

MERIDEN MANUFACTURING AGENCY  
5:00 PM, Monday, May 16, 2016

Location: City Manager Conference Room, Meriden City Hall

Meeting Minutes

1. Call to Order. In attendance Chairman David Lowell, Lawrence J. Kendzior, Debbie Moore. Also in attendance Juliet Burdelski and Paola Mantilla. Chairman Lowell called the meeting to order at 5:15PM.
2. Minutes of Last Meeting, January 11, 2016.

Lawrence Kendzior made a motion to approve the minutes from the MMA meeting held on January 11, 2016. Debbie Moore second. Motion passed unanimously.

3. Proposals/New Applications:

- a) Subordination of city loan to Foundry Industrial Associate LLC..

Lawrence Kendzior provided a summary of the project history and current subordination request. In 2008, the City provided a ten-year loan to Foundry Industrial Associates, LLC in the amount of \$500,000. The purpose of the loan was to partially fund renovations and improvements at the borrower's location, 71 Chamberlain Highway. Foundry Industrial Associates, LLC is owned 50/50 by John Ragozzino and his wife Margaret Ragozzino. Foundry Industrial Associates, LLC leases the real property to Ragozzino Foods, Inc.

In 2011, a subordination was granted to allow for a refinance to complete an addition to the property. On April 21, 2016, Juliet Burdelski and Paola Mantilla met with John Ragozzino to discuss a new subordination request. John Ragozzino is requesting that the City of Meriden subordinate its current second mortgage position so that he may refinance the first mortgage with United Bank. The proceeds from the new mortgage would provide additional working capital for Foundry Industrial Associates LLC to acquire future real estate.

As of April 15, 2016 the principal balance of the City loan is \$145,805.00. The loan has been paid satisfactorily. The appraised value of the property is \$2.3 million. Given the good payment history, business stability, review of business financials and growth, the Meriden Economic Development office recommends the city to approve this subordination request. Economic Development Office performed due diligence regarding this request with assistance provided by advisor John Stewart.

Larry Kendzior made motion to approve subordination as as described in the project description, attached. Debbie Moore second. Motion passed unanimously.

- b) New MMA loan to Aperture Optical Science, Inc.

Juliet Burdelski provided a summary of the project history and current MMAP loan request. In 2016, the City approved a \$15,000 relocation incentive to Aperture Optical Science, Inc. for their business expansion and relocation to 170 Pond View Drive, Meriden CT. This is a high-tech company that manufacturers lenses for use in satellites and other applications. The 23,350 square foot facility is currently being renovated to house their manufacturing operations along with their engineering, administrative, and sales and marketing offices.

Juliet Burdelski and Paola Mantilla first began meeting with owner Flemming Tinker in June 2015. In April, 2016, Mr. Tinker requested a \$300,000 MMAP loan from the City to provide working capital while they complete their build out at 170 Pond View so that they can be well positioned to rapidly manufacture their products once build out is completed in June 2016.

Aperture currently has a first mortgage and construction loan a DECD manufacturing loan in amounts that exceed the value of the property after it is improved. Therefore, debt can not be secured against the existing real estate. The MMAP would be secured with a personal gurantee and an equipment lien.

Given the review of business financials and growth potential, and the significant backing of other state and private partners, the Meriden Economic Development office recommends the City approve this loan request. Economic Development Office performed due diligence regarding this request with assistance provided by advisor John Stewart. There are sufficient funds available in the City Manufacturing Assistance Program account to cover for this request without the need to bond any additional funds.

Lawrence J. Kendzior made a motion to approve loan provided that the loan is structured with a personal guarantee, equipment security & UCC filing, and terms of MMAP Loan as described in the project description, attached. Debbie Moore second. Motion paased unanimously.

4. Tabled Items:

None

5. Other Business:

None

6. Next Meeting Date:

TBD

7. Adjourn

Debbie Moore made motion to adjourn the meeting at approximately 5:45 PM. Larry Kendzior second. Motion passed unanimously.

## **Background- Loan Subordination for Foundry Industry, LLC.**

The City of Meriden Manufacturing Assistance Program allows for subordination for loans to allow for a company to maintain financial stability and upon review of the file from an outside consultant.

### **History- MMAP Loan- January 2008**

In 2008 the City provided a loan in the amount of \$500,000 to Foundry Industrial Associates, LLC. The term was 10 years plus 10 months for construction. The initial BAN rate was 4.7 % including a 1 % servicing and administrative fee. The rate changed to 5.7% to coincide with the City permanent bond issue in 2009. The purpose of the loan was to partially fund renovations and improvements at the Borrower's location, 71 Chamberlain Highway. Castle Bank & Trust Company funded the major portion (\$1.2MM) of the needed financing for the Borrower.

The collateral for the loan was a second mortgage on the real estate located at 71 Chamberlain Highway, Meriden, CT, a second security interest in the business assets owned by the Borrower and a Collateral Assignment of leases and rentals. The loan was guaranteed by Ragozzino Foods, Inc. and John J., and Margaret Ragozzino, personally. The primary source of repayment of all debt is Ragozzino Foods, Inc.

In 2011 a subordination, was granted to allow for the refinance to complete an addition to the property. The lien holder United Bank granted a loan for \$1,300,000 with a current balance of \$1,112,816. The new refinance with United Bank will be for \$1,750,000.

Foundry Industrial Associates, LLC owns the real estate at 71 Chamberlain Highway, Meriden, CT which initially consisted of 4.765+/- acres of land. Prior to the addition in 2011 there was a 26,000 square foot building leased to Ragozzino Foods, Inc. The completed addition in 2011 increased property to approximately 44,208 square feet on 7.38 acres of land. Foundry is owned 50/50 by John Ragozzino and his wife Margaret Ragozzino. This entity leases the current property to Ragozzino Foods, Inc.

The subordination requested in 2011 included, an appraisal performed by Joseph F. Perrelli dated November 1, 2007 indicated an "as is" value of \$1,600,000 and an "as completed" value as of July 1, 2008 of \$2,700,000. Based on the "as completed" value of \$2,700,000, the Loan To Value when finished was 63% (\$2,700M/\$1,700M- (total loan amount) with collateral coverage of 1.59x.

As a result of the refinancing, an appraisal was performed by Richard A. Michaud dated April 14, 2016 indicating a value of \$2,300,000. Based on the value of \$2,300,000. the loan to value is 76% (\$2.3M/\$1.750M). The combined loan to value will be 82% (2.3M/\$1.750M+145k (city loan)).

As of April 15, 2016 the principal balance of the City loan is \$145,805.00. Interest only payments were paid during construction until April 2009 when principal and interest payments went into effect. The loan has been paid satisfactorily although a few monthly payments were late in the early term of the loan.

### **2016 Subordination Request**

The amount of the new first mortgage will be \$1,750,000. The primary source of repayment of the mortgage debt is Ragozzino Foods, Inc. This entity makes lease payments to Foundry Industrial

Associates, which in turn pays down the mortgages. The collateral for the City's loan will continue to be a second mortgage on the real estate located at 71 Chamberlain Highway, Meriden, CT and a second security interest in the business assets an assignment of leases and rentals owned by the Borrower. The loan is still guaranteed by Ragozzino Foods, Inc. and John J. and Margaret Ragozzino, personally.

As previously, the source of repayment will be rental income from the subject property, and if needed, cash flow of the guarantors. In a worst-case situation, the liquidation of the collateral (sale of the mortgaged property) would occur. The lease payments from Ragozzino Foods Inc. are more than sufficient to debt service the two mortgages on the Chamberlain Highway property.

It has confirmed that debt service is satisfactory at 1.71 x as evidenced by the attached. United Bank has established a minimum debt service coverage ratio of 1.10k. The loan to value is acceptable at 82%. The loan continues to be guaranteed by Ragozzino Foods, Inc. and the unconditional guarantee of the John and Margaret Ragozzino.

John Ragozzino is requesting that, on behalf of the borrower, Foundry Industrial Associates, LLC, the City of Meriden subordinate its second mortgage position as he wishes to refinance his first mortgage with United Bank. The proceeds from the new mortgage would provide some additional working capital for Foundry Industrial Associates LLC to acquire future real estate.

**Recommendation:**

Given the good payment history, business stability, review of business financials and growth, the Meriden Economic Development office recommends the city to approve this subordination request. Economic Development Office performed due diligence regarding this request with assistance provided by John Stewart.

**Additional Economic Benefits:**

- In 2008 Ragozzino Foods had 75 employees of which 36 % were Meriden residents. At the current time the company has 78 employees of which 56% are Meriden residents. Approval of this request will help retain 78 jobs.
- The company does business with the following Meriden companies/businesses: Fuda Construction, BL Companies, Dennis Ceneviva, Magna Kleen, ABS Pumps, Fred Nadile Plumbing

**Background- NEW MMA Loan Application for  
Aperture Optical Sciences Inc.**

**MMA Loan to Aperture Optical Sciences, Inc.**

**170 Pond View Drive, Meriden, CT  
(DRAFT)**

**Aperture Optical Sciences, Inc.**

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Aperture Optical Sciences Inc., a Connecticut company formed in 2010, provides some of the most innovative custom precision optical systems made in the world today. Their products are used in satellites for commercial Earth Imaging and Satellite communications, and by research laboratories around the world using high-energy lasers to develop new technologies in energy, materials, and biophotonics.

The company began with a single employee and two part-time contractors in the founder's home garage in 2009 and officially took residence in 2010 in a 7000 square foot space in Durham, Connecticut. Since that time they've grown to a team of 23 people and have undertaken construction of a new advanced manufacturing facility at 170 Pond View Dr. in Meriden, Connecticut. The 23,350 square foot facility is currently being renovated to house their manufacturing operations along with their engineering, administrative, and sales and marketing offices. Their manufacturing technology including robotics for making ultra-high accuracy mirrors and telescopes that can operate in extreme environments such as Space, Particle Accelerators, and Lasers that can initiate nuclear reactions.

The company was started with no seed capital, with operations and equipment funded solely by contracted projects and lending assistance from our banks and the State of Connecticut. In 2015 Aperture Optical Sciences, Inc. closed its fiscal year with \$4.5M in sales generated by accounts with over 40 customers in 13 countries around the globe. They've established sales and support representatives in France, Germany, Japan, and Korea. They've remained independent, with no investors and have established assets of \$2.8M

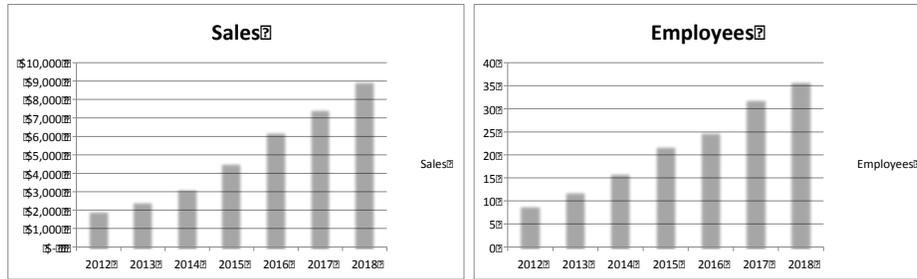
**Borrower:** Aperture Optical Sciences, Inc.

**City Loan Amount:** \$300,000

**Purpose:** To help Aperture Optical Sciences, Inc. better leverage existing investments and business opportunities, this funding will assist them in accelerating their plans to hire between 6 and 9 additional staff members, plus add new equipment to augment current capacity.

These hires will increase their human resources by nearly 40%. Hiring in this field has been a challenge because there are very few available candidates with the appropriate skill sets required. This requires the company to invest in internal on-the-job training, and lengthens their return on investment for new hires. They have taken advantage of programs made available through the State of Connecticut such as OJT, Step-up, and Talent Bridge. They've similarly qualified for and received assistance through Connecticut Innovation's SBIR commercialization grant, and DECD's Small Business Express Loan Program. They have satisfied the hiring obligations required by each of these programs ahead of schedule.

Sales and employee count since 2012 plus our anticipated sales and hiring for 2016/7 forward is shown below.



*Business Development & Hiring Record*

**Economic Benefits:**

- Aperture Optical Sciences, Inc. currently has 23 employees. Meriden’s location is central. 170 Pond View Drive will be the company’s corporate headquarters. Aperture does not expect to dislocate any employees who currently work in Durham. A \$2 million acquisition and renovation project financed by private sources commenced in January 2016 and will be completed in June 2016.
- The company plans to increase its workforce in the next 18 months in the following areas: Manufacturing operations = 5 people; Engineering = 4 people.
- The company’s relocation will have positive impact on the local economy. The company states that it will need the following support services: transportation services, computer and IT services, maintenance related services, machine shops, food services, HR related services. The City provided a \$15,000 relocation incentive to Aperture to assist in its move earlier this year.

**Rate:** City’s Bond rate of 4.7% plus 1% percent for servicing (.75 % to city and .25% to servicing lender).

**Term:** 10-year term

**Repayment:** Monthly payments of interest and principal for 120 months.

**Source of Repayment:**

- Aperture Optical Sciences, Inc.
- Cash flow of the guarantor.
- In worst case, the liquidation of collateral.

**Collateral:**

- Second mortgage on property at 170 Pond View Drive.
- Guarantors: Aperture Optical Sciences, Inc. and Flemming Tinker, personally

**Collateral Analysis:**

Collateral will be in the form of a second mortgage on 170 Pond View Drive, Meriden.

An appraisal performed by Steven L. Frey & Associates Inc. dated November 9, 2015, indicates a value of \$1,900,000. Based on the appraised value the combined loan to value will be 107%. Based on the property's purchase of \$1,100,000, the loan to purchase price will be 58%.

The property is improved with a single tenant manufacturing/warehouse facility consisting of 23,270 square feet located on approximately 4.27 acres of land

**Other Sources of Funds:**

- TD Bank - \$2,034,000 first mortgage (includes purchase price and construction loan)

**Major Conditions of City Loan:**

1. Corporate guarantee from Aperture Optical Sciences, Inc.
2. Personal Guarantee from Flemming Tinker.
3. Second position lien on property.
4. Agreement that the company will retain its operations in Meriden for 10 years.
5. Closing of other financing sources must be prior to or concurrent with City of Meriden closing.
6. City commitment will mirror commitment letter of TD Bank, as appropriate.
7. Company agrees on the goal of 50% of new hires to be residents of the City of Meriden
8. Borrower pays for all fees related to transaction including loan servicing and City's attorney fees.

**Borrower Strengths:**

1. The Borrower and Guarantor have paid their debt obligations in a satisfactory manner.
2. The Company is projecting a sizeable increase in sales in 2016 and 2017. First quarter sales results, if annualized, would produce sales of \$2MM, a 50% increase over the prior year.
3. Accounts Payable were being paid satisfactorily and Accounts Receivable were being collected in a satisfactory manner.

**Borrower Weaknesses:**

1. The Company is leveraged.
2. Mr. Tinker equity in the proposed mortgage financing will consist of borrowings against his business line of credit.

**Recommendation:**

Given the review of business financials and growth potential, and the significant backing of other state and private partners, the Meriden Economic Development office recommends the city to approve this loan request. Economic Development Office performed due diligence regarding this request with assistance provided by John Stewart.

There are sufficient funds available in the City Manufacturing Assistance Program account to cover for this request without the need to bond any additional funds.