



ECONOMIC DEVELOPMENT CORPORATION

**FINANCE COMMITTEE**

**Meeting Minutes**

Friday, June 23, 2017 – 8:00 a.m.

20 Ontario St., Canandaigua, NY 14424

Office of Economic Development's Conference Room

<b>Board Members Present</b>	<b>Staff/Others Present</b>
Karen Parkhurst, Chair	Michael Wojcik, CFO
Walt Matyjas	Mike Manikowski, Executive Director
Rob Solenne, Vice Chair	Sue Vary, Economic Development Specialist
<b>Board Members Excused</b>	

**Call to Order:** Chairperson Karen Parkhurst called the meeting to order at 8:03 am. A quorum was present.

**GENERAL BUSINESS:**

**Approval of April 21, 2017 Minutes:** *Walt Matyjas made a motion to approve the March 10, 2017 minutes, seconded by Rob Solenne. Unanimously carried.*

**Surmotech, LLC Loan Request:**

Sue Vary began the discussion reviewing Surmotech's request for a \$400,000 loan with a 20-year amortization and a 10-year balloon from the OCEDC. She advised the committee that the funds would be used to help purchase the building where Surmotech currently operates and that the Company plans to create four new positions. She also informed the committee of their request for a \$50,000 forgivable loan. Mike Manikowski discussed, in detail, the history of Surmotech and that the current owners purchased the Company in 2013. He indicated that this project is a pure retention case and that without the OCEDC's assistance the Company would be forced to move elsewhere outside the County. He further discussed that should the Company move from the area, chances are good that many of the local employees would probably lose their jobs for transportation reasons. Michael then began to review the projections and showed that the company could repay the loan given the available lines of credit. The main downfall is that they are incurring a lot of debt at the time when they are growing and attempting to also fund growth. Rob Solenne suggested that to alleviate some of the debt burden that the OCEDC consolidate the two loans and use the new suggested terms. This would reduce the Company's debt payments by approximately \$4,000 per month. Michael indicated that he did not factor in the \$50,000 forgivable loan because it was virtually cash flow neutral since the Company would be amenable to reducing their existing loan instead of receiving a check from the OCEDC.

**Surmotech, LLC Forgivable Loan Request:**

Sue Vary discussed in detail Surmotech's request for a \$50,000 forgivable loan. She indicated that the \$50,000 would be used for the following items:

- 1) \$20,00 for AS-9100 Certification
- 2) \$5,000 for consultant to train the employees to conduct AS-9100 internal audits
- 3) \$25,000 for data migration from existing software to Epicor Software.

She further detailed the Company's \$106,500 matching funds in conjunction with the above project spending. Surmotech would incur the following cost as part of the overall project:

- 1) \$33,800 for a quality engineer to establish AS-9100 Quality System for inspection
- 2) \$6,300 Quality Engineer to establish ISO 9100 and ISO 13485 to meet new standards
- 3) \$6,300 Internal cost of labor to train employees on AS-9100 internal audits
- 4) \$4,100 for internal cost of labor to train new employees on ISO 9100 & ISO 13485 standards
- 5) \$55,400 for network and hardware upgrades and training on Epicor software

Mike Manikowski informed the committee that without these upgrades and certifications the company stands to lose almost \$5 million in revenue over the upcoming years.

*Walt Matyjas moved to block the two Surmotech, LLC requests for financial assistance and to recommend to the Board that both the \$400,000 loan and \$50,000 forgivable loan to Surmotech, LLC be approved and that the existing loan be amended to include the \$400,000 amount less the \$50,000 forgivable at the terms outlined in the loan write-up documents. These terms include a rate of the greater of 3% or 0.75% of prime at time of closing, continued personal guarantees and life insurance of those listed on the original closing, existing security position on assets and a mortgage on the building behind the bank and SBA. The forgivable loan is to be based on completion of the project within a reasonable amount of time to be determined by staff and counsel and followed by a year to obtain four new positions. The motion was seconded by Rob Sollenne. Unanimously approved.*

**SkyOp's requested change in forgivable loan terms:** Sue Vary explained to the committee that SkyOp would like to change some wording in the forgivable loan document that was given to them to sign. After some discussion, Karen suggested that the document remain as written with the exception of granting the company 3 years to fulfill the job creation commitment. *Walt Matyjas moved to recommend to the Board the SkyOp forgivable loan document be amended to allow three years to fulfill the job creation requirement instead of two, seconded by Rob Sollenne. Unanimously Carried.*

**Akoustis commitment letter extension:** Sue explained to the committee that OCEDC's commitment letter to Akoustis' has expired due to the complexity of the business and real estate transaction. Both staff and the Company would like to extend the commitment letter out another thirty days and give the Company 90 days to close to the loan. *Karen Parkhurst moved to extend the amend the extend the commitment letter 30 day and another 90 days to close the loan, seconded by Walt Matyjas, Unanimously Carried.*

**Adjournment:** *Karen Parkhurst moved to adjourn at 8:55 am, seconded by Walt Matyjas. Unanimously approved.*

Respectfully submitted,  
***Michael Wojcik***