



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

**August 28, 2024  
At 12:00 p.m.**

**ECIDA Offices  
95 Perry Street, 4<sup>th</sup> Floor Conference Room  
Buffalo, New York 14203**

**1.0 Call to Order**

**2.0 Approval of Minutes**

- 2.1 Approval of May 29, 2024 Minutes of the Annual Meeting of the Board of Directors (Action Item) (Pages 2-4)

**3.0 Reports / Action Items / Information Items:**

- 3.1 Financial Report (Informational) (Pages 5-8)
- 3.2 Finance & Audit Committee Update
  - a) 2025 Budget Timetable (Informational) (Page 9)
- 3.3 Loan Status Report (Informational) (Page 10)
- 3.4 Approval of the Following Loan Case
  - a) THSPCD, LLC dba Secondary Services (Action Item) (Pages 11-18)

**4.0 Management Team Reports:**

- 4.1

**5.0 Adjournment- Next Meeting - Meeting September 25, 2024**



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

**DATE AND PLACE:** May 29, 2024, at the Erie County Industrial Development Agency, 95 Perry Street, 4<sup>th</sup> Floor Conference Room, Buffalo, New York 14203

**PRESENT:** Denise Abbott, Hon. Bryon W. Brown, Hon. Joseph Emminger, Hon. Brian Kulpa, Richard Lipsitz, Jr., Denise McCowan, Brenda McDuffie, Hon. Glenn R. Nellis, Hon. Brian Nowak, Kenneth A. Schoetz and Paul Vukelic

**EXCUSED:** Rev. Mark Blue, James Doherty, Dottie Gallagher, Michael P. Hughes, Hon. Howard Johnson, Tyra Johnson, Hon. Mark C. Poloncarz and Hon. Christopher Scanlon

**OTHERS PRESENT:** John Cappellino, President & CEO; Mollie Profic, Chief Financial Officer; Beth O’Keefe, Vice President of Operations; Atiqah Abidi, Accounting Manager; Soma Hawramee, Compliance Portfolio Manager; Daryl Spulecki, Assistant Loan Manager; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Brian Krygier, Director of Information Technology; Lori Szewczyk, Director of Grants; Robert G. Murray, Esq., General Counsel/Harris Beach PLLC and Andrew Pawenski, General Counsel/Harris Beach PLLC

**GUESTS:** Zachary Evans on behalf of Erie County; Daniel Castle on behalf of Erie County; Yessica Vasquez on behalf of City of Buffalo; Jonathan Epstein on behalf of the Buffalo News; and Patrick Boyle on behalf of Erie County Association of School Boards

There being a quorum present at 12:26 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by its Chair, Ms. McDuffie.

**MINUTES**

The minutes of the March 27, 2024, meeting of the members were presented. Mr. Brown moved, and Ms. Abbott seconded, to approve of the minutes. Ms. McDuffie called for the vote, and the minutes were then unanimously approved.

## REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic presented the April financial reports. The balance sheet shows that the RDC finished the month with total assets of \$22.9M, consisting of cash and loans receivable. Cash has increased \$252,000 from March, and \$2.2M since December 2023 due to loan payoffs totaling nearly \$2M. Liabilities reflect amounts due to ECIDA for estimated 2024 costs and a small amount of deferred revenue related to the CARES Act RLF administrative funds. Fund balance is \$22.8M. The April income statement shows \$48,600 of loan interest income, and \$41,000 of expenses. After non-operating revenue of \$12,200, net income for April was \$19,819. The year-to-date income statement shows operating revenue of \$203,000, \$141,000 of operating expenses, and \$45,000 of non-operating revenue, combining for net income of \$107,000 so far in 2024. Loan interest income is about \$40,000 below budget, due in part to the loan payoffs previously mentioned. Ms. McDuffie directed that the report be received and filed.

Annual Report of Directors. Ms. Profic presented the RDC's Annual Report of Directors, noting the New York State Not-For-Profit Law requires certain information to be presented in a report annually to the RDC:

1. Information on the assets and liabilities of RDC as of the end of the prior fiscal year;
2. The principal changes in assets and liabilities during the prior fiscal year;
3. The revenue or receipts of RDC during the prior fiscal year; and
4. The expenses or disbursements of RDC during the prior fiscal year.

As the memo presented to board members outlines, the requirements #1-#4 were satisfied with the presentation of the audited financial statements last month. The 5th requirement is reporting the number of members of RDC as of the date of the report, together with a statement of increase or decrease in the number of members during the prior fiscal year and a statement of the place where the names and places of residence of the current members may be found. RDC continues to have 23 membership positions, consistent with the prior year's report. Current board members' names can be found on the ECIDA's website, while places of residence can be found at RDC's (ECIDA) office. Ms. McDuffie directed that the report be received and filed.

Re-Adoption of RDC By-Laws. Ms. Profic confirmed legal counsel and staff have reviewed and confirmed no changes are recommended. Mr. Kulpa moved and Mr. Nellis seconded to re-adopt the RDC By-Laws as proposed. Ms. McDuffie then called for the vote and re-adoption of the RDC By-Laws were unanimously approved.

Loan Status Report. Mr. Spulecki provided this report to Board members. Ms. McDuffie directed that the report be received and filed.

Nominating Committee Update: Mr. Cappellino noted the Nominating Committee has reviewed and accepted and recommended for approval the officer positions and committee member positions as presented to the Board at today's meeting. Ms. Abbott moved and Mr. Nellis seconded to approve of the officer positions and committee member positions as proposed. Ms. McDuffie then called for the vote and the approval of the officer positions and committee member positions were unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 12:35 p.m.

Dated: May 29, 2024

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Elizabeth A. O'Keefe, Secretary

**Regional Development Corporation**

**Financial Statements**

As of July 31, 2024

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Balance Sheet**  
July 31, 2024

	July 2024	June 2024	December 2023
<b>ASSETS:</b>			
Restricted Cash and Equivalents**	\$ 7,009,596	\$ 6,797,553	\$ 4,004,723
Accounts Receivable	281,061	251,072	282,734
Direct Loans *	16,204,837	16,379,596	19,102,476
Reserve for Loan losses	(394,000)	(394,000)	(394,000)
Total Loan Assets, net	15,810,837	15,985,596	18,708,476
<b>TOTAL ASSETS</b>	<b>\$ 23,101,494</b>	<b>\$ 23,034,220</b>	<b>\$ 22,995,933</b>
 <b>LIABILITIES &amp; NET ASSETS</b>			
Accounts Payable	\$ -	\$ -	\$ 2,043
Deferred Revenue	-	-	12,509
Due to ECIDA	197,918	167,394	300,327
Total Liabilities	197,918	167,394	314,880
Restricted Fund Balance	22,903,576	22,866,827	22,681,053
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 23,101,494</b>	<b>\$ 23,034,220</b>	<b>\$ 22,995,933</b>

	July 2024	June 2024	December 2023
<b>* Loan Portfolio Summary:</b>			
# of Legacy RLF Loans	34	33	38
# of CARES Act RLF Loans	27	27	28
	61	60	66

\*\* Cash and restricted cash is invested in interest bearing accounts at M&T Bank and obligations of the United States of America at Wilmington Trust. The maximum FDIC insured amount = \$250,000 with the remainder of the cash balance collateralized with government obligations by the financial institution. Collateral is not required for U.S. government obligations.

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Income Statement**  
Month of July 2024

	Actual vs. Budget		
	Actual	Budget	Variance
<b>REVENUES:</b>			
Interest Income - Loans	\$ 49,533	\$ 60,000	\$ (10,467)
Administrative Fees	-	1,146	(1,146)
Other Income	16	208	(192)
<b>Total Revenues</b>	<b>49,549</b>	<b>61,354</b>	<b>(11,805)</b>
<b>EXPENSES:</b>			
Management Fee - ECIDA*	24,000	24,000	-
Rent & Facilities Expenses	2,200	2,267	(67)
Professional Services	3,465	12,917	(9,452)
General Office Expenses	-	333	(333)
Other Expenses	4,723	1,481	3,242
<b>Total Expenses</b>	<b>34,388</b>	<b>40,998</b>	<b>(6,610)</b>
<b>OPERATING INCOME(LOSS):</b>	<b>15,161</b>	<b>20,356</b>	<b>(5,196)</b>
<b>NONOPERATING REVENUE:</b>			
Interest Income	21,589	1,692	19,897
<b>Total Nonoperating Revenue</b>	<b>21,589</b>	<b>1,692</b>	<b>19,897</b>
<b>NET INCOME(LOSS):</b>	<b>\$ 36,750</b>	<b>\$ 22,048</b>	<b>\$ 14,702</b>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2024 budgeted figures.



**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Income Statement**  
Year to Date: July 31, 2024

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
<b>REVENUES:</b>						
Interest Income - Loans	\$ 346,156	\$ 420,000	\$ (73,844)	\$ 346,156	\$ 366,583	\$ (20,427)
Administrative Fees	3,650	8,021	(4,371)	3,650	21,250	(17,600)
Grant Income - CARES Act RLF	12,509	-	12,509	12,509	24,613	(12,103)
Other Income	16	1,458	(1,442)	16	288	(272)
<b>Total Revenues</b>	<b>362,331</b>	<b>429,479</b>	<b>(67,148)</b>	<b>362,331</b>	<b>412,733</b>	<b>(50,402)</b>
<b>EXPENSES:</b>						
Management Fee - ECIDA*	168,000	168,000	-	168,000	163,800	4,200
Provision for Loan Losses	-	87,500	(87,500)	-	(986)	986
Rent & Facilities Expenses	15,400	15,867	(467)	15,400	15,400	-
Professional Services	25,027	30,275	(5,248)	25,027	26,974	(1,946)
General Office Expenses	1,075	2,333	(1,258)	1,075	236	839
Other Expenses	19,282	10,369	8,914	19,282	14,166	5,116
<b>Total Expenses</b>	<b>228,785</b>	<b>314,344</b>	<b>(85,559)</b>	<b>228,785</b>	<b>219,591</b>	<b>9,194</b>
<b>OPERATING INCOME(LOSS):</b>	<b>133,546</b>	<b>115,135</b>	<b>18,411</b>	<b>133,546</b>	<b>193,142</b>	<b>(59,596)</b>
<b>NONOPERATING REVENUE:</b>						
Interest Income	88,977	11,842	77,135	88,977	45,465	43,511
<b>Total Nonoperating Revenue</b>	<b>88,977</b>	<b>11,842</b>	<b>77,135</b>	<b>88,977</b>	<b>45,465</b>	<b>43,511</b>
<b>NET INCOME/(LOSS):</b>	<b>\$ 222,523</b>	<b>\$ 126,977</b>	<b>\$ 95,546</b>	<b>\$ 222,523</b>	<b>\$ 238,608</b>	<b>\$ (16,085)</b>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2024 budgeted figures.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY (ECIDA)  
 BUFFALO & ERIE COUNTY REGIONAL DEVELOPMENT CORP (RDC)  
 BUFFALO & ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORP (ILDC)**

**2025 Budget Process**

<u>Date</u>	<u>Description</u>	
July-August	Review of draft 2025 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
August 20	Finance & Audit Committee meeting – initial review and discussion of proposed budgets.	✓
September 17	Finance & Audit Committee meeting to discuss any updates/recommend proposed budgets to Boards.	
September 25	Review of 2025 proposed budgets at Board meetings.	
TBD	Board Q&A budget session #1 (voluntary).	
TBD	Board Q&A budget session #2 (voluntary).	
October	Adjustments to budget based on Board feedback and Finance & Audit Committee recommendation of final budgets ( <i>if necessary</i> ).	
October 23	Board meetings – action to approve final 2025 budgets.	
November 1	Deadline for final approved budgets to be submitted to the ABO.	



**Loan Status Report  
August 2024**

<b><u>RDC Loans Approved Since Last Meeting</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
None		

<b><u>RDC Loans Closed Since Last Meeting</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
Draghi Burgos Construction (LOC)	Buffalo	100,000

<b><u>Loans in Closing Process</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
None		

<b><u>Loans in the Pipeline</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
2	Various	\$2,100,000

<b><u>2024 - Loans Closed</u></b>	<b><u>YTD Loan Total</u></b>	<b><u>Jobs to be Created</u></b>	<b><u>Retained Jobs</u></b>	<b><u>Dollars Leveraged</u></b>
4 MBE/WBE Loans: 3 1-MBE; 2-WBE	\$780,000	21	47	\$4,260,000

**Loan Portfolio Performance**

**Past Due Loans:**

<b><u>Name</u></b>	<b><u>Loan Balance</u></b>	<b><u>Principal/Interest Amount Past Due</u></b>	<b><u>Days Past Due</u></b>	<b><u>Comments</u></b>
Affordable Technology Solutions	\$28,456	\$28,456	360+	Borrower filed Chapter 13 Bankruptcy. Proof of Claim filed. Attorneys monitoring case.

**Portfolio Delinquency Rate** (90+ day Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

\$28,456 / \$16,250,715 = **0.18% Delinquency Rate** (62 total loans in portfolio)

**RDC Funds Available to Lend:** \$7,290,331



**RDC Loan Analysis**

<b>Borrower:</b>	THSPCD, LLC dba Secondary Services Inc.	<b>Structure:</b>	S-Corp	<b>Year Established:</b>	1995
<b>Address:</b>	757 E Ferry St.	<b>City:</b>	Buffalo	<b>Zip:</b>	14211
<b>Website:</b>	https://secondaryservices.com	<b>NAICS:</b>	325510	<b>SIC:</b>	2581
<b>Loan Amount:</b>	\$2,000,000.00	<b>Interest Rate:</b>	5%	<b>Term:</b>	84 mos.
<b>Monthly Payment:</b>	\$28,276.82	<b>Contact Name:</b>	Chris Sansone	<b>Site Visit:</b>	TBD
<b>Purpose:</b>	Business Acquisition	<b>Jobs Existing:</b>	10.5FTE	<b>Jobs to be created:</b>	4 FTE

**SOURCES AND USES**

<b>Sources:</b>	<b>Amount</b>	<b>% of Project</b>
RDC Loan	\$2,000,000.00	42%
Bank On Buffalo	\$2,000,000.00	42%
Equity – buyer	\$200,000.00	3%
Subordinated Seller note – Equity	\$600,000.00	13%
<b>Total Sources</b>	<b>\$4,800,000.00</b>	<b>100%</b>
<b>Uses:</b>	<b>Amount</b>	
<b>RDC Loan</b>		
Business Acquisition	\$2,000,000.00	42%
<b>Bank Loan</b>		
Business Acquisition	\$2,000,000.00	42%
<b>Equity</b>		
Soft Costs	\$200,000.00	3%
Subordinated Seller Note – R/E	\$600,000.00	13%
<b>Total Uses</b>	<b>\$4,800,000.00</b>	<b>100%</b>
<b>Dollars Leveraged:</b>	<b>\$2,800,000.00</b>	<b>58%</b>

**COLLATERAL AND SECURITY**

<b>Collateral:</b>	Subordinate lien on business assets behind Bank On Buffalo; Collateral mortgages on the residences of both guarantors; Key Man Life insurance on both guarantors.
<b>Guarantors:</b>	Unlimited personal guarantees of Christopher Sansone and David A. Smith.
<b>Fund Objectives:</b>	<b>Job Creation:</b> <input checked="" type="checkbox"/> <b>Job Retention:</b> <input checked="" type="checkbox"/> <b>Target Industry:</b> <input checked="" type="checkbox"/> <b>MBE:</b> <input type="checkbox"/>
<b>Fund Eligibility:</b>	<b>Bank Declination:</b> <input checked="" type="checkbox"/> <b>Financing Gap:</b> <input checked="" type="checkbox"/> <b>Target Area:</b> <input checked="" type="checkbox"/>
<b>Recommended By:</b>	Gerald Manhard, Chief Lending Officer and Daryl Spulecki, Credit Analyst
<b>Loan Committee Vote:</b>	<b>Approved:</b> <input checked="" type="checkbox"/> <b>Declined:</b> <input type="checkbox"/>
<b>Date:</b> 8/14/2024	<b>Signatures:</b>

**I. Background:**

THSPCD, LLC dba Secondary Services Inc. was founded in 1995 and is a leading supplier of quality metal finishing services in upstate New York and the Great Lakes region. The company offers industrial painting and abrasive blast cleaning services. The company began in an 8,000 square foot leased facility. The next year the company purchased and renovated its current location, an 80,000 square foot facility located at 757 E Ferry St. in Buffalo. By 1997, Secondary Services installed its first 2 blast rooms marking the start of specialized blasting services. Over the years the company continued to expand and modernize its operations, including an 8,000 square foot high bay expansion and the installation of advanced equipment such as the Wheelabrator steel grit blast rooms and large paint booths. Secondary Services has consistently invested in state-of-the-art technologies and facility expansions to meet its client's needs.

The company focuses on serving the engineered products manufacturers of WNY. These customers produce expensive engineered products and count on Secondary Services to tackle complex abrasive blast cleaning and coating requirements they are not capable of handling themselves. Since 2008, the company has maintained the industry's highest quality certification SSPC-QP3, which is an internationally recognized program that evaluates the practices of shop painting facilities in key areas of business. In addition to a robust quality management structure necessary to achieve and maintain SSPC-QP3, Secondary Services utilizes ECI JobBoss2 business system software that integrates all aspects of its business from creating quotations, order entry, shop floor management, bar code scanning of shop floor activities, cost gathering, purchasing, receiving, shipping, invoicing and full financial statements.

There are currently 10 full-time and 1 part-time employees at Secondary Services. Job titles include, Controller, Quality and Engineering Coordinator, Shop Floor Supervisor, Abrasive Blast and Paint Lead, Abrasive Blast and Paint Technician, Shipping, Receiving, and Material Handler. Pay structure is a combination of both exempt and non-exempt status ranging from \$22-\$48/hr. for non-exempt and \$100K/ annual for exempt.

Services:

- Abrasive Blasting - 4 fully enclosed blast rooms for small to large ferrous and non-ferrous components. This service prepares surfaces by removing contaminants, rust, and old coatings to ensure optimal adhesion for new coatings and finishes.
- Glass Bead Blasting-within a blast room dedicated to processing stainless steel and non-ferrous materials.
- Industrial Painting, Metal Painting and Metal Finishing-4 large industrial paint booths.
- Epoxy Painting
- Zinc Primer Painting
- High Temperature Painting

Most of their key customers consist of large, reputable manufacturers located in Erie County and have a regional or national presence.

While there are other metal finishing providers, Secondary Services differentiates itself by offering a combination of high-quality services, state of the art facilities, and strict adherence to industry standards. The company's ability to oversee a wide range of projects from small components to large industrial parts, with precision and adherence to stringent standards sets it apart.

## **II. Project Description:**

Tom Smith, who is currently 100% owner of Secondary Services Inc., is seeking to retire in the near future. He has had out-of-state offers to purchase the assets of the company and move the equipment. In order to keep the company local and retain the employees Tom Smith has offered to sell the business to his brother Dave Smith (50%) and his business partner Christopher Sansone (50%) under the name of THSPCD, LLC dba Secondary Services Inc. Tom Smith will stay on as an advisor for a minimum of 6 months to ensure a smooth transition.

The company has applied for a \$2,000,000 RDC Business Loan to assist with the acquisition of the company. The total projects cost is \$4,800,000; with Bank on Buffalo providing a \$2,000,000 term loan; \$600,000 Seller Note for the purchase of the building, and \$200,000 equity from Dave and Chris.

Freed Maxick CPA's performed a valuation of the company and the estimate of value of a 100% equity interest of Secondary Services as of December 31, 2023, was \$4,088,000. They used the Revenue Ruling 59-60 approach to their valuation which is an IRS rule that determined the basis of fair market value or the amount at which the business would change hands between a buyer and seller. The valuation of the company did not include the value of the Real Estate (\$600,000) as the owner is holding a private note for this asset.

## **III. Company Management:**

David Smith:

- Master's degree in education, Canisus University 1997
- Bachelor of Science, Physics Lemoyne College 1994
- Physics Teacher Clarence High School 1997-present
- Varsity Baseball Coach Clarence High School 2003-present
- Blaster/Painter Secondary Services 2022-present
- Owner Operator Clarence Baseball Camp LLC-2004-present

Dave's new chapter will be as 50% owner of Secondary Services bringing his extensive background in education, coaching, and entrepreneurship. He brings leadership, problem solving, and communication skills to the company. Dave has been working part time at the company for over 3 years learning all aspects of the business. Dave will continue to work part time and full time during the summer months until he retires from his teaching position at Clarence high school within the next two years.

Christopher Sansone:

- Master of Science, Industrial Technology UB 2007
- Bachelor of Science, Technology UB 2003
- Motivair Corporation, Director of Operations 2017-2024
- Pine Hill Fresh Foods, Chief Operating Officer 2016-2017
- Dimar Manufacturing, Plant Manager 2015-2016
- Keller Technology Corporation, Quality Systems Manager 2015-2016
- Keller Technology Corporation, Engineering and Production Manager 1996-2015
- Board Member Northland Workforce Training Center 2017-present
- Board Member Buffalo Niagara Manufacturing Alliance 2011-present

Chris is a highly accomplished Manufacturing and Engineering Operations Leader with over 25 years' experience. Expertise includes design, process development, and continuous improvement. He will be 50% owner and working at the company full-time.

In addition to the current owner, Tom Smith, remaining as a consultant for a minimum of 6-12 months, all the current employees will be retained to ensure a smooth transition.

#### **IV. Guarantors:**

- Chris Sansone (50% owner)
  - 50% owner of the business who is highly accomplished in Manufacturing and Engineering operations with over 25 years of experience. His expertise includes design, process development, and continuous operations improvement.
  - He is currently the Motivair Corporation Director of Operations for the past 7 years
  - Northland Workforce Training Center Board Member since 2017; BNMA Board member since 2011
- David Smith (50% owner)
  - Currently is the brother of the current owner and is a part time employee of the business. He works full time at the company during the summer and part time during the remainder of the year. He is involved in all aspects of the business.
  - Has an extensive background in education and leadership. He currently is employed as a teacher at Clarence high School. He will be retiring within the next 2 years and will be eligible for his full pension at that time.
- Both guarantors/owners have a good net worth, excellent credit and provide a meaningful guaranty. Their spouses are gainfully employed and can help support their personal debt.

#### **V. Job Creation:**

There are currently 10 full-time and 1 part-time employees at Secondary Services. Job titles include, Controller, Quality and Engineering Coordinator, Shop Floor Supervisor, Abrasive Blast and Paint Lead, Abrasive Blast and Paint Technician, Shipping, Receiving, and Material Handler. Pay structure is a combination of both exempt and non-exempt status ranging from \$22-\$48/hr. for non-exempt and \$100K/ annual for exempt, plus benefits. Over the next couple of years, the new owners will create 4 full-time positions and maintain their current employment level.

#### **VI. Strengths and Weaknesses:**

##### **Strengths:**

- Historical and projected cash flow are sufficient to service the proposed company debt.
- Projections appear to be attainable and are based on reasonable assumptions.
- The client base consists of large, reputable companies who have been customers for 3+ years with a growing appetite for the company's services.
- The management team has good experience with managing and overseeing various business operations. One of the guarantors is a current employee of the company.
- Seller is staying on as a consultant for 1 year.
- Excellent personal credit of the guarantors.
- Guarantors provide a meaningful guaranty.
- The acquisition will allow the business to remain open and in Erie County as well as retain all existing employees.

##### **Weaknesses:**

- RDC is in a subordinate collateral position.
- Recession fears for the US economy that could disrupt business activity.
- Competition from other painting and abrasive blast companies.

**VII. Recommendation:**

Approval of the \$2,000,000 RDC Term Loans is recommended based on the above case analysis. The loan structure and conditions are as follows:

**Loan Amount:** \$2,000,000  
**Interest Rate:** 5%  
**Loan Amortization:** 84 months.  
**Loan Term:** 84 months.  
**Monthly P & I payment:** \$28,276.82  
**Commitment Fee:** \$10,000 (1/2 percent of loan amount)

**Security/Collateral:**

- Subordinate lien on business assets behind Bank On Buffalo.
- Unlimited personal guarantees of Chris Sansone and David A. Smith.
- Collateral mortgages on 5815 Bradford Ct, Amherst NY (Sansone); and 5602 Fieldbrook Dr., E Amherst NY (Smith).
- Keyman life insurance policies in the amount of \$1 million for each guarantor, David Smith and Christopher Sansone (\$2 million in total).
- Subordination of \$600,000 Seller note (monthly payments allowed absent of any Bank or RDC default)

**Loan Conditions:**

- Subject to Bank On Buffalo providing financing of at least \$2 million.
- Annually, receipt of CPA reviewed financial statements and/or 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 visits by RDC staff
- Closing costs to be paid by the borrower.







