

RESOLUTION NO. 2019-415

**A RESOLUTION APPROVING A UDAG/CDBG – CITY OF VINELAND SMALL BUSINESS LOAN TO AGC PRODUCTS, INC., D/B/A ANDREWS GLASS CO. (OR ITS ASSIGNS).**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated September 24, 2019, for a **UDAG/CDBG – City of Vineland Small Business Loan to AGC Products, Inc., d/b/a/ Andrews Glass Co. (or its assigns)**; and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that UDAG/CDBG – City of Vineland Small Business Loan 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 Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

**UDAG/CDBG – City of Vineland Small Business Loan to:  
AGC Products, Inc., d/b/a Andrews Glass Co. (or its assigns) \$100,000.00**

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

Adopted:

\_\_\_\_\_  
President of Council

ATTEST:

\_\_\_\_\_  
City Clerk



Economic Development Dept.  
www.vinelandcity.org

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PO Box 1508  
Vineland, NJ 08362-1508  
Phone: (856) 794-4100  
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MEMORANDUM

TO: City Council President and Members

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

SUBJECT: **Applicant:** AGC Products, Inc., d/b/a Andrews Glass Co.  
**Loan Amount:** \$100,000.00 (UDAG/CDBG – City of Vineland Small Business Loan Program)

DATE: September 24, 2019

Dear Council President Spinelli, Councilmen Acosta, Francheschini, Vargas, and Councilwoman Arthur:

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 UDAG/CDBG – City of Vineland Small Business Loan in the amount as stated herein above.

Please note that the committee finds that the purpose of the loan finds that the loan will promote economic development, creation 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 Forsosky  
Director of Economic Development

SF/fd

cc: Frank DiGiorgio  
file



Special arrangements for persons with disabilities may be made if requested in advance by contacting the Business Administrator's office at 856-794-4144.

## VINELAND UEZ LOAN COMMITTEE LOAN PROPOSAL

**Date:** 09/03/2019

**Borrower Name and Address (s):** AGC Products Inc. d/b/a Andrews Glass Co., Inc.  
3740 N. West Boulevard  
Vineland, NJ 08360

**Request:** \$100,000 – Breakdown is: \$75,000 commercial term loan for the acquisition of equipment and modification of equipment and \$25,000 of permanent working capital under the UDAG/CDBG Small Business Loan Program. Total loan amount of \$100,000.

**Interest Rate:** 5.50%

**Term of Loan:** 10 Years

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**1. BACKGROUND:** AGC Products Inc. d/b/a Andrews Glass Co., Inc. (*the “Company” or “AGC”*), was originally formed in 1948 for the purpose of producing scientific glass products. In 1956 it was purchased and became a division of Fisher and Porter. In 1992 it was purchased by its management (*at that time*) from Fisher and Porter. Over time, the Company developed into a well-respected designer and manufacturer of highly technical and complex glass products.

In 2010, the Company came under the stewardship of the estates of the respective owners. During this time, and until its acquisition, it was allowed to languish while the respective estates engaged in legal proceedings with respect to ownership, value and other entitlements. Equipment was not properly maintained, business development was stifled and performance diminished. Additionally, the Company failed to respond to a major change in technology which altered its marketplace and eventually resulted in a dramatic curtailment in the sale of industrial laser tubes to China (*these tubes comprised 40% of the company’s sales*). Finally, in late 2013 the Company was placed with a trustee who was directed to find a buyer. A buyer was found and the acquisition consummated in late April 2014. Despite these years of neglect and diminished performance, the Company kept its great reputation, major customers and its key management in place. From 2014 until today, the market began to respond with new business development opportunities. The company was sold to Subramanian “Subu” Natesan in May 2019. Mr. Natesan incorporated (“C” Corp.) AGC Products, Inc. in the State of New Jersey on March 29, 2019. He currently is the 100% owner.

Subramanian “Subu” Natesan is an entrepreneurial and pragmatic leader who balances big picture thinking with results orientation. He has a proven track record of growing businesses by distilling complex topics into clear lines of action. Subu has over twenty years of multinational experience in manufacturing businesses where he has held a variety of leadership roles in technical, marketing to strategic planning to business management. Subu was born in Chennai, India and received his MSc degree in Polymers from University of Madras. He moved to the U.S. in 1994 to do graduate studies. He received a Ph.D. degree in Polymers from the University of Tennessee, Knoxville. In 2008, Subu also studied General Business Management and received an MBA from Wake Forest University, Winston-Salem. Subu is a Lean Six Sigma Yellow Belt Certified and has a passion to drive continuous improvement and reduce costs. Subu started his professional career in the Coatings industry and worked as Technical Director at Davis Frost Inc., Lynchburg, VA. He joined BASF Corporation, Charlotte, NC in 2004 and served as Technical Marketing Advisor for the Architectural Coatings manufacturing business. Subu, successfully commercialized innovation projects that generated new business sales of over \$80M. He received three innovation awards in recognition of his efforts. In 2008, Subu moved into the Pressure Sensitive Adhesives manufacturing business as Product Marketing Manager and had a product portfolio with sales of \$70M. He implemented a new “go-to” market approach which improved profitability of a flailing business during the financial crisis. Subu was subsequently delegated in 2010 to the BASF Headquarters in Ludwigshafen, Germany where he took on assignments within the Global Strategy team. Here, he gained approval from Board of Directors for two global strategies in Packaging industry. Upon his return to U.S.A in 2013, Subu served as the Business Director, Chemical Intermediates business unit with full P&L accountability in the Chemical Intermediates divisions. The business unit had Sales of \$250M, EBITDA of \$50M and a team of

## **1. BACKGROUND (continued):**

50 people. In this role, he developed and implemented a strategy that enabled growth of 8% p.a. in a stagnant market environment. Subu worked as an Executive Chief of Staff to President, BASF Corporation, a \$17B diversified chemical manufacturing enterprise with responsibilities spanning across all Business Units, Markets and Customers, Environmental Health and Safety, Manufacturing, Sites and Engineering and Maintenance functions. In this role, he led a restructuring project of the Corporate Functional unit that resulted in savings of \$20 million annually. To pursue his entrepreneurial passion, drive growth and create value for the employees, stakeholders and the community, Subu acquired Andrews Glass Company and became the CEO upon acquisition on May 2nd, 2019. Leveraging his background in manufacturing, marketing, strategy and general management, Subu's vision is to take AGC to the next level by expanding customer reach and product offerings through both organic and acquisitive routes. He will be an integral part of the management to set the vision and drive growth. By bringing in the quality of his leadership caliber to AGC and combining it with the skilled workforce and management that is in place, there is a vast potential to grow AGC and take it to the next level. Subu Natesan, has also retained key external – outside advisors to help with the acquisition and for future professional service needs.

AGC sells a broad portfolio of products and services including:

- **Pharma Industry:** Dissolution Vessels, Diffusion Cells, HPLC Reservoirs and High Efficiency Vials.
- **Analytical Instruments:** Photo Ionization Diodes (which are a branded product with multiple applications in the environmental analysis and management markets, along with the energy exploration market) and MIDI distillation systems (which are branded and proprietary product with analytical applications in the environmental and laboratory testing markets), X-Ray tubes for medical / analytical applications and glass consumables for testing instruments.
- **Critical flow monitoring:** such as flow meters used for delivery such as in water treatment for chlorine, dental markets for nitrous oxide, hospitals for intravenous deliveries etc.
- **Latex dipping forms:** used in health care, disease control
- **Electro optical envelopes:** serving the optronic market, including lasers, collimators, detectors and projection systems.
- **Laser components for Industrial & Defense Applications:** CO2 and HeNe lasers. These components include highly technical discharge tubes, along with related components. These lasers and their components serve the industrial, medical laser and defense industries.
- **Specialty Scientific Glassware:** Pressure Reaction Vessels, Filtration Wares, ROBU Fritted Glass Frits, SolvSeal Joints, Quick Opening Valves, Micro Burets, and other custom designed glassware, specialty pipettes, etc.

AGC maintains control and ownership of its product drawings and designs. The Company also has branded and proprietary products with significant upside in a variety of market. The Company has proprietary processes utilized in its production.

AGC employs forty (40) people. AGC has approached the Vineland UEZ for a loan to purchase equipment. The project is described more thoroughly below.

**1a. PROJECT:** The project involves the acquisition, modification and installation of equipment further described and broken down below:

### **Description:**

-(1) used - 15" x 24" SUPERTEC UNIVERSAL I.D./O.D. CYLINDRICAL GRINDER \*\* Capable of Adding a Swing Down I.D. Grinding Attachment from the OEM \*\* MODEL G38P-60NC w/"Mitsubishi" PLC Automatic Infeed Control S/N: GD12018 Year Manufactured: 2012

This grinder will be utilized for grinding grooves on to a Dissolution vessel. AGC is currently not participating in this business market because their costs are \$4 per piece higher due to the use of a manual grinder. This machine is a CNC grinder. Automation will enable them to become competitive. The new business at stake is roughly \$400,000 at 40% net margin. A specific customer will be switching to AGC in a matter of 2-3 weeks once equipment is fully operational.

**1a. PROJECT (CONTINUED):**

- (1) Hydrogen Oven – able to provide heat treatment.

The hydrogen oven is used for cleaning precious metal parts. Andrews Glass is in the final stages of getting qualified and certified for becoming an X-ray tube manufacturer. They will be producing 250 pieces of glass to metal seals each week and will need this hydrogen oven. The new business is valued in excess of \$200,000 annually in revenue with a net margin of 35%.

Cost of purchase and implementing equipment	\$ 85,000
Working Capital	25,000
Closing costs	<u>5,000</u>
Total Project Cost	\$115,000

Borrower Contribution	\$ 15,000
UDAG/CDBG Loan	<u>100,000 (\$75,000 + \$25,000)</u>
Total Project Funding	\$115,000

**2. COLLATERAL:**

- a.) UCC-1 filing and Security Agreement on specific equipment (purchase money interest – State of NJ).
- b.) UCC-1 filing and Security Agreement (general filing State of NJ) all equipment, machinery and business assets now owned and hereafter acquired of Borrower.
- c.) Assignment of Life Insurance on Subramanian Natesan, \$50,000.
- d.) Subordination of shareholder loan(s).

**3. GUARANTORS:**

- a.) Subramanian Natesan
- b.) Priya Sivaraman

**4. LIEN POSITION:** UEZ will have 1<sup>st</sup> on specific equipment being acquired; subordinate on additional general filing on all remaining business assets.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** N/A.

**6. SIZE OF PARCEL:** N/A. AGC leases the facility located at 3740 N. West Boulevard, Vineland, NJ.

**7. IMPROVEMENTS THEREON:** N/A.

**8. LOCATION OF PROPERTY:** Equipment will be located 3740 N. West Boulevard, Vineland, NJ 08360.

**9. APPRAISAL INFORMATION:** N/A., Loan to project cost is 87%. Discounting equipment will not provide acceptable LTV. A mitigant to this is the strength of the personal guarantors and their guarantees.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** LTV = N/A, DSCR = 1.17x

- Assist small manufacturing business with funding to acquire equipment.
- Maintain 40 jobs. Creation of 1 – 2 jobs as a result of new business opportunity.

**12. RECOMMENDATION:**