



**Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
July 25, 2018**

**95 Perry Street
5th Floor - ESD Conference Room
Buffalo, New York 14203**

1.0 Call to Order

1.1 Welcome New Board Member - Charles Specht – President, Erie County Association of School Boards

2.0 Approval of Minutes

2.1 Approval of the June 27, 2018 Minutes of the Meeting of the Board of Directors (Pages 2-3)

3.0 Reports / Action Items / Information Items:

3.1 Financial Report (Pages 4-7)

3.2 2018 Loan Status Report and 2018 Closing Report (Pages 8-9)

4.0 Review the following loan Case(s):

a) Tomric Systems, Inc. (Pages 10-15)

5.0 Management Team Report:

5.1 Revolving Loan Fund Update

6.0 Adjournment - Next Meeting August 22, 2018

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

- DATE AND PLACE:** June 27, 2018, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203
- PRESENT:** Hon. Diane Benczkowski, Hon. Patrick B. Burke, Hon. Joseph H. Emminger, Dottie Gallagher-Cohen, Tyra Johnson, Brenda W. McDuffie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Sister Denise Roche, and Kenneth A. Schoetz
- EXCUSED:** Rev. Mark E. Blue, Hon. Byron W. Brown, James F. Doherty, Hon. Brian J. Kulpa, Richard Lipsitz, Jr., John J. Mudie, Louis Panzica, Hon. Darius G. Pridgen and Charles F. Specht
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Chief Financial Officer; Karen M. Fiala, Assistant Treasurer; Michael Alexander, Loan Manager and Robert G. Murray, Secretary
- GUESTS:** Maria Whyte, Deputy County Executive and Andrew Federick, Erie County Senior Economic Development Specialist

There being a quorum present at 9:04 a.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

The Minutes of the April 25, 2018, meeting of the Board of Directors of the RDC were presented. Ms. McDuffie moved, and Mr. Burke seconded, to approve of the minutes. Ms. McDuffie called for the vote and the minutes were unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic reviewed the financial statements, noting that the RDC finished the month of May with total assets of \$18.4 million and net assets of \$18.3 million. The monthly income statement shows net income of \$4,000. Revenues were below budget by \$13,000, due to lower than anticipated loan interest income. Total expenses were under budget

by \$2,500 because of lower professional service costs. The year-to-date income statement reflects \$183,000 of revenue and \$144,000 of expenses, both under budget for the year, for net income of about \$39,000 through the end of the month of May. Ms. McDuffie directed that the report be received and filed.

2018 Loan Status Report/ 2018 Closing Report. Mr. Alexander presented this report. Ms. McDuffie directed that the report be received and filed.

APPROVAL OF LOAN CASE

Viridi Parente, Inc., 1001 East Delavan Avenue, Buffalo, New York, \$1,400,000.00, 120 month Term Loan, Secured and Guaranteed. Mr. Alexander reviewed this \$1,400,000 loan request proceeds of which will be used to allow for the continued research and development of the borrower's technology, inventory purchases and purchases of lab/production equipment. Mr. Alexander explained that the RDC Loan Committee was given a presentation of the loan request, however, a quorum of the RDC Loan Committee was not present and as such the RDC Loan Committee was unable to take any action with respect to the loan request. Mr. Alexander then reviewed the application and the loan case detailing certain aspects of the application and the loan request.

Ms. Gallagher-Cohen spoke in favor of the project and the loan. Ms. McDuffie also spoke in favor of the project.

Mr. Emminger moved and Ms. Gallagher-Cohen seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was thereafter unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 9:21 a.m.

Dated: June 27, 2018

Robert G. Murray, Secretary

Regional Development Corporation
Financial Statements
As of June 30, 2018

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

June 30, 2018

	June 2018	May 2018	December 2017
ASSETS:			
Restricted Cash**	\$ 8,043,256	\$ 8,689,917	\$ 9,712,269
Direct Loans *	10,556,485	9,859,655	9,029,313
50/50 Bank Participation Loans *	261,160	265,507	285,811
Loan Interest Receivable	-	-	-
Reserve for Loan losses	(463,648)	(403,379)	(409,298)
Total Loan Assets, net	<u>10,353,996</u>	<u>9,721,782</u>	<u>8,905,826</u>
TOTAL ASSETS	<u>\$ 18,397,253</u>	<u>\$ 18,411,699</u>	<u>\$ 18,618,095</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ 200	\$ 200	\$ 250
Due to ECIDA	157,659	126,409	372,440
Total Liabilities	<u>157,859</u>	<u>126,609</u>	<u>372,690</u>
Restricted Fund Balance	18,239,394	18,285,091	18,245,405
TOTAL LIABILITIES & NET ASSETS	<u>\$ 18,397,253</u>	<u>\$ 18,411,699</u>	<u>\$ 18,618,095</u>

<i>* Loan Portfolio Summary:</i>	June 2018	May 2018	December 2017
# of Direct Loans	45	45	44
# of 50/50 Bank Participation Loans	3	3	3
	<u>48</u>	<u>48</u>	<u>47</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 June 2018

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 36,291	\$ 44,167	\$ (7,875)
Interest Income - Cash & Inv.	2,006	333	1,673
Administrative Fees	8,500	833	7,667
Other Income	194	1,417	(1,223)
Total Revenues	<u>46,991</u>	<u>46,750</u>	<u>241</u>
EXPENSES:			
Management Fee - ECIDA*	\$ 29,750	\$ 29,750	\$ -
Provision for Loan Losses	60,269	-	60,269
Rent & Facilities Expenses	1,500	1,500	-
Professional Services	-	7,600	(7,600)
General Office Expenses	-	8	(8)
Other Expenses	1,169	1,075	94
Total Expenses	<u>92,688</u>	<u>39,933</u>	<u>52,754</u>
NET INCOME/(LOSS):	<u>\$ (45,697)</u>	<u>\$ 6,817</u>	<u>\$ (52,513)</u>

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: June 30, 2018

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 203,544	\$ 265,000	\$ (61,456)	\$ 203,544	\$ 210,867	\$ (7,323)
Interest Income - Cash & Inv.	11,619	2,000	9,619	11,619	3,005	8,614
Administrative Fees	12,183	5,000	7,183	12,183	6,188	5,995
Other Income	2,488	8,500	(6,012)	2,488	9,141	(6,653)
Total Revenues	229,833	280,500	(50,667)	229,833	229,200	632
EXPENSES:						
Management Fee - ECIDA*	\$ 148,500	\$ 178,500	\$ (30,000)	\$ 148,500	\$ 128,501	\$ 20,000
Provision for Loan Losses	54,350	87,500	(33,150)	54,350	52,299	2,051
Rent & Facilities Expenses	9,000	9,000	-	9,000	9,000	(0)
Professional Services	20,660	33,000	(12,340)	20,660	21,784	(1,124)
General Office Expenses	166	50	116	166	379	(214)
Other Expenses	3,639	6,450	(2,811)	3,639	15,063	(11,425)
Total Expenses	236,314	314,500	(78,186)	236,314	227,027	9,288
NET INCOME/(LOSS):	\$ (6,482)	\$ (34,000)	\$ 27,518	\$ (6,482)	\$ 2,174	\$ (8,655)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.



**Loan Status Report
June 27, 2018 -July 24, 2018**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Viridi Parente, Inc. (Manufacturer)	Buffalo	\$1,400,000

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Buffalo Brewery Leasing (Brewery)	Buffalo	\$1,700,000

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
(None)		

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
Bio-Care Chiropractic (Professional)	Amherst	\$ 50,000
GiGi's Restaurant (Restaurant)	Buffalo	\$ 50,000
Herb 'N Garden Farms (Greenhouse/Agri Business)	Grand Island	\$ 300,000
Park Edge Chocolates (Manufacturer)	Buffalo	\$ 50,000
Tomric Systems, Inc. (Chocolate Manufacturer)	Buffalo	<u>\$1,117,000</u>
		<u>\$1,567,000</u>

<u>2018 Delinquency</u>	<u>Loan Balance Outstanding</u>	<u>Delinquency Rate</u>
3 Accounts	\$302,114	2.3%

<u>2018 - Loans Closed</u>	<u>YTD Loan Total YTD</u>	<u>Total New Jobs Projected</u>	<u>Retained Jobs</u>	<u>Private Investment</u>
4	\$2,616,500	27	33	\$4,982,750

RDC Loan Closings 2018

Project Name	Loan Amount	Jobs at App	Projected Year 3 Jobs	Project City	Closing Date	Project Product
Harker Bio	\$ 500,000	14	28	Buffalo	3/7/2018	RDC Loan
EcoVerde Organics, LLC	\$ 180,000	0	4	Buffalo	3/8/2018	RDC Loan
USTraffic Controls	\$ 236,500	17	21	Tonawanda	3/23/2018	RDC Loan
Buffalo Brewery Leasing	\$ 1,700,000	2	7	Buffalo	6/22/2018	RDC Loan

4 Projects Closed
 27 Jobs Projected \$ 2,616,500 33 60

Total:

**Buffalo and Erie County Regional Development
RDC Loan Analysis**

Borrower:	Tomric Systems Inc.	Established:	1962	Type:	S-Corporation
Corporate Guarantor:	Chocolate Delivery Systems Inc.				
Project Address:	85 River Rock Drive				
City:	Buffalo	State:	NY	Zip:	14207
Phone:	716.854.6050	Fax:	716.854.7363	e-mail:	TElsinghorst@tomric.com
Type of Business:	Manufacturer	NAICS:	426830	SIC:	5084

LOAN INFORMATION

RDC Loan Amount:	\$1,117,000.00	Purpose:	Equipment Purchase and Working Capital	Maturity:	Term: 90 months Amortization: 120 months
Rate:	4.0	Initial Date of Contact:	6/2018	Date of Site Visit:	May 2018
Jobs Existing:	25 FTE	Jobs Created:	6 FTE	Jobs Retained:	25 FTE

The Sources and uses of funds is as follows:

Source of Funds:		
Lead Bank		
RDC Term Loan	\$1,117,000.00	
Equity	\$111,700.00	
Total Funding	\$1,228,700.00	
Use of Funds:		
Lead Bank		
RDC Term Loan	\$1,117,000.00	Equipment purchase and working capital expenses associated with expansion.
Equity	\$111,700.00	Working capital expenses associated with the expansion project.
Total Funding	\$1,228,700.00	

COLLATERAL

Business Asset:	First priority lien on purchase money assets; Second priority lien on ALL business assets of Tomric Systems Inc.; Second priority lien on all assets of Chocolate Delivery Systems Inc. (subordinate to Key Bank)
Real Estate	Second priority lien on residential property located at 103 Portside Buffalo, NY 14202 (subordinate to Key Bank)
Corporate Guarantors:	Corporate guarantee of Chocolate Delivery Systems Inc.
Personal Guarantors:	Unlimited personal guarantee of Mr. Timothy Thill
Life Insurance:	N/A
Recommended By:	Gerald Manhard, Chief Lending Officer Michael Alexander, Loan Manager

Concurrence:

Loan Committee:

Approved Yes No

Date: July 20, 2018

Board of Directors Yes No

Date:

I: Project Description:

The total project cost for Tomric is \$1,228,700.00, which will be comprised of \$111,700.00 in equity from the applicant and \$1,117,000.00 in potential term debt. The funds will assist in the expansion and 7,000 square foot showroom and equipment purchases, warehouse production equipment purchases, instructional kitchen equipment (Total \$736,000) and permanent working capital needs to purchase raw materials and support the anticipated growth (\$381,000). The introduction of the equipment/processing training classes will create an additional revenue stream for the growing company. At present, Tomric only houses/demonstrates Selmi's top sales models, the expansion will allow demonstration of the full product line. TSI applied to Key Bank to finance the project but was declined due to the bank's credit policy. Due to the recent declination, Tomric Systems has approached The RDC to bridge their financing gap. The total request is for \$1,117,000.00 which if approved will be dedicated to the efforts noted above.

II: Background/History of Companies:

Tomric Systems Inc. ("TSI") is a manufacturer and distributor of thermoformed plastic molds (custom and premade), packaging and chocolate making equipment for the confection industry. Located in Buffalo, NY TSI is 100% owned by Timothy Thill and is the exclusive distributor of popular "Selmi" Chocolate Machinery in the United States and Canada. Selmi offers products for the full spectrum of the industry, ranging from the confection hobbyists to professional chocolatiers and commercial manufacturers.

Selmi was launched in 1965 by Renato Selmi, a renowned leader in the chocolate confections industry. In the early years of operations, Mr. Selmi focused on the processing of hazelnut paste (produced almost exclusively for Ferrero Rocher) but changed direction in 1987 when Renato was joined by his son Paolo. The father and son's combined knowledge of the raw material and new production/processing technology led to the launch the Selmi production equipment line. Production systems range in price from \$10k-\$300k and is dependent on the components. The equipment is modular and can be customized to meet each end user's specific needs. Since the expansion, Selmi has grown substantially as an industry leader, outselling their competitors (Pomati Chocolate Technology and Gami Italy) 10:1 and has grossed over \$30MM (euros) in annual sales as of 2016.

Tomric's Primary Business Lines Include:

Chocolate Production Equipment:

- sales to artisan confectioners, bean to bar producers and large manufacturers.

Professional Grade Molds and Supplies:

- Tomric houses a portfolio of thousands of varying molds for every occasion and the ability to custom fabricate molds for their end users. The retailer also offers supplies and utensils needed in the craft chocolate industry.

Retail Packaging:

- offers customized packaging solutions for chocolate and bakery creations.

Tomric's long standing history, reputation for quality and expansive industry knowledge have assisted in distinguishing themselves from their competitors. This is complimented by their ability to provide custom items for their clients, availability of in-house support for all their products, exclusivity of their equipment line (Selmi) and global industry alliances with companies such as Chocolate World, Hans Brunner and MCM Massa. In consideration of each of their partnerships and related entities, Tomric is able to provide a true, one stop shop for the industry.

Industry Data:

- Global Chocolate sales exceed \$98BB and is expected to trend positively over the next several years. (Statista, 2016)
- U.S. chocolate sales represent 23% of the global consumption (\$22.4BB, 5th largest globally)
- Confections rank #3 on consumed food categories (Carbonated Beverages and Milk hold the #1 and 2)
- Consumption trends indicate a consumer shift to higher quality, authentic chocolate producers with supply chain transparency which will contribute to the growth of artisanal suppliers. This trend is compared to the U.S. to shifts in the craft beer, cheese and bread industries.

Competitive Advantages:

- The closest competitor in both proximity and products/services offered is Belgium based company, Chocolate World. This company focuses heavily on the European market and does not offer as broad a spectrum of products and services as Tomric.
- High cost of entry into the market for potential new players;
- Large, well-known chocolate firms such as Hershey or Ferrero do not offer equipment, packaging and product support;
- Fills niche for small to medium sized confectioners with "off the shelf" equipment solutions.

Tomric Ambassadors:

TSI has strategically aligned with globally recognized chocolatiers Chef Michael Recchiuti of Recchiuti Confections in San Francisco and premium French chocolate manufacturer, Valrhona (recently opened an esteemed pastry school in Brooklyn, NY.) Each of the acclaimed chocolatiers utilize the Selmi branded production equipment on site daily and have served as a satellite demonstration sites for both the east and west coasts of North America. The satellite locations and the new state of the art demonstration rooms at Tomric will offer greater flexibility of viewing the equipment in action and eliminate the need for prospective clients to visit Selmi Labs in Italy.

Corporate Guarantor Background – Chocolate Delivery Systems (Formerly Make N Mold Inc.)

Chocolate Delivery Systems, Inc. -was established in 1962 and is solely owned by Timothy Thill who purchased the company over 20 years ago. The company primarily served as the management company for 4 companies listed below:

- **Make n Mold, Inc.** (MNM), incorporated in 2005, is a manufacturer of thermoformed plastic candy molds, and a distributor and packer of supplies and candy wafers, principally through the craft store and grocery market channels.

- **Tomric Systems, Inc. (TSI)**, incorporated in 2005, is a manufacturer and distributor of thermoformed plastic molds, packaging, machinery and production equipment, utensils, and supplies. Its primary market channels are professional confectioners and industrial manufacturers.

- **Choco Maker, Inc. (CMI)**, incorporated in 2005, sells Choco Maker brand and private label brand appliances through the housewares, club centers, mass merchandising and specialty retail channels. CMI also sells chocolate, candy and novelty items. The appliances are chocolate and candy related.

- **International Business Development, Inc. (IBD)**, incorporated in 1997, was principally engaged in the sale of scrap generated by other entities of the Company.

- On November 30, 2017 IBD was dissolved. The assets and liabilities of the Company were distributed to the shareholder who immediately contributed them to TSI.

- On December 31, 2017 CMI, CDS and MNM merged in a tax-free reorganization. The surviving corporation was CMI which simultaneously changed its name to CDS.

Today, CDS has evolved into a level 2 SQF Certified Food Production Plant as well as a manufacturer of thermoformed plastic candy molds and a distributor/packer of supplies and candy wafers, primarily through the craft store and grocery market channels. From professional confectionery, to retail production, to home entertaining and candy making, they offer knowledge and experience within each of those concentrations.

III. Company Management

Mr. Timothy Thill (Ownership: 100%)

Owner Operator of Tomric Systems and Chocolate Delivery Systems

(1993-Present)

Duties include oversight of daily operations for both companies.

Supporting Management Team:

- Tom Elsinghorst (President of Tomric Systems, son of founding member of the business)
- Sean Tucci (Technical Sales Manager): 24 years industry experience
- Bill Szablewski (Operations Manager): 27 years experience
- Michael Wilczewski (Tool and Die shop Manager): 30 years industry experience
- Elliot Kolbert (Service Technician): 15 years industry experience
- Brian Donaghy (Head Chocolatier/Chef): 11 Years industry experience

V: Collateral Coverage:

Total Collateral Available: **\$6,880,000.00**

Less:

Key Bank Term Loan(s) \$1,173,708.00

Key Bank Line of Credit \$3,500,000.00

BB&T Commercial Equipment Capital \$ 742,000.00

RDC Loan \$1,117,000.00

Total Debt: \$6,532,708.00

EXCESS collateral: \$347,292.00

Collateral coverage: 1.1x

RDC Collateral Coverage 1.3x*

**(RDC Coverage in consideration of residence and purchase money assets)*

VI: Job Creation

The company will create six (6) full time positions and retain twenty-five (25) full-time positions which will exceed the RDC's job requirement of one job per \$50,000 lent ($\$1,117,000 \div \$50,000/\text{job} = 22.3$ jobs).

VII: Strengths and Weaknesses

Strengths

- Experienced management team that has been able to stabilize the financial well-being of the company while successfully navigate economic and industry challenges over the past several years;
- Implementation of a strategic plan to separate the business lines of CDS and Tomric Systems. Going forward there will be a dedicated staff committed to the growth of Tomric Systems and a separate staff for CDS.
- 2018 year to date revenue for both companies are exceeding 2017 sales for the same time period.
- Projections appear to be reasonable and should provide ample cash flow to service proposed debt.
- Although CDS as a whole has experienced net losses recently, they are trending positively in 2018 due primarily to the large capital investments made in 2017. Tomric, as a stand-alone entity has been historically profitable;
- Collateral coverage is sufficient to secure existing and proposed debts;
- Global chocolate sales have been trending positively and is expected to continue over the next several years;
- Established key industry relationships that will drive sales referrals;
- Company fills niche of for small to medium sized confectioners with "off the shelf" equipment and provides a true "one stop shop" experience for customers. Large chocolate manufacturers do not offer equipment AND packaging solutions.
- Tomric has exclusive distribution rights to Selmi Equipment, a global industry leader in chocolate production/packaging machinery;
- Tomric's marketing strategies focus on small to medium sized producers which are often overlooked by larger companies such as Hershey and Ferrero

Weaknesses

- Consolidated company sales have resulted in net losses in three of the past four years;
- In consideration of both entities, the cumulative balance sheets appear to be leveraged;
- Fluctuating commodity prices have reduced margins;
- Collateral position is marginal as RDC is a subordinate lender;

VIII: Sub Fund Criteria:

Woman Owned Yes or No
Minority Yes or No
Target Industry Yes or No
Target Area Yes or No
Job Retention Yes or No

IX: Recommendation:

A summary of the recommended loan terms follows:

Loan Amount: \$1,117,000.00
Interest Rate: 4%
Loan Term: 90 months (6 months interest only payments)
Loan Amortization: 120 months
Security/Collateral: -First priority lien on purchase money assets
 -Second priority lien on all business assets of Tomric Systems Inc. (*subordinate to Key Bank*)
 -Second priority lien on all business assets of Chocolate Delivery Systems Inc. (*subordinate to Key Bank*)
 -2nd priority lien on personal residence located at 130 Portside Buffalo, NY 14202 (*subordinate to Key Bank*)
 -Unlimited personal guarantee of Mr. Timothy Thill

Based on the above case analysis and creation/retention of jobs over the next three years, it is recommended the \$1,117,000.00 RDC loan be **approved**.

X: Loan Conditions:

- Commitment Fee of ½% of the loan amount
- Receipt of annual financial statements and/or Federal Tax Returns from all borrowers and guarantors with all schedules within 120 days of Year End
- Annual receipt of employment survey

Loan Disbursement Procedure:

6-month grid note with interest only draw period that will begin to amortize in month 7 over 120 months.