 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
5	\$3,525,000	43	88	\$23,050,000
MWBE Loans – 1				

Loan Portfolio Performance

Past Due Loans:

<u>Loan</u>	<u>Balance</u>	<u>Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
Peterson Heating & Cooling	\$100,000	\$100,000	0	Legal Action; workout in progress, partial payment received

Portfolio Delinquency Rate (Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

\$0 / \$17,189,223 = 0% Delinquency Rate (63 Loans)

RDC Funds Available to Lend: \$2,714,312



RDC Loan Analysis

Borrower:	A. Pratt Holdings LLC/Sherex Fastening Solutions/ Disc Lock LLC	Structure:	LLC	Year Established:	10/2004
Address:	400 Riverwalk Parkway, Suite 600	City:	Tonawanda	Zip:	14150
Type of Business:	Manufacturer	NAICS:	423840 & 332722	SIC:	5084
Loan Amount:	\$750,000	Interest Rate:	4%	Term:	84
Monthly Payment:	\$10,251.60	Contact Name:	Adam Pratt	Site Visit:	11/17/22
Purpose:	Buyout of note to former partner James Pickren	Jobs Existing:	35 (Tonawanda) 78 - total	Jobs to be Created:	6

SOURCES AND USES

Sources:	Amount	% of Project
RDC Loan	\$750,000	15%
Bank on Buffalo	\$3,820,000	75%
Equity	\$480,000	10%
Total Sources	\$5,050,000	100%
Uses:	Amount	
RDC Loan: J. Pickren buy out	\$750,000	15%
Bank on Buffalo: J. Pickren buy out	\$3,820,000	75%
Equity – Soft costs	\$480,000	10%
Total Uses	\$5,050,000	100%
Dollars Leveraged:	\$4,300,000	85%

COLLATERAL AND SECURITY

Collateral:	Subordinate lien on all business assets behind JP Morgan and Bank On Buffalo; unlimited personal guaranty of Adam Pratt; lien on personal residence of Adam Pratt; subordinate lien on a \$1 million life insurance policy i/n/o Adam Pratt.
Guarantors:	Unlimited personal guaranty of Adam D. Pratt

SUPPLEMENTAL INFORMATION

Fund Criteria:	Job Creation: <input checked="" type="checkbox"/> Job Retention: <input checked="" type="checkbox"/> Target Industry: <input checked="" type="checkbox"/> MWBE: <input type="checkbox"/>
Eligibility:	Bank Declination: <input type="checkbox"/> Financing Gap: <input checked="" type="checkbox"/>
Recommended By:	Gerald Manhard , Chief Lending Officer and Daryl Spulecki, Credit Analyst
Loan Committee Vote:	Approved: <input checked="" type="checkbox"/> Declined: <input type="checkbox"/>
Date: 12/14/2022	Signatures:

I. Background:

A Pratt Holdings LLC (“SFS”) was formed in New York State in February 2016 and is 100% owned by Adam D. Pratt. The business is a holding company designed to hold the various ownership interests of Mr. Pratt. A Pratt Holdings LLC owns 100% of Sherex Fastening Solutions, 90% of Disc-Lock LLC, 50% of 850 Moe Drive, LLC, 80% of Sherex Mexico, 47% of Sherex Taiwan, LLC, and his 100% interest in Sherex UK and Sherex Poland. All of A. Pratt Holdings businesses either manufacture and/or sell various specialty fasteners to distributors, primarily in the industrial, automotive, agricultural, and construction equipment markets. The exception is 850 Moe Drive LLC as the company is a real estate holding company and this property is solely rented to Sherex Fastening Solutions LLC at their Akron, Ohio facility. Sherex Fastening Solutions and Disc-Lock are headquartered at 400 Riverwalk Parkway Tonawanda NY 14150.

Though A. Pratt Holdings was recently formed in 2020, Sherex Fastening Solutions was founded in 2004, Disc Lock LLC was established in 1996, Sherex-Taiwan was created in 2005, Sherex-Mexico founded in 2009, Sherex-UK was formed in 2019, and Sherex Fastening Solutions-Poland in 2020.

Sherex Fastening Solutions LLC is a designer/distributor of blind rivet nuts, rivet nut installation tools, brass inserts to join metal, plastics, and other materials together. They also design installation tools/systems and robotics, as well as vibrational loosening prevention washers and nuts. Many of the products they have designed are patented. Their products are used in the Automotive, Aerospace, Agriculture, Defense, Heavy Truck, Green Energy, Railroad, General Industrial and Construction Equipment markets.

The company’s global headquarters is located at the Riverwalk Solar Energy Park in Tonawanda, NY, which also serves as a warehouse/distribution hub. Sherex also has a facility in Akron Ohio that primarily manufactures a line of rivets, nuts, and other fasteners. The company is ISO9001 and AS9100 certified.

Disc Lock, LLC is a manufacturer and designer of patented, highly specialized vibration proof fastening systems used in a variety of applications worldwide. The company’s products are used by the US Department of Transportation Federal Railroad Systems, military, buses, rail manufacturers, and wind energy equipment makers.

850 Moe Drive, LLC was formed for the sole purpose of being a real estate holding company for the Akron Production facility. All rent received by the company is paid by Sherex Fastening Solutions, LLC.

Affiliated companies of A. Pratt Holdings:

Sherex-Taiwan Company, LLC is a manufacturing operation that produces specialized nuts, rivets, fasteners, and customizable designs for Sherex and its related entities. The production equipment is highly automated and gives the company the ability to produce parts from various metals. The production facility is ISO/TS 16949 certified which means it meets all international standard to produce auto parts. The company gives them a market primarily in Asia and Europe

Sherex Mexico, Sherex UK, and Sherex Poland are primarily sales offices to contact manufacturers and prospects in their respective Countries. They also warehouse parts on a smaller scale and are in close proximity to their large customers to help reduce supply chain issues.

RDC Existing Relationships:

- Sherex Fastening Solutions LLC has an existing loan with the RDC that was approved in March 2017 for \$750,000 and currently has an outstanding balance of \$227,687. Proceeds were used to buy out a former partner. All payments have been made as agreed since the inception of the loan in March 2017.
- Disk Lock, LLC/Sherex Fastener Solutions LLC received a \$325,000 loan from the RDC in May 2016. Proceeds were used to purchase the Disc Lock business and relocate the operation from California to Tonawanda. The balance on the loan is \$56,499. All payments have been made as agreed.
- A. Pratt Holdings LLC/Sherex Fastening Solutions LLC received a \$1,000,000 loan from the RDC in December 2020. Proceeds were used for equipment, inventory and working capital. The current balance is \$838,063 and all payments have been made as agreed.
- The combined balance of the 3 existing loans is \$1,122,249.
- Including the proposed loan for \$750,000, A. Pratt Holdings total RDC loan relationship will amount to \$1,872,249
- Additionally, Sherex Fastening Solutions LLC received an RDC loan for \$400,000 in April 2010. The loan has been paid in full with no issues noted.

II. Project Description:

The \$750,000 RDC loan request will assist with the \$7.5 million buyout of Sherex Fastening's former owner, James Pickren, that occurred back in 2017. As part of the buyout terms, James Pickren agreed to hold a \$4 million, 6-year note as the company was unable to obtain private financing at that time. The terms of the note included \$60K of interest annually with the remainder of the interest accruing until maturity. Due to COVID-related issues over the past few years, coupled with the growth of the company, A. Pratt Holdings chose to make only the required monthly interest payment of \$5,000 (\$60K annually), instead of the actual interest payment. The unpaid interest (actual interest payment less minimally required monthly interest payment) accrued. The current outstanding balance on the note is approximately \$4.9 million. Bank on Buffalo has committed to refinance \$3,820,000, RDC will refinance \$750K and the borrower will contribute \$480K of their own funds towards the refinance.

A. Pratt Holdings needs to refinance the note to avoid default issues with their lead bank, JP Morgan, who has provided a Line of Credit. If the refinance of the private note does not take place prior to February 2023, the Line of Credit will be frozen causing financial hardship to the company. The 35 employees at the Tonawanda location, as well as the 78 employees companywide may be in peril, due to their inability to meet contractual obligations to customers (lack of inventory and working capital). Failure to re-pay the private note held by the former owner may result in a change to the ownership structure of Sherex Fastening, potentially causing operational concerns and conflict amongst the owners.

The RDC participation is being requested by Bank on Buffalo as credit policies restrict the amount of lending to companies where collateral concerns exist. The new loan is essentially part of the original buyout in 2017 as the company was unable to piece together a financing package that did not involve the former owner holding a large portion of debt. At that time, the company was not qualified for traditional bank financing.

Like most companies in NYS and across the United States, A Pratt Holdings LLC /Sherex Fastening Solutions LLC (SFS) and related companies have been adversely affected by the COVID-19 Pandemic. Revenue and profits for SFS have generally been tampered down and have put financial strain on the company as customers have been reducing or delaying orders. Prior to the COVID-19 outbreak, the company was successful in acquiring contracts with large companies and projecting record sales years. Many of these contracts were with large, reputable manufacturers in the Automotive, Aerospace, Agriculture, Defense, Heavy Truck, Green Energy, Railroad, General Industrial and Construction Equipment markets. SFS has deployed its resources towards fulfilling these contracts only to find the orders have been delayed or pushed out due to plant closures, supply chain issues, and employee illness related to the COVID-19 pandemic. These events have caused the company to use more cash than previously anticipated and created the need for additional financing to pay off the private note held by the former owner.

III. Company Ownership and Management:

- Adam Pratt is the sole managing member (100% owner) of A Pratt Holdings LLC and Sherex Fastening Solutions, LLC.
- Mr. Pratt also owns 90% of Disc-Lock, LLC and 50% of 850 Moe Drive, LLC
- His primary role is to oversee the operations of all aspects of his company including sales, production, finances, etc.
- Mr. Pratt began working for Sherex Fastening Solutions, LLC (SFS) in 2001 where he was responsible for the growth in the company's blind rivet nut segment. Prior to working with SFS and through his college years he worked in various capacities at his father's screw machine shop in Syracuse. Adam graduated from the University of Rochester with a degree in Economics and is a 2011 graduate of the UB Executive MBA Program
- Adam's ownership is only 50% in 850 Moe Drive LLC (R/E Holding Company). His former partner, James Pickren owns the other 50%. Though Mr. Pratt bought out Pickren's ownership interest in SFS, part of the buyout agreement called for Mr. Pickren to retain 50% ownership in the real estate holding company. Mr. Pickren has no business interest or decision-making abilities in any of A. Pratt Holdings' companies, provided the maturing note is refinanced.

Key Employees:

- Richard Stauffer, Vice President of Quality, Purchasing, Logistics, Business Development.
 - Joined Sherex in 2013.
 - Certified Supply Chain Specialist, APICS
 - Industrial Engineering Degree – Graduate of UB in 1994 BS, MBA (2013)
- Dr. Alex Hsiao, Sherex Taiwan President and Chief Technology Officer
 - Joined Sherex Taiwan in 2005
 - 25+ years of experience in the manufacturing and design of blind rivet nuts and specialty fasteners
 - PhD, Mechanical Engineering – University of Missouri
- Ted Utlak, Plant Manager at Akron Ohio Facility
 - 35+ years of production management experience
 - MS, Industrial Management
- Tom Lis, Controller
 - 25+ years of financial accounting experience
 - BS - Canisius College
- Whitney Bower, HR
 - 10+ years of HR Experience
 - MS – Capella University in Organizational Management.

A Pratt Holdings has hired strategic employees with vast experience in their respective fields to help ensure the overall success of the organization. Adam Pratt has empowered and trusts his team to make critical operational decisions in a timely fashion.

IV. Market Analysis:

- A Pratt Holdings/Sherex Fastening Solutions (SFS) core competencies that provide a competitive advantage over market competitors include the variety of fasteners offered, diversified client portfolio, international offices located in Taiwan, Mexico, and the U.K, and most importantly, customizable solutions for their customers, and patented products.
- Demand for fasteners globally is largely tied to the level of US manufacturing production. Generally, as US manufacturing expands or contracts, the world's manufacturers seem to follow suit. Demand for specialized fasteners is projected to continue to grow as companies from around the world are seeking more effective ways to assemble products, streamline production facilities and create safer, more reliable products.
- New opportunities to produce specialty fasteners are presenting themselves in the alternative energy industries such as wind, solar, battery storage, and space. Their patented fasteners and products will assist the company with retaining market share as 20% of their sales are derived from patented fasteners.
- As manufacturing continues to re-shore to the U.S., the demand for customizable fasteners will continue to grow in both existing and emerging industries.

SFS is among the five largest value-added distributors of blind rivet nuts in the US and the fastest growing rivet nut provider in the US due to its introduction of several new products over the last few years. The company continues to acquire market share in part to its industry diversification and customization of their products. SFS's largest competitors are:

- AVK Industrial Products:
 - Established in 1983, AVK manufactures a similar line of blind rivet nuts and pneumatic, hydraulic, and hand-held installation tools for the transportation and industrial markets. This company is owned by Precision Castparts Corp., a publicly traded company purchased by Berkshire Hathaway. The company is based in and has manufacturing operations in California.
- Bollhoff Rivnut Inc.:
 - Founded in 1992 this company was purchased in 2000 by a German company; Bollhoff GmbH & Co. KG. Bollhoff primarily sells to the auto market. The company is based in Kendallville, Indiana.
- Penn Engineering & Manufacturing:
 - A privately held company diversified in design, manufacturing, and distribution of fasteners for a variety of industries. The company is based in Danboro, PA with additional facilities in Winston-Salem, NC, the UK, Singapore, Ireland, and China. Only 5% of the company's sales are attributed to blind rivet nuts.

V. Job Creation/Retention:

- The RDC term loan will help retain 35 full time positions at their Tonawanda Location as well as the 78 companywide positions. Over the next 3 years, the company is projecting to hire another 6 people (engineers and sales reps) with salaries and benefits in the \$75,000 range.
- Without the RDC Term Loan and financing package in place to buy out the former owner, the company's Line of Credit will not be renewed, causing irreparable financial hardship to the company and its employees.

VI. Strengths and Weaknesses:

Strengths:

- A. Pratt Holdings and their two related companies (Sherex Fastening Solutions and Disc Lock) currently have three RDC Loans totaling approximately \$1.1 million and are paying as agreed. The company also had a \$400k loan with the RDC that was paid in full.
- Historically, the company has demonstrated strong revenue and profitability trends since the inception of the RDC relationship in 2010. All debt with various lending institutions has been handled as agreed with no covenant violations noted by the lead bank, JP Morgan.
- Historical and projected income are sufficient to service all existing debt plus the new RDC loan.
- The client base is reputable, diversified and is spread across many industries.
- SFS has recently opened offices in the UK and Poland that will expand market share.
- Proprietary and Patented products that are difficult to replicate and user specific.
- Strong experienced management team that has successfully navigated turbulent economic conditions both domestically and globally.
- Lead Bank has strict monitoring and reporting practices with respect to the company's financial condition.

Weaknesses:

- The company is leveraged as the result of the former owner buy out but has steadily improved.
- A future outbreak of COVID-19 could severely impact business both domestically and internationally, ultimately affecting the profitability of the company.
- Subordinate lien position on all business assets behind JP Morgan and Bank On Buffalo.
- Company is susceptible to international political and economic events.

VII. Recommendation:

Based on the above case analysis and the strengths listed, it is recommended the \$750,000 RDC Term Loan be approved. A summary of the recommended loan terms follows:

Loan Amount:	\$750,000
Interest Rate:	4%
Loan Amortization:	84 months
Loan Term:	84 months
Monthly P&I payment:	\$10,251.60
Commitment Fee:	\$3,750 (1/2% of loan amount)

Security/Collateral:

- Subordinate lien on all business assets of the company (behind JP Morgan and Bank On Buffalo)
- Unlimited personal guarantee of Adam D. Pratt
- 2nd lien (continued) on Adam Pratt's Life Insurance valued at \$1 million
- Subordinate lien on the personal residence of Adam Pratt located at 68 Norwood Ave, Buffalo, NY (behind Key Bank).

Loan Conditions:

- Annually, receipt of audited financial statements and Federal Tax Returns containing all schedules within 120 days of Year End
- Annually, receipt of personal Federal Tax Returns with all schedules for each guarantor(s) within 120 days of Year End.
- Receipt of annual Personal Financial Statements for all guarantor(s).
- Annual receipt of employment survey.
- Annual site visit by RDC staff.
- Closing costs to be paid by the borrower.

SUPPLEMENTAL INFORMATION

RDC Loan Eligibility:

- The business is an eligible NAICS sector (453998) under the RDC Loan Administration Plan.
- The project and RDC loan will enable the business to create 6 FTE jobs and retain 35 FTE jobs.