

RESOLUTION NO. 2016-_____

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO DPB ENTERPRISES, LLC.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated May 10, 2016, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to DPB Enterprises, LLC.**; and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Second Generation Enterprise Zone Assistance Funds be utilized for the above-mentioned project; now, therefore,

BE IT RESOLVED by the City Council of the City of Vineland that said Council does hereby approve the use of Second Generation Enterprise Zone Assistance Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

**Economic Development Loan to:
DPB Enterprises, LLC. \$285,000.00**

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted: April 26, 2016

President of Council arf

ATTEST:

City Clerk kp

MEMORANDUM



TO: City Council President and Members

FROM: City of Vineland Revolving Loan Fund
Second Generation Loan Committee

SUBJECT: **Applicant:** DPB Enterprises, LLC
Loan Amount: \$285,000.00

DATE: May 10, 2016

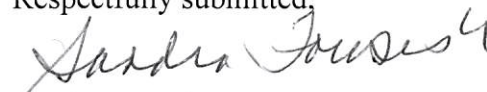
Dear Council President Fanucci, Councilmen Procopio, Spinelli, and Councilwomen Calakos and Gonzales:

On behalf of the City of Vineland Revolving Loan Fund Second Generation Loan Committee, please accept this letter recommending a commitment be given to the above applicant for a second generation loan in the amount as stated herein above.

Please note that the committee finds that the purpose of the loan meets the criteria set forth in the Statute made and provided governing Urban Enterprise Zone Loans. The committee further finds that the loan will promote economic development, creation/retention of jobs, and/or tax ratables that will benefit the City of Vineland.

Further, please note that based on the information provided, the applicant has the present ability to repay said loan and the loan would be properly protected in that the pledged collateral has a net value which equals or exceeds the amount of the requested funding.

Respectfully submitted,



Sandra Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: 04/20/2016

Borrower Name and Address (s): DPB Enterprises, L.L.C.
Assem-Pak, Inc. & Aluseal, L.L.C.
1649 Castpa Place
Vineland, New Jersey 08360

Request: Loan #1 - \$285,000.00 commercial mortgage loan - real estate to DPB Enterprises, LLC,
Loan #2 - \$265,000.00 commercial term loan - equipment to Assem-Pak, Inc and Aluseal, LLC.

Borrower: DPB Enterprises, L.L.C.
Interest Rate: 5.00% (Real Estate Loan)
Term of Loan: 20 Years

Borrower: Assem-Pak, Inc. and Aluseal, LLC
Interest Rate: 5.00% (Equipment Loan)
Term of Loan: 10 Years

Background: Donald P. Bayer is a hands on owner, devoting his time to the three businesses located in Vineland, NJ. These business are known as DPB Enterprises, LLC, a single member LLC ("DPB"), Assem-Pak, Inc., a C-Corp., ("Assem-Pak") and Aluseal, LLC, a single member LLC ("Aluseal"). DPB is a real estate holding company and Assem-Pak and Aluseal are operating businesses and manufacturers. He has over 15 years experience in the field of cosmetic, pharmaceutical glass industry and packaging and previously worked for Tomkins, plc, a company which is owned by an Canadian investment consortium, operates as an engineering and industrial holding company in a number of businesses serving the general industrial, automotive and construction markets around the globe. The companies employ 120 individuals. The organizations' key individuals are Mr. Donald P. Bayer, their in-house, part-time CPA Jack Matty, and their long-time sales representative Victoria Mathers. Mr. Bayer's father, Donald W. Bayer), actually started both Assem-Pak and Aluseal. However, Mr. Bayer has worked in the companies for virtually their entire operating histories (and prior to that time, he was the President of an unrelated rubber stopper company). Donald P. Bayer has been the majority owner and primary operator of both companies over the past six years. In 2014, he formally bought out his father's interest in the businesses.

Since 2000 Assem-Pak and Aluseal have been providing quality products and services to the pharmaceutical, laboratory and medical device markets from Vineland, NJ. They have grown carefully and have experienced steady growth by focusing on their customer's needs. They have a back to basics approach to business and helping the customer is the cornerstone of success. Their goal is to build strong relationships with their customers through excellent communication and responsiveness while providing the highest level of quality goods and services. Assem-Pak and Aluseal service small laboratory and biotech companies as well as most large pharmaceutical companies. They have the capability of handling large volume orders as well as the needs of smaller companies. They fill small quantity orders at competitive pricing and have no minimum order quantities and customers can order what they need without accumulating inventory. The rubber and aluminum components are made from the highest quality USP tested raw materials. They have developed a strategic partnership with a local company that allows them to offer ready-to-sterilize and ready-to-use stoppers. In addition to the rubber and seal capabilities they have also developed relationships with many molded and tubular glass container companies.

1. **Background (continued):**

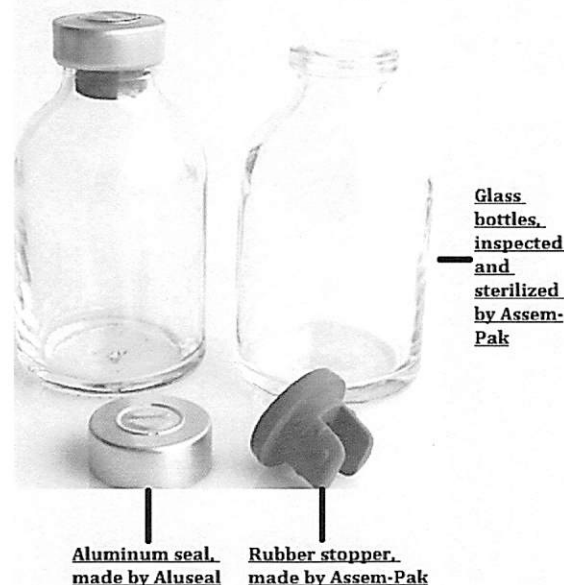
This allows them to offer their customers a complete package product services if required.

Assem-Pak, Inc. ("Assem-Pak" or "the company") was incorporated as a "C" Corporation in the State of New Jersey in mid 1999. Assem-Pak provides contract packing, inspection and assembling services to local and regional companies allowing those businesses to keep costs down and to concentrate on the necessary functions of their business. Within Assem-Pak, analytical rubber products are produced for specialty molded rubber products for the biotechnology, analytical and medical device markets. These products are sold to a growing niche market where material uniqueness and precision are required. These markets include drug discovery, chemical assay, EPA testing, chromatography, and medical devices. This is an area of the business which has grown with good margins and minimal competition. The company has several patents and process patents which Mr. Bayer feels give his company a competitive edge. The company has the ability to bond Teflon to various types of rubber. In addition, has product patents pending on patterned adhesive sealing tapes and adhesive micro-titer plates for the discovery market. These patents offer a unique alternative to current sealing methods. Assem-Pak's management envisions the business as being the leading quality inspection, repackaging and resorting service for the regional pharmaceutical and cosmetic glass manufacturers.

Aluseal, LLC ("Aluseal") manufactures a wide range of custom and standard aluminum closures for the pharmaceutical and analytical markets. Don Bayer formed Aluseal to purchase a division from Comar, Inc. located at 1649 Castpa Place. This location housed the aluminum seals division ("ASD") of Comar, Inc.. Donald P. Bayer formed Aluseal, L.L.C. to own and to be the operating company of the aluminum seals business. The ASD is a +-\$3,000,000.00 in annual revenue division serving domestic and international customers. These products fall within five primary product lines: center hole aluminum seals, center tear-off aluminum seals, ferrule seals, full tear-off aluminum seals and steri-top assemblies. The largest product is the center hole aluminum seals which account for over 70% of total revenue. These products service the veterinary injectable space for vaccines, anti-inflammatory and dilutents products and diagnostic reagents products.

Product Example

The following picture provides an illustrative example of the borrowers' services and products.



1. **Background (continued):**

For certain orders, the co-borrowers will inspect and sterilize the very glass bottle for which it will manufacture rubber stoppers or aluminum seal. These orders utilize the entire spectrum of the borrowers' operations.

The following are accomplishments of the company over the past several years and since its start-up:

- Obtained tooling for over thirty (30) rubber products in the biotechnology, analytical and medical device markets.
- Obtained/applied for four (4) patents for patterned adhesive used for drug discovery.
- Acquired manufacturing facility (Vineland) and additional equipment.
- Arranged for subcontractors to manufacture some of their products.
- Hired personnel to meet the anticipated demand created by implementing marketing plan.
- Introduced their products at trade shows. Demonstrated their products to prospective customers.
- Directly sold rubber molded products to the market place through independent sales representatives and management contacts.
- Obtained agreements from glass manufactures to provide quality inspection and repackaging services with competitive pricing.

Customers:

Overall, the three companies below account for about 30% of Assem-Pak and Aluseal's combined sales.

Wheaton Industries was once one of the world's largest glass manufacturer, and was headquartered in Millville, NJ. Through changing economic conditions and various mergers and acquisitions, the company still operates from its Millville location, but now as a subsidiary for a privately-held, international corporation.

Gerresheimer is a German-based corporation that has several glass manufacturing plants throughout North America and Europe. Early in 2015, the company relocated its Millville plant operations out of state, but local support personnel remained employed at the company's several locations throughout Millville and Vineland. The closure has had no reported effect on Assem-Pak's relationship with Gerresheimer.

Pfizer (Zoetis) is one of the world's largest pharmaceutical companies. Aluseal initially sold to a pharmaceutical company that Pfizer acquired, but has maintained that relationship to date.

The above referenced companies represent 30% of combined sales of Assem-Pak, Inc. and Aluseal, LLC. Assem-Pak and Aluseal have maintained long standing and satisfactory relationship throughout their operating history and the financial quality of Gerresheimer and Pfizer is considered strong.

During this year, the co-borrowers will begin fulfilling a new, large multi-year contract for Comar, LLC - a plastic bottle and packaging manufacturer based in Buena, NJ. The revenue generation from this contract is expected to ultimately generate \$4 million annually, representing a 50% increase over current sales levels (once manufacturing under the contract begins). For this contract, the borrowers will be creating a new type of rubber stopper for Comar. Comar will be providing the molds to stamp the rubber (the most expensive equipment in the rubber stopper manufacturing process) and our borrowers will purchase ancillary equipment and make leasehold improvements totaling over \$500,000. Estimated sales are projected to increase \$700,000 in 2016, \$1,400,000 in 2017, and \$4,000,000 in 2018.

1b. Project: The project involves participating in the financing of a manufacturing facility and manufacturing equipment for a local company which employs 120 people. The company's current financial institution is unable to provide the future financing and flexibility required for the future growth of each company's operations (which will lead to increased employment base). Assem-Pak / Aluseal have recently received an order that ramps up over the next four years and will ultimately provide in excess of \$4,000,000 in additional revenue to the companies annually by 2020. The companies will require future equipment purchases which the new financial institution can accommodate with the consideration of the UEZ loan program. A larger facility will be necessary in the future.

The financing components are as follow:

- a.) Capital Bank of NJ will provide a \$700,000 revolving line of credit to Assem-Pak and Aluseal as co-borrowers. UEZ is not participating in this part of the financing package. The collateral for this is accounts receivable and business assets.
- b.) Capital Bank of NJ will provide a \$100,000 non-revolving capital expenditure line (small pieces of equipment to be purchased for future secured by the specific pieces of equipment to be purchased as they are purchased (matures in one year).
- c.) Capital Bank of NJ will provide a \$620,000 multi-advance term loan for leasehold improvements and equipment purchases associated with the new order and business growth broken down as follows: up to \$450,000 for existing and future equipment purchases up to \$170,000 for leasehold improvements. Secured by machinery and equipment. UEZ will have a subordinate lien on equipment and machinery and business assets for its \$265,000 loan.
- d.) Capital Bank of NJ will provide a \$665,000 mortgage on real estate. Secured by a first position lien on real estate. The UEZ will provide a \$285,000 second mortgage for this portion of the financing.

Use of Proceeds:

a.) **Line:** Capital Bank to pay off, replace, and increase an existing working capital line held by Elmer National Bank.

b.) **Equipment:** Capital Bank to fund equipment purchases (up to 100% financing).

c.) **Multi-Advance:** The Capital Bank proceeds - along with a \$265,000 loan provided by the UEZ - will take out existing equipment debt held by Elmer National Bank as well as fund the total costs of new equipment purchases and leasehold improvements.

d. **Mortgage:** The Capital Bank proceeds - along with a \$285,000 loan provided by the UEZ - will take out two existing mortgages held by Elmer National Bank.

DPB Enterprises, LLC, Assem-Pak, Inc., Aluseal, LLC

2. **Collateral:**
 - a.) UCC-1 filing and Security Agreement filing on equipment, machinery, accounts receivable, inventory and all business assets now owned and hereafter acquired of Aluseal, LLC and Assem-Pak (subordinate to Capital Bank of NJ).
 - b.) UCC-1 filing and Security Agreement filing – County Filing on real estate holding company – DB Enterprises, L.L.C.,
 - c.) Second position mortgage lien on the real estate located at 1649 Castpa Place, Vineland, Cumberland County, New Jersey a/k/a Block 2703, Lot 16 (in the amount of \$285,000),
 - d.) Assignment of Rents and Leases.
 - e.) Hypothecation Agreement from Assem-Pak, Inc., Aluseal, LLC, DPB Enterprises, LLC, as necessary,
 - f.) Subordination of stockholder and affiliated debt,
 - g.) Subordination from Donald W. Bayer (father),
 - h.) Cross collateral and cross default language all loans,
 - i.) Assignment of life insurance on Donald P. Bayer in the amount of \$550,000.00 (one owner),
 - j.) Covenant – Assem-Pak, Inc. and Aluseal, LLC must retain a combined \$150,000 in annual net profits.
 - k.) Covenant/condition – restriction on shareholder borrowing.

3. **Guarantors:**
 - a.) Personal Guaranty of Donald P. Bayer,
 - b.) Guaranty of Aluseal, LLC, where applicable,
 - c.) Corporate Guaranty of Assem-Pak, Inc., where applicable,
 - d.) Guaranty of DPB Enterprises, LLC, where applicable.

4. **Lien Position:** second on real estate and subordinate on business assets.

5. **Dollar Amount and Holder of Prior Liens:** Real estate – Capital Bank of New Jersey, \$665,000.00, - Equipment and all other business assets – Capital Bank of New Jersey \$620,000.00, Capital Bank of New Jersey will also have a line of credit for \$700,000.00 secured by accounts receivable, and Capital Bank will fund specific, small equipment purchases totaling \$100,000.00.

6. **Size of Parcel:** 2.4 acres.

7. **Improvements Thereon:** The Castpa Place property is an industrial property improved with of 37,000 sq. ft. facility (Warehouse +- 30,000 sq. ft., offices +-7,000 sq. ft.) with 2 tailgate loading docks and one drive in door. HVAC, fully sprinklered, security system, 1200 amp 3 phase electric, parking for over 100 cars. The facility was constructed in 1971.

8. **Location of Property:** 1649 Castpa Place, Vineland, Cumberland County, New Jersey a/k/a Block 2703, Lot 16.

9. **Appraisal Information:** An appraisal has been ordered and received by Capital Bank and the UEZ. Based on the appraisal dated March 31, 2016, prepared by Appraisal One, a value of \$1,350,000.00 is demonstrated.

Loan-to-value calculation:

| | | |
|--------------------------------------------------------|--------------------------------|-----------------------|
| Real Estate | (Appriased Value) | <u>\$1,350,000.00</u> |
| | Total Real Estate Value | \$1,350,000.00 |
| Assem-Pak Accounts Receivable (current – 30 days) | | \$ 368,671.00 (1) |
| Aluseal Accounts Receivable (current – 30 days) | | 237,171.00 (1) |
| Assem- Pak -Machinery & Equip. (50% of value) | | 785,776.00 (2) |
| <u>Aluseal – Machinery & Equip. (50% of value)</u> | | <u>371,951.00 (2)</u> |
| | Total A/R and Equip. Value | \$1,763,569.00 |
| Leasehold Improvements and new future large equip. | | \$ 450,000.00 (3) |
| <u>New / future small - equipment purchases</u> | | <u>100,000.00 (4)</u> |
| | Total Value L.I. and Equipment | \$ 550,000.00 |

- (1) Based on 75% of the current accounts receivable as documented on accounts receivable aging dated March , 2016. Does not include any 31-60 days or slower accounts receivables.
- (2) Based on balance sheet figures. Please note that the figures above represent 50% of equipment value. Both companies have just about depreciated the full value of the fixed assets/equipment (remaining is +-\$120,000 to be depreciated - combined).
- (3) Capital Bank will be providing, \$620,000 (\$450,000 for existing and future equipment and \$170,000 for leasehold improvements).
- (4) Capital Bank will be securing this collateral with purchase money interest (specific filings).

Loans

| | |
|----------------------------------------------|-------------------------------------------|
| Capital Bank – real estate | \$ 665,000.00 |
| Capital Bank – line of credit | 700,000.00 |
| Capital Bank – equipment | 100,000.00 (future) |
| Capital Bank - multi-advance (equip. & l.i.) | 620,000.00 (existing equip., some future) |
| UEZ Loan – real estate | 285,000.00 |
| UEZ Loan – equipment | <u>265,000.00</u> |
| | Total Loans |
| | \$2,635,000.00 |

Real Estate LTV = $\$665,000 + 285,000 = \$950,000 / \$1,350,000$ or **70.37%** (Capital Bank in first, UEZ in second).

AR/Equipment LTV =

$$\$700,000 + 620,000* + 265,000 = \$1,585,000 / \$1,763,569 = \mathbf{89.87\%}$$

*Capital Bank paying off Elmer +-\$385,000 for existing equipment from the \$620,000 loan (from the \$450,000 equipment portion).

10. Financial:

11. Substantiation: DSCR = 1.37x, LTV (Real Estate) = 70%
LTV (Other) = 90%

- Company, combined companies, now employ 120 people and has grown by 100 employees since the company commenced operations and located in Vineland. The company plans future hires resulting from new contract, continued job creation is expected.
- Assist an existing business with growth and expansion in Vineland.

12. Recommendation: