



ECONOMIC DEVELOPMENT CORPORATION

FINANCE COMMITTEE
Meeting Minutes

January 9, 2015 - 4:00 p.m.

Board Members Present	Staff/Others Present
Karen Parkhurst, Chair	Michael Wojcik, CFO
John Sheppard	Sue Vary, Economic Development Specialist
Rob Sollenne – via phone	Michael Manikowski, CEO
Board Members Excused	

Chairperson Karen Parkhurst called the meeting to order at 4:03 p.m. A quorum was present.

Approval of December 16, 2014 minutes: *A motion was offered by John Sheppard, seconded by Rob Sollenne to approve the minutes of the December 16, 2014 Finance Committee meeting. Unanimously approved.*

BioWorks, Inc.: Michael Wojcik began the discussion with a brief history of BioWorks, Inc. (Bio Works) became a wholly owned subsidiary of BWV holding, Inc. (BWV) and how the current corporate structure resulted in the need for the OCEDC loan. The OCEDC loan, along with \$100,000 from First Niagara and \$400,000 from NYBDC will be used to pay off a shareholders note of roughly \$708,000 that was incurred when BWV purchased BioWorks in 2010. The note is due in July 2015 and there are approximately 180 shareholders that will be paid. John Sheppard reviewed the list of shareholders and indicated that there were a number of local residents on the list. Michael proceeded to review the financial projections for years 2014 through 2017 bringing attention to the use of the Company's \$750,000 line-of-credit facility. He indicated that the line-of-credit was paid in full at the end of 2014 but was used in the projections for 2015 through 2017 to give the Company a positive cash position, most notably in 2017 when a balloon payment for one of the Company's installment loans is due. He indicated that it was the goal of the Company to refinance the loan with the balloon payment as the due date draws near. Rob Sollenne asked about the liquidity of the current owners and the confidential personal financial statements were reviewed by the committee. Karen Parkhurst inquired about the poor debt to equity ratios and it was explained that the equity portion of the ratio is adjusted by the Company's net intangible assets. Staff suggested a 5 year term, interest rate the greater of 0.75% of prime or 3% at closing for the duration of the loan, personal guarantees of BWV stockholders William Foster and Joseph Gionta, an aggregate of \$200,000 of life insurance on either of, or in combination of, William Foster and Joseph Gionta with all costs to be borne by the borrower, third security interest in all assets of the Company and a cross corporate guarantee by BWV. Further discussed was the possibility of the Company moving out of Ontario County when the Company's lease expires in 2016 and should there be a financial penalty associated with the move. Rob suggested that the term be changed from a five year term to a five year amortization with a two year balloon payment due in 2017. This essentially would act as a bridge loan until a financing agreement with the Company's banking relationship could be obtained. It was further suggested that future earnings of the Company's two majority shareholders be limited to current salaries unless preapproved by the Board of OCEDC or the Company's debt coverage ratio is in excess of 1.25:1. A discussion ensued and a consensus was reached. *A motion was offered by John Sheppard, seconded by Rob Sollenne, to recommend approval of the loan to the OCEDC Board as presented with the following changes to*

the fiscal write up; loan term two (2) years (24 months) with payments based on a five (5) year (60 month) amortization, no additional financial penalty, other than the loan becoming due in full ,imposed for relocating the business out of Ontario County, filing a security interest on all assets of the Company behind NYBDC and First Niagara Bank and no drawings from the Company, other than current salary amounts, by the two majority shareholders William Foster and Joseph Gionta unless preapproved by the Board of OCEDC or the Company's debt coverage ratio is in excess of 1.25:1 . Unanimously approved.

OCEDC Loan Impairment: Michael indicated the need for some committee input on the OCEDC's Loan Impairment Reserve calculation. He indicated the he had reached out to Rob Sollenne during the week to discuss how banks compute their reserve. Both parties agreed that OCEDC at this time does not have enough history or loan activity to mirror procedures utilized by banks. John Sheppard suggested a percentage range. The committee agreed that a 15% balance of all outstanding loans would be used to calculate the reserve balance. This percentage is large enough to cover any one loan in OCEDC's portfolio. The committee will revisit the policy at a later date when appropriate. *A motion was offered by John Sheppard, seconded by Rob Sollenne, to recommend using 15% of all outstanding loans as an Allowance for Loan Impairment reserve figure for financial statement presentation purposes. Unanimously approved.*

Adjournment: *A motion was offered by John Sheppard and seconded by Rob Sollenne to adjourn at 5:07 p.m. Unanimously approved.*

Respectfully submitted,

Michael Wojcik