UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Robert N. C. Nix Federal Building
900 Market Street, Room 602

May 8, 2020

Susan Langdon
Executive Director
Niagara County IDA
6311 Inducon Corporate Drive, Ste 1
Sanborn, NY 14132

RE: Invitation for CARES Act Supplemental EDA Awards for Revolving Loan Fund Grant Recipients

Dear Susan Langdon,

As you may be aware, the U.S. Department of Commerce, Economic Development Administration (EDA) recently received a supplemental appropriation to "prevent, prepare for, and respond to coronavirus . . . including for necessary expenses for responding to economic injury as a result of coronavirus," as part of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136 (March 27, 2020) (CARES Act). On May 7, 2020, EDA published an addendum to the FY 2020 Public Works and Economic Adjustment Act Notice of Funding Opportunity to announce EDA's CARES Act Recovery Assistance, through which EDA will award grants under the supplemental appropriation.

As part of EDA's CARES Act Recovery Assistance, EDA is inviting certain current recipients of existing EDA-funded Revolving Loan Fund (RLF) awards to apply for a supplemental RLF award to help respond to the unusual and compelling urgency of the coronavirus pandemic. EDA has determined that these RLF partners, by virtue of their longstanding and substantial investment in making credit available to small businesses, possess unique abilities to support the CARES Act Recovery Assistance initiative and that it is therefore in the public interest to make awards to these organizations on a non-competitive basis.

Specifically, EDA is inviting your organization to apply for a single supplemental financial assistance award with two components: (1) up to $670,000.00 to capitalize a new RLF to alleviate sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic to serve the same lending area as your existing RLF award[44] and (2) up to an additional ten percent of that amount to defray administrative costs necessary to establish the new RLF and to facilitate rapid and prudent lending to respond to the pandemic (the ten percent for administrative costs is in addition to, not a portion of, the funds used to capitalize the RLF). An application for funds to defray administrative costs necessary to establish a new CARES Act RLF is optional but is encouraged to ensure that you have sufficient resources to respond promptly to the urgent need.

The full terms and conditions applicable to this award, including a scope of work, are attached for your review. The period of performance for the award is 24 months; all award funds must be disbursed and

[44] Current recipients that are EDA-designated District Organizations may request that the lending area of the new RLF be the same as the Economic Development District served by the District Organization. All other recipients must serve the same lending area as your existing RLF award. For recipients of multiple RLF awards, the lending area must be the same as largest lending area of any of your existing awards.

lent or used for administrative costs during this period. EDA will fund the award at a 100 percent federal grant rate; no matching share is required. Applying for a supplemental award will not preclude you from applying to EDA for additional funding for other projects.

Following the initial round of lending, the RLF award funds may continue to be re-lent as the initial loans are repaid. **At no point may loans be forgiven; an RLF recipient may only make RLF loans that are reasonably expected to be repaid in full.**

To apply for a supplemental RLF award, you must submit the following documents:

1. A letter, signed by your organization's Authorized Representative, confirming that you have reviewed and are ready, willing, and able to perform the scope of work for the supplemental award.
2. A Project Narrative of no more than three pages that describes:
    a. The lending area for the RLF (see above regarding lending area requirements);
    b. The Comprehensive Economic Development Strategy(ies) (CEDS) or other strategic planning document(s) that covers the defined lending area and how the project addresses the goals and objectives of the CEDS or alternative planning document (if an alternative planning document is used in lieu of an EDA-funded CEDS, provide a copy of this document);
    c. A description of the administrative activities that will be funded through the administrative costs portion of the award; and
    d. How the proposed RLF and administrative activities will help the lending area to "prevent, prepare for, and respond to coronavirus" or respond to "economic injury as a result of coronavirus."
3. A completed Form SF-424.
4. An executed Form ED-900A and Form CD-511.
5. A completed Form SF-424A.
6. A budget narrative that aligns with Form SF-424A.
7. A staffing plan.
8. If indirect costs are included in your administrative budget, a copy of your organization's current negotiated indirect cost rate or, for governmental organizations, a certificate of indirect cost rate.
9. For corporations only, including non-profit corporations, a Certification Regarding Federal Felony and Federal Criminal Tax Convictions, Unpaid Federal Tax Assessments and Delinquent Federal Tax Returns.
10. Documentation of Project submission to the State Single Point of Contact, if applicable, and any comments/clearance received.

Applications should be submitted within 30 days of the date of this letter. Please submit the forgoing materials via https://www.grants.gov/, by selecting funding opportunity number FY2020-EDA-RLF-CARES at https://www.grants.gov/web/grants/view-opportunity.html?oppId=326850. An optional template to assist you with preparing a budget narrative and staffing plan is attached. All applicants are required to have an active SAM.gov registration at the time of award and to maintain active registration throughout the grant period.

You are not required to submit an RLF Plan for administering the new RLF award at this time. If your application is approved, you will be required to submit an RLF Plan that must be approved by EDA prior to disbursing loan funds to an RLF borrower but no later than 60 days following award. EDA expects that most recipients of supplemental RLF awards will be able to quickly and easily adapt an existing RLF Plan for use with the new RLF. If your application is approved, you will also be required to provide a Grant Administration Plan that further details the tasks you will undertake pursuant to the scope of work, the staff responsible for the primary tasks, the timeline for implementation of the tasks, and a hiring plan if you will be hiring additional staff under this award. Please contact your RLF administrator with questions regarding preparation of the RLF Plan, Grant Administration Plan, or if you have any other questions regarding the application process.

This funding invitation is not a guarantee that EDA will approve your application. Approval is contingent upon factors including, but not limited to, the availability of funds, your past performance and compliance with federal awards, and the responsiveness of your application to the criteria of this letter invitation. EDA anticipates making funding decisions within 30 days of the receipt of a complete application.

If you have any questions, please contact the Economic Development Representative for your state. Contact information may be found at https://eda.gov/contact.

Sincerely,

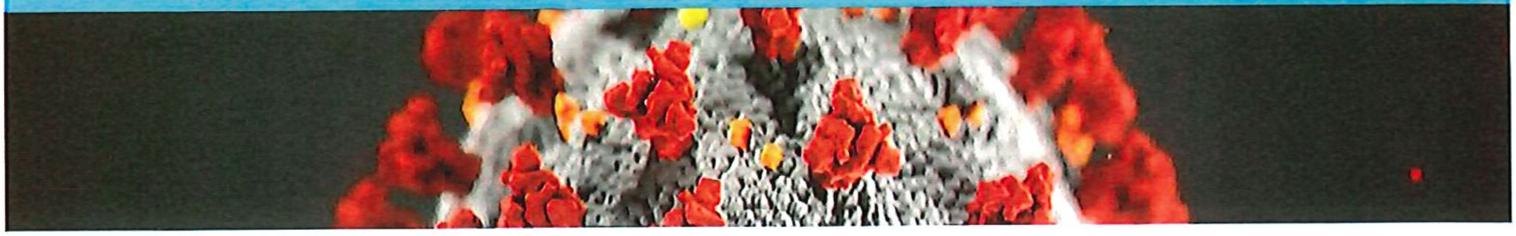
Linda Cruz-Carnall

Linda Cruz-Carnall
Regional Director

U.S. Department of Commerce
Economic Development Administration (EDA)

EDA RLF Award Flexibilities for EDA RLF Recipients

Frequently Asked Questions



EDA is providing certain flexibilities to recipients of EDA-funded Revolving Loan Fund (RLF) awards in light of the impact of COVID-19 on small businesses, the increasing demand for RLF loans, and the need for RLFs to provide credit quickly and efficiently to their communities. These flexibilities, discussed further below, include waiving for one year, from May 7, 2020 to May 6, 2021, the RLF regulations that:

- Establish a minimum interest rate for RLF loans (13 CFR 307.15(b)(1))
- Require RLF loans to leverage additional capital (13 CFR 307.15(c))
- Require evidence demonstrating credit is not otherwise available (13 CFR 307.11(a)(1)(ii)(H))

Additionally, EDA is suspending scoring of the following four measures of the Risk Analysis System for existing RLF awards for two rating cycles:

- Net RLF Income
- Default Rate
- Default Rate Over Time
- Leverage Ratio

Questions regarding the above administrative relief provisions should be directed to the EDA Regional Office where the community served by the RLF award is located. For EDA Regional Office contact information, see www.eda.gov/contact/. Frequently asked questions and answers regarding EDA RLF award flexibilities are below.

1 What materials govern the administration of an RLF award? How can they be modified?

An RLF award is mainly governed by three items: award documents, RLF regulations, and an RLF plan. First, the award documents establish the high-level characteristics unique to an RLF award, such as lending area and eligible borrowers, and generally may only be modified by an amendment to the award. Second, the RLF regulations establish high-level requirements applicable to all RLF awards, such as the minimum interest rate for RLF loans, the requirement to leverage additional capital, and the requirement to demonstrate that credit is not otherwise available. EDA may issue waivers to the RLF regulations, as discussed above. Third, the RLF plan, which is written by the RLF recipient and approved by EDA, establishes lending policies and procedures unique to the RLF award. An RLF recipient may propose changes and exceptions to the RLF plan which must be approved by EDA before taking effect.

2 What lending policies and procedures may an RLF recipient modify when responding to urgent circumstances?

An RLF recipient should first examine the RLF plan governing the RLF award to determine whether there are flexibilities under the existing RLF plan that may be implemented promptly, that is measures that are permissible under the currently approved RLF plan. Additionally, an RLF recipient may propose changes to the RLF plan, which must be approved by EDA before taking effect.

Examples of flexibilities in lending policies and procedures that may be permissible under an existing RLF plan or that an RLF recipient may propose to modify in an RLF plan include:

- Simplified underwriting and loan approval procedures
- Reduced or eliminated loan application fees
- Reduced or eliminated borrower equity and collateral requirements
- Changed maximum or minimum loan amounts
- Modified loan terms; see question #7 for information about loan deferrals and forbearances

RLF awards must be administered pursuant to prudent lending practices. At a minimum, this means that loans should not be made from an RLF award unless there is a reasonable expectation that the loan will be repaid in full. RLF Recipients must also continue to take reasonable steps to detect and prevent RLF borrowers from obtaining funding from multiple federal funding sources (including federal grants, federal loans, and federally guaranteed loans) for identical expenses.

3 What is the minimum interest rate for RLF loans?

The regulations governing RLF awards establish an interest rate floor for RLF loans (13 CFR 307.15(b)(1)). In general, the minimum interest rate of an RLF loan is four percentage points below the current money center prime interest rate quoted in the Wall Street Journal (WSJ Prime Rate), but never below the lesser of 4% or 75% of the WSJ Prime Rate. In the current low-interest rate environment, the latter clause controls, meaning that for present purposes the minimum interest rate of an RLF loan is 75% of the WSJ Prime Rate. As of April 2, 2020, the WSJ Prime Rate is 3.25%; therefore, the minimum interest rate is 2.44%. Note that the RLF plan governing the administration of a specific RLF award may in some instances require a higher interest rate. EDA is waiving the minimum interest rate requirement for one year; see question #6 for more information.

4 What is the leveraged capital requirement?

RLF awards are normally required to leverage at least two dollars of additional capital for each one dollar loaned as specified in 13 CFR § 307.15(c). This leveraged capital requirement is not a requirement for individual loans; rather, it is applied to an RLF's loan portfolio as a whole. It is not necessary to leverage capital for each loan. EDA is waiving the leveraged capital requirement for one year; see question #6 for more information.

5 What is the requirement to demonstrate that credit is not otherwise available?

The regulations governing RLF awards currently require that RLF loan documents include "evidence demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed." (13 CFR 307.11(a)(1)(ii)(H)). This sometimes takes the form of a loan application rejection letter from a commercial lender. EDA is waiving the requirement to demonstrate that credit is not otherwise available for one year; see question #6 for more information.

6 Is EDA issuing a variance to these three regulations? For how long?

EDA is issuing a variance to the three regulations governing RLF awards that:

- Establish a minimum interest rate for RLF loans (13 CFR 307.15(b)(1)).
- Require RLF loans to leverage additional capital (13 CFR 307.15(c)).
- Require evidence demonstrating that credit is not otherwise available (13 CFR 307.11(a)(1)(ii)(H)).

This variance is in effect for one year, from May 7, 2020 to May 6, 2021. In order to implement these variances, RLF recipients may need to amend the terms of their current RLF plan if it conflicts with these changes. Importantly, this variance does not require an RLF recipient to make loans at lower interest rates, cease leveraging additional capital, or lend when credit is otherwise available. Instead, this variance provides RLF recipients with increased flexibility to respond to the impact of COVID-19 on small businesses in their communities. It is ultimately within the discretion of each RLF recipient how to apply this flexibility to its existing RLF loan portfolio and to new RLF loans.

7 May RLF recipients provide deferments and/or forbearances to RLF borrowers?

First, RLF recipients may defer RLF borrowers' payments of principal and interest as part of their administration of the loan portfolio in accordance with prudent lending practices. As long as it is not contrary to the RLF plan governing the administration of the specific RLF award, EDA approval is not required for this action. Although payments are deferred, interest continues to accrue.

Second, RLF recipients usually may not waive RLF borrowers' interest if it would cause the interest rate on the loan to fall below the minimum interest rate set forth in either the RLF plan or EDA's regulation. However, EDA Regional Offices can grant variances to RLF plans, and the one-year waiver of the regulation establishing a minimum interest rate for RLF loans in effect from May 7, 2020 to May 6, 2021 means such forbearances and deferrals are explicitly permitted in this period.

8 May EDA approve a variance to the lending area of an RLF award?

No. The lending area of an RLF is established in the award documents and is integral to the scope of work for the award. Therefore, an RLF award's lending area may not be expanded via a regulatory variance, but instead can be changed only via a grant amendment.

9 May EDA allow RLF recipients to make forgivable loans?

No. EDA's current statutory authorities do not authorize forgivable loans. An RLF recipient may only make RLF loans that are reasonably expected to be repaid in full. However, this does not affect an RLF recipient's ability to provide loan payment deferrals and forbearances and to take actions to mitigate losses for defaulted loans, such as through loan modifications, in accordance with prudent lending practices and the RLF plan.

10 Will EDA offer any flexibilities around the Risk Analysis System?

EDA employs the Risk Analysis System to monitor and evaluate the performance of RLF awards during the revolving phase to ensure that RLF recipients are using RLF funds efficiently and appropriately. (EDA does not employ the Risk Analysis System to monitor and evaluate the performance of RLF awards during the initial round of lending.) The Risk Analysis system scores RLF awards on fifteen measures to produce a composite risk rating for each RLF award.

To encourage RLF recipients to make credit more quickly and easily available to small businesses impacted by COVID-19, EDA is suspending scoring of the following four measures of the Risk Analysis System for existing RLF awards for two rating cycles:

- Default Rate
- Default Rate Over Time
- Leverage Ratio
- Net RLF Income (suspension of this measure does not authorize use of the RLF capital base for administrative expenses, which continues to require EDA's prior written approval)

Because Risk Analysis System ratings are generated using data provided at the end of an RLF recipient's fiscal year, and RLF recipients' fiscal years vary, the dates of the two rating cycles during which the scoring of the four risk measures would be suspended would vary by RLF recipient. For example, for RLF recipients with fiscal years ending June 30, the four risk measures will not be scored for the fiscal years ending June 30, 2020, and June 30, 2021.

Suspending scoring for four of the fifteen measures of the Risk Analysis System reduces the total number of points available from 45 points to 33 points. This requires a temporarily modified risk-rating rubric:

- Level A: 30-33 points
- Level B: 22-29 points
- Level C: 11-21 points

THE BARDEN & ROBESON CORPORATION

103 KELLY AVENUE P.O. BOX 310 MIDDLEPORT, NY 14105
716-995-6500 800-945-9400 FAX 716-735-3752

barden
Building Systems
HOMES . COMMERCIAL . CHURCHES . LOGS

5/8/20

Niagara County Industrial Development Agency
Susan C. Langdon, Executive Director
Susan.langdon@niagaracounty.com

Dear Susan,

The Barden & Robeson Corporation has entered into a Purchase Agreement with 9745 Rochester Rd. LLC. Please see attached agreement for further details.

In order to proceed we respectfully request a release from the lease/leaseback provision that NCIDA has on the property being purposed. Would you be kind enough to take this request to your Board for approval

Sincerely,

Mark Barden
President

Request for Grant Approval
Niagara County Industrial Development Agency
Microenterprise Assistance Program

Grant Applicant:	Craft Coffee House, LLC, a New York limited liability company formed on January 9, 2018
Tax ID#:	SSN#
DUNS:	07-706-7145
Current Business Address:	6612 Campbell Blvd., Lockport, NY 14094
Proposed Business Address:	6535 Campbell Blvd., Lockport, NY 14094
Telephone:	716-210-3546
Management/ Ownership:	Katie Graves 51% Nicholas Graves 49% Total 100%
Website:	www.craftcoffeehouse.com
Business:	Food and beverage restaurant (serving breakfast & lunch items only)
NAICS#:	722513 (limited service restaurant)
Date of Review:	April 27, 2020

<u>Grant Request</u>

Grant Amount:	$25,000
Grant Term:	Release upon grantee compliance with all grant requirements and closeout of OCR grant.
Interest Rate:	0% - Grant Request
Repayment:	None – Grant Request
Collateral/Security:	First lien on all business assets to be evidenced by UCC-1 filings.
Project Description:	Craft Coffee House, LLC will be purchasing commercial property located at 6612 Campbell Boulevard in Lockport, NY to relocate their existing coffee house and restaurant business. Having outgrown their current space, the new location at 6535 Campbell Boulevard is ~1,000 feet from the current location. The total project cost is $298,000 and involves the acquisition of the commercial property, building improvements, restaurant equipment, fixtures and

furnishings, inventory and working capital. The new location is a 2-story building with approximately 2,742 sf total excluding the basement located on 1.6 acres of land. The location will allow for increased occupancy and ample parking for the current demand and to accommodate future growth. The business has reached its capacity at the current location and the new space provides a larger kitchen and additional storage for inventory and food products, with a functioning walk-in cooler in the basement and storage room on the second floor, all of which will allow the business to expand its menu offerings and capacity. The business provides high-quality coffee and related items and offers breakfast and lunch items for both sit in and take out.

Uses of Funds: Grant funds will be used for furnishings, fixtures and equipment and working capital as detailed in the attached Addendum.

<u>History and Background of the Applicant</u>
Craft Coffee House, LLC ("Craft Coffee House") is a New York limited liability company formed in 2018 which is owned 51% by Katie Graves and 49% by her husband Nicholas Graves. The business is currently located in 734 square feet of rented space in a retail plaza on Campbell Boulevard in the Town of Pendleton. Craft Coffee House quickly developed a following in the Town, which has limited food and beverage options, by offering specialty espresso, coffee and teas, along with fresh pastries, waffles, breakfast sandwiches and toasts, lunch sandwiches, salads and flatbreads. Many food items are made from scratch using locally sourced goods. In November, 2018, the business began offering craft beer, wine, and mimosas.

Occupancy in its current location is limited to 15 persons and the space only accommodates 5 tables. As a result of these limitations, competition among plaza patrons for limited parking spaces, and the fact that their current space has a very small kitchen and restricted storage capacity, Craft Coffee House has been unable to accommodate current customer demand or expand its menu offerings. When their current landlord refused to extend their lease, Mr. and Mrs. Graves made the decision to seek a larger location. They have entered into a contract to purchase Brauer's Tavern and Restaurant, located at 6612 Campbell Boulevard, which is very near their current location and which is being sold due to the retirement of the current owners. The property will be owned by an affiliated entity. The building offers a full kitchen, bar and dining area with seating for larger parties, a walk-in cooler and storage room, and ample parking, and has capacity for 60 persons. The purchase includes kitchen equipment, which will allow Craft Coffee House to expand its menu to include such items as soup, made to order eggs, French toast and donuts, along with entrees. Increased storage and refrigeration space will allow the business to purchase more goods from wholesalers, who offer lower prices, helping to reduce their cost of goods sold.

Current marketing relies heavily on social media and community engagement (participation in fundraisers and public events), along with word-of-mouth recommendations from existing customers. Sites such as Yelp and Google are used to drive positive reviews and the business has a loyalty program to boost customer retention. The new location will create more visibility on a busy thoroughfare and will allow the business to expand special events (such as paint nights, trivia nights, and specialty dinners) which have been successful but historically generated limited sales because of seating constraints.
Mr. and Mrs. Graves have secured a commitment from M&T Bank for financing in the aggregate amount of $229,500 which will fund the property acquisition and minor renovations. The project includes the purchase of additional equipment and furnishings and fixtures and working capital expenses associated with the relocation and expansion of the business.

Management

Craft Coffee House, LLC is managed by Katie and Nicholas Graves, both of whom are Air Force Veterans. Katie Graves has a bachelor's degree in Business Administration and has worked in banking. Her work experience also includes restaurant management and she has training in baking and pastry arts. As an Operations Superintendent in the Air Force, Nicholas has extensive supervisory experience. By starting Craft Coffee House, they have realized their long-time goal of owning a community-based small business. In 2019, Craft Coffee House was honored as the SBA Buffalo District Veteran-owned Small Business of the Year.

The Project

Craft Coffee House, LLC, a coffee house serving a variety of beverages as well as breakfast and lunch, has outgrown its current location. The owners have contracted to purchase the former Brauer's Tavern and Restaurant at 6612 Campbell Boulevard, and plan to relocate and expand their coffee house to accommodate their growing customer base and to offer a broader array of menu items. The anticipated NCDC microenterprise grant funds will be used to fund furnishings, fixtures and equipment and working capital expenses associated with their expanded operations. The owners plan to inject at least $43,500 in equity towards the entire project.

Sources and Uses of Funds

	Niagara Co. Micro Grant	Owner Equity	M&T Bank	Total Budget
Acquisition of Commercial Property		30,500	229,500	260,000
Furnishings, Fixtures & Equipment	12,060			12,060
Inventory		1,000		1,000
Working Capital	12,940	2,000		14,940
Soft Costs		10,000		10,000
Total	**25,000**	**43,500**	**229,500**	**298,000**
	8%	15%	77%	100%

NOTE: The applicant, through an affiliated real estate holding company, is in the process of acquiring commercial real estate where the business will operate out of once acquisition is complete and minor renovations are finished. M&T Bank is providing the financing for both the acquisition and renovations and is anticipated to participate the mortgage with the NYBDC 504 loan program. See attached bank commitment letter.

Financial Analysis

Historical Financials & Financial Projections

We are in receipt of 2015-2018 personal tax returns which include Schedule C of the business income and expenses. The company began in January 2018 and the current space of 734 sf has a maximum occupancy of 15 persons including staff. The space constraints in the kitchen limit the equipment and storage space which in turn limits the menu. Total revenues at 2018 year end amounted to $100,646 with a net loss of ($47,850), which reflects start-up costs of the business along with lower revenues while the business was building a brand and customer following. Internally prepared financials for 2019 reflect a full year of sales at $184,091—nearly doubled from the prior start-up year.

The following financial projections for 3 years were provided by the applicant with the assistance of the Small Business Development Center. With increased seating and dining capacity at the new location, over 2,700 sf and an occupancy of 60 persons, the owners are confident that they will be able to meet the growing demand for their coffee and related beverages and food offerings. As a result of the increased capacity, Year 1 projects nearly doubling from 2019. Years 2 and 3 show a 13% and 3% growth rate respectively.

Since this analysis involves a $25,000 grant, there is no commentary regarding debt service/ability to pay, however debt service figures are nonetheless represented below. For purposes of illustration, the commercial mortgage, which is in the name of both the real estate holding company and operating company, is listed in the total debt and rent from the operating company more than satisfies the annual principal and interest payments.

Source: Corporate tax returns (C Corp)	Tax Returns	Internal		Projections	
Craft Coffee House, LLC	**2018**	**2019**	Year 1	Year 2	Year 3
Total Revenues	100,646	184,091	364,648	410,543	422,860
Cost of Goods Sold (Prod. Supplies)	(42,194)	(69,791)	(142,213)	(160,112)	(164,915)
Gross Profit	58,452	114,300	222,435	250,431	257,945
SG&A Expenses					
Salaries/Wages	30,164	65,125	110,855	120,994	124,624
Rent	5,950	12,675	36,000	36,500	37,000
Depreciation & Amortization	3,793	0	2,579	2,579	2,579
Interest Expense	3,357	3,566	2,562	1,827	1,036
Other SG&A expenses	63,038	51,279	69,182	72,317	74,486
Total Operating Expenses	**106,302**	**132,645**	**221,178**	**234,217**	**239,725**
Pre-Tax Net Income/(Loss)	**(47,850)**	**(18,345)**	**1,257**	**16,214**	**18,220**
Add Back:					
+ Rent Exp.	5,950	12,675	36,000	36,500	37,000
+ Depreciation Exp.	3,793	0	2,579	2,579	2,579
+ Interest Exp.	3,357	3,566	2,562	1,827	1,036
Cash Flow Available for Debt Service	**(34,750)**	**(2,104)**	**42,398**	**57,120**	**58,835**
Debt Service:					
New Comm'l Mtg. (P&I) *			18,500	18,500	18,500
Existing SoFI Loan (P&I)			12,022	12,022	12,022
Projected Debt Service	**0**	**0**	**30,522**	**30,522**	**30,522**
Debt Service Coverage			**1.39**	**1.87**	**1.93**

*** The commercial mortgage is anticipated to be in the name of Sparrow Gull, LLC (affiliated r/e holding company) and Craft Coffee House, LLC. Owners will have a lease sufficient to cover the mortgage payment. It is also important to note that the M&T commitment letter provides six mos. of interest only, then 240 months of principal and interest. The financial projections above assume a full year of P&I.**

Balance Sheet Projection

A three-year balance sheet projection was provided by the applicant. Since the real estate will be owned by the real estate holding company, Sparrow Gull, LLC, the projected balance sheet below lists nominal fixed assets of approximately $12,000.

			Pro Forma		
ASSETS	**12/31/2019**	**Project**	**Year 1**	**Year 2**	**Year 3**
Current Assets					
Cash	8,053	11,440	5,445	4,686	6,444
Inventory	0	1,000	1,000	2,500	2,500
Total Current Assets	**8,053**	**12,440**	**6,445**	**7,186**	**8,944**
Fixed Assets					
Equipment, Furn., Fixtures	0	12,060	12,060	12,060	12,060
Less: Accumulated Depreciation	0	0	(2,412)	(4,824)	(7,236)
Net Fixed Assets	0	12,060	9,648	7,236	4,824
Other Assets					
Professional fees, etc.	0	500	500	500	500
Less: Accumulated Amortization	0	0	(167)	(333)	(500)
Net Other Assets	0	500	333	167	0
Total Assets	**8,053**	**25,000**	**16,426**	**14,589**	**13,768**
LIABILITIES					
Current Liabilities					
Business Credit Cards	11,956	0	11,956	11,956	11,956
Accounts Payables	5,807	0	5,808	5,808	5,808
Existing Loans-Current Portion	0	0	9,374	10,102	9,917
Total Current Liabilities	**17,763**	**0**	**27,138**	**27,866**	**27,681**
Long-Term Liabilities					
Long Term Debt-SoFi	38,854	0	20,019	9,917	0
Total Long Term Liabilities	38,854	0	20,019	9,917	0
Shareholders' Equity					
Owner's Investment	13,670	0	13,670	13,670	13,670
Member's Draw	0	0	(8,424)	(17,100)	(26,038)
Microenterprise Grant	0	25,000	25,000	25,000	25,000
Retained Earnings	(43,888)	0	(62,235)	(60,978)	(44,764)
Net Income/(Loss)	(18,346)	0	1,258	16,214	18,219
Total Shareholders' Equity	(48,564)	25,000	(30,731)	(23,194)	(13,913)
Total Liabilities & Owner's Equity	**8,053**	**25,000**	**16,426**	**14,589**	**13,768**

Employment

Owners Katie Graves and Nicholas Graves work in the business and currently have no employees on hand due to the COVID-19 virus and closure mandated by the Governor of NYS. Based upon their family income the Graves do not qualify as low-moderate-income persons per HUD regulations and will be required to create a minimum of one full-time equivalent job which will have to be available to low-moderate income persons. They are anticipating hiring three and potentially more part time employees within the next two years. Pursuant to HUD regulations, 51% of all positions created must be available to low-moderate income persons. The new employment will satisfy a national objective and obligation of the business.

Credit Reports and Personal Financial Statement

Corporate D&B
On the company's D&B report dated March 4, 2020, the company's Commercial Credit Score Percentile is 87. This indicates that it pays its vendors on time and is considered a low to moderate risk of payment delinquency. The D&B report shows no public filings registered for the business. An online search with the NYS Dept. of State Uniform Commercial Code showed no lien filings against the company. No bankruptcy, derogatory liens, judgments or derogatory payment information were reported.

Personal Credit Reports
A personal credit report obtained from Equifax for **Katie L. Graves** shows a FICO Score of 773 and a credit rating of Excellent Credit. The Equifax Report dated March 25, 2020 shows seven open revolving credit lines totaling $49,800 with total outstanding balances of $10,456. The report also shows a real estate mortgage, jointly held, with an outstanding balance of $284,000 and an auto lease with a balance of $ 9,564. These figures are consistent with what is reported on the applicant's personal financial statement. All accounts are paid timely and as agreed. No bankruptcies, judgments or delinquencies were reported.

A personal credit report obtained from Equifax for **Nicholas W. Graves** shows a FICO Score of 780 and a credit rating of Excellent Credit. The Equifax Report dated March 25, 2020 shows seven open revolving credit lines totaling $49,300 with total outstanding balances of $10,456. The report also shows a real estate mortgage, jointly held, with an outstanding balance of $284,000 and an auto lease with a balance of $11,000. These figures are consistent with what is reported on the applicant's personal financial statement. All accounts are paid timely and as agreed. No bankruptcies, judgments or delinquencies were reported.

Personal Financial Statement

Katie L. Graves and Nicholas W. Graves submitted a (joint) Personal Financial Statement signed and dated on January 4, 2020, which is shown below.

Assets	Katie & Nicholas Graves
Cash on Hand	31,765
Marketable Securities (stocks/bonds)	18,100
Automobiles	0
Personal Residence	432,686
Total Assets	**482,551**
Liabilities	
Notes Payable-SoFi (personal loan) *	39,069
Charge accounts	15,377
Auto Leases (2)	29,047
Residential Mtg.	286,480
Total Liabilities	**369,973**
Net Worth	**112,578**

Liquidity

Cash on Hand	31,765
	31,765

* The funds from the SoFi loan were used for the business and appear on the balance sheet of Craft Coffee House. Katie & Nicholas Graves are husband and wife and prepared the personal financial statement jointly.

Based on their 2018 federal personal tax returns, the Graves family income does not qualify them as a low-moderate income persons per HUD regulations. As a result, Mr. and Mrs. Graves are required to hire at least one FTE in order to satisfy a national objective.

Risk Assessment

Positive Factors:

- Owners currently operate a successful business operation selling coffee and related items, breakfast/lunch offerings and have developed a strong following with demand exceeding supply at the current location.
- New location has significant increased seating/dining capacity, full kitchen and basement for storage to meet the increased demand.
- New location is within 1,000 ft. from prior location; densely populated area with high traffic strip plaza shopping nearby.
- Good marketing and advertising strategies with a strong presence on social media--over 2,000 Facebook and Instagram followers.
- Owners have good personal credit scores and history. Owner Nicholas Graves continues to work for the US Dept. of Defense, Finance and Accounting Agency, earning funds to support their family of four.
- Hiring new employees within the next two years.
- Personal capital injection of $43,000 which represents 15% of the total project cost.

Negative Factors:

- Success for the business has a strong reliance on marketing and repeat clientele to grow the business and cover expenses.
- The extent of the impact of COVID-19 on the company's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on customers, employees, and vendors, all of which cannot be predicted.

Summary / Recommendations

If approved based on the positive factors noted above, it is recommended that grant be structured as follows:

Grant Amount:	$25,000
Grant Term:	Release upon closeout of OCR grant and satisfaction of any repayment obligation

Interest Rate:	N/A
Repayment:	Grant subject to recapture if Grantee fails to comply with grant requirements
Collateral/Security:	First lien on all business assets to be evidenced by UCC-1 filings.
Training:	Grantor should obtain documentation confirming that a principal of the business has completed an approved Microenterprise Technical Assistance Program prior to disbursing grant proceeds.
Equity Injection:	Grantor should obtain documentation evidencing the minimal injection of \$29,800 (10% of total project) in cash equity by the owners prior to disbursing grant proceeds.
Employment:	Grantor should obtain documentation confirming that the Grantee has created at least one FTE job which is available to low-moderate income persons prior to disbursing grant funds.

<u>Grant Assessment</u>

Eligibility

☒ The business is a commercial enterprise that has five (5) or fewer employees, one (1) or more of which is the principal and owns the enterprise.

☒ The business ownership has committed a minimum of 10% equity toward the project budget.

☐ A principal of the business has completed an approved Microenterprise Technical Assistance Program. (Verification required that this condition has been satisfied.)

National Objective

☐ The microenterprise owner is a person of low- or moderate-income as defined by the U.S. Department of Housing and Urban Development; or

☒ The microenterprise will create at least one full-time equivalent job available to individuals of low- or moderate-income.

Microenterprise Type

☐ The microenterprise is a "start-up business", defined as having been in operation for less than six (6) months from the time of application; or

☒ The microenterprise is an existing business that as of the time of application has been operating for longer than six (6) months.

Feasibility

The applicant was able to grow their business and build a following in the Town of Pendleton. With their past experience and background, the Graves have demonstrated their commitment to growing and expanding the business in Niagara County.

Impact

The applicants offer freshly brewed coffee and related products as well as daily prepared food items for breakfast and lunch. The business provides the community with affordable food and beverages and provides employment for Mr. and Mrs. Graves and future employees.

10% Equity Contribution Requirement

The grant applicant is aware that receipt of a grant and the subsequent disbursement of grant funds is subject to evidence of an equity contribution by the grant recipient of at least 10% of total project costs in compliance with the guidelines of the Niagara County Microenterprise Program.

Prepared by: Elizabeth M. Kraus, VP Commercial Finance
H. Sicherman / the Harrison Studio
April 27, 2020

Request for Grant Approval
Niagara County Industrial Development Agency
Microenterprise Assistance Program

Grant Applicant:	Brenda L. Kephart dba B&B BBQ, a sole proprietorship established in June 2014
Tax ID#:	SSN#
DUNS:	02-623-1085
Current Business Address:	105 Telegraph Road, Middleport, NY 14105
Telephone:	585-590-0173
Management/ Ownership:	Brenda L. Kephart 100%
Website:	www.bandbbbq.com
Business:	Food and beverage restaurant (serving lunch & dinner items) Previously operated a food truck business (remote and in surrounding area)
NAICS#:	722513 (limited service restaurant)
Date of Review:	May 20, 2020

<u>Grant Request</u>

Grant Amount:	$25,000
Grant Term:	Release upon grantee compliance with all grant requirements and closeout of OCR grant.
Interest Rate:	0% - Grant Request
Repayment:	None – Grant Request
Collateral/Security:	None
Project Description:	B&B BBQ recently purchased a physical location to serve lunch and dinner (dine-in) after ceasing a food truck business which started in June 2014. The business is located on Telegraph Road in Middleport, NY in Niagara County. The company has experienced increased demand at the restaurant since its opening in the fall of 2019 and applicant is interested in upgrading and purchasing new kitchen equipment. Total project costs equal $33,000, which includes the purchase of machinery, equipment and inventory and working capital expenses. The investment in new kitchen equipment will allow the business to expand its menu offerings and meet increasing demand for both the dine-in restaurant and take-out food items.

Uses of Funds: The requested grant proceeds will be used for the new kitchen equipment which includes a commercial refrigerator, freezer, smoker, tankless hot water heater, industrial chopper/blade and char-broiler. The quotes are attached to this analysis.

History and Background of the Applicant

The applicant is a sole proprietorship operated by Brenda Kephart under the name B&B Barbeque ("B&B"). Ms. Kephart is a native of Medina, New York. She gained her first experience with food service while working at the Medina Hospital. Ms. Kephart started experimenting with smoking meat for friends and family with a small smoker at her home. In 2013, she traveled to a BBQ school in Houston, Texas. With this formal training, she filed her d/b/a in 2014 and purchased a food trailer, which she used for food service and to support a catering business. She operated the food trailer on Fridays, Saturdays and Sundays from spring through the early fall, setting up in various locations in Medina. While operating her food trailer, Ms. Kephart gained a solid following of loyal customers, who expressed an interest in having a sit-down location where they could purchase her barbeque year-round.

Based on this customer demand and a need for additional space to prepare and store her food, Ms. Kephart started a 2-year search for a brick-and-mortar location which could operate year-round. She found a former restaurant property at 105 Telegraph Road in the heart of the Village of Middleport, not far from her home base in Medina. Ms. Kephart owns the property individually, subject to a mortgage held by the seller. With the help of family and friends, Ms. Kephart made significant renovations to the property and opened the restaurant in September 2019. Ms. Kephart did not operate the food trailer in 2019, as she devoted her time and resources toward preparing the restaurant. Renovations and other start-up costs were funded through a home equity loan taken out by Ms. Kephart and her husband.

The restaurant is set up to offer dine-in service, with counter space and table seating for 30 customers, and takeout. Due to the restrictions imposed as a result of the COVID-19 pandemic, B&B is currently offering takeout only. The posted hours of operation are Monday, Wednesday, Thursday, Friday, and Saturday, 11:00 a.m.- 9: 00 p.m., and Sunday, 11:00 a.m. – 7:00 p.m., however, due to existing restrictions, they are operating on a reduced schedule, offering takeout on Monday, Wednesday, Thursday, Friday and Saturday from 2:00 p.m.-8:00 p.m. and Sunday from 2:00 p.m. – 7:00 p.m.

B&B offers authentic Texas barbeque and North Carolina style barbeque and the menu includes ribs, chicken, brisket, pulled pork, Brunswick stew, various sides (BBQ baked beans, coleslaw, potato salad, macaroni and cheese, broccoli salad and corn muffins), and wraps and sandwich options. Ms. Kephart has developed her own recipes and uses hickory to smoke her meats. She is currently working without a salary and is assisted by two part-time employees. Her husband, who works as a Corrections Officer, helps out in the business occasionally. B&B has received positive media attention from WGRZ in Buffalo and the Lockport Journal and maintains a website and Facebook page and markets through Yelp. Much of B&B's business is driven by word of mouth. Ms. Kephart indicates that the story on WGRZ generated a spike in business. Online reviews are generally positive and indicate that the business has maintained the following it built while operating as a food trailer and has added local customers and others traveling along Route 31. In an effort to continue to grow her customer base, Ms. Kephart is seeking grant funding to upgrade her equipment and to fund working capital expenses and inventory.

The Project

Ms. Kephart is requesting $25,000 microenterprise grant funds for new kitchen equipment—see below for detail. Attached is the cost documentation for the items to be purchased. The remaining funds will be used for inventory and working capital. The owner plans to inject at least $8,000 in equity towards the entire project.

Sources and Uses of Funds

	Niagara Co. MicroGrant	Owner Equity	Total Budget
Machinery & Equipment	25,000		25,000
Inventory		3,000	3,000
Working Capital		5,000	5,000
Total	**25,000**	**8,000**	**33,000**
	76%	24%	100%

NOTE: In September 2019, the applicant purchased the commercial property and operates her restaurant (lunch and dinner) business. The applicant made a $10,000 down payment and the seller holds a $40,000 mortgage with an amortization of 10 years. As per the 2019 tax return, applicant capitalized approximately $20,000 in upfront costs to open the new restaurant and expensed items which include supplies/tools, kitchen equipment, furnishings, fixtures and inventory. New machinery and equipment to be purchased include commercial kitchen appliances i.e. refrigerator, freezer, smoker, tankless hot water heater, industrial chopper, blade and charbroiler. Quotes/estimates are attached.

Financial Analysis

Historical Financials & Financial Projections

We are in receipt of 2016-2019 personal tax returns which include Schedule C of the business income and expenses. The business began in 2014, operating until 2018 as a food truck only business during the summer months and only on the weekend (Friday-Sunday). The food truck business ceased in December 2018. Ms. Kephart purchased the building in September 2019. The restaurant was open for business in the fall of 2019 for a dine-in and to-go lunch and dinner offerings.

The business had 2019 sales for the months September through December of $25M. However, upfront costs of starting a dine-in restaurant exceeded the nominal revenues generated in the last quarter of the year. In 2019, Ms. Kephart and her spouse took out a home equity loan to pay for repairs, renovations, supplies/tools, inventory levels, professional fees, advertising, etc. Due to the upfront costs of "starting a restaurant business", the company suffered a ($111,338) net loss. Many of the costs are non-recurring and Ms. Kephart believes those significant start-up costs are behind her.

The following financial projections for 3 years were provided by the applicant with the assistance of the Small Business Development Center. The projections were prepared and modified given the COVID-19 pandemic which currently prohibits restaurant dine-in seating. Year to date sales for 2020 have been stalled due to COVID-19 pandemic but Ms. Kephart continues to provide to-go items six days per week with limited hours. Since late March, Ms. Kephart has been doing a robust to-go business, taking the necessary precautions with personal protection equipment. For the *month of April*, the company generated sales of approximately $11,000 from take out only.

Projections include dine-in revenues, with monthly average sales of approximately $15,800. With a 30 person seating and dining capacity at the location, Ms. Kephart is confident that she will be able to capitalize on the positive media attention and customer following to achieve the projected figures. This analyst believes that the projections may be optimistic especially in light of the COVID-19 pandemic and limiting revenues to take-out food items for the near future.

Since this analysis involves a $25,000 grant, there is no commentary regarding debt service/ability to pay, however debt service figures are nonetheless represented below. For purposes of illustration, the commercial mortgage payment, which is in the personal name of owner is listed as well as the private term loan (family friend) for the company. Ms. Kephart believes that the relatively low mortgage payment and private note can be satisfied by either the business or the income of her family.

Source: Personal Tax Returns (Sch. C)	Tax Returns	Tax Returns	Tax Returns	3 mos	Projections		
B&B BBQ	**2017**	**2018**	**2019**	**2020**	Year 1	Year 2	Year 3
Total Revenues	18,532	15,498	24,943	28,148	190,591	219,180	241,098
Cost of Goods Sold (Food & Supplies)	(20,298)	(17,309)	(52,758)	(30,109)	(57,177)	(65,754)	(72,329)
Gross Profit	(1,766)	(1,811)	(27,815)	(1,961)	133,414	153,426	168,769
SG&A Expenses							
Salaries/Wages	0	0	29,427	23,390	77,981	83,439	85,943
Rent *	640	1,030	12,087		0	0	0
Depreciation & Amortization	2435	2,381	2,878		7,878	7,878	7,878
Interest Expense	0	0	1,334	553	4,192	3,711	3,181
Other SG&A **	2649	2,836	37,797	13,592	49,248	51,100	52,632
Total Operating Expenses	5,724	6,247	83,523	37,535	139,299	146,128	149,634
Pre-Tax Net Income/(Loss)	(7,490)	(8,058)	(111,338)	(39,496)	(5,885)	7,298	19,135
Add Back:							
+ Depreciation Exp.	2,435	2,381	2,878	0	7,878	7,878	7,878
+ Interest Exp.	0	0	1,334	553	4,192	3,711	3,181
Cash Flow Available for Debt Service	(5,055)	(5,677)	(107,126)	(38,943)	6,185	18,887	30,194
Debt Service							
$20M Private loan (family friend) (P&I)					4,784	4,784	4,784
$37M Comm'l Mtg.-privately held (P&I)					5,091	5,091	5,091
Projected Debt Service		0	0		9,875	9,875	9,875

* Rent expense in 2019 was for leasing a smoker and rent for trailer storage; currently Ms. Kephart maintains the trailer on the property she recently purchased.

** Other SG&A expenses in 2019 amounted to supplies/tools, advertising, insurance, taxes & licensing fees and utilities as a result of opening the new physical restaurant location in late fall 2019.

Balance Sheet Projection

A three-year balance sheet projection was provided by the applicant. The real estate is owned individually and is presented in the 12/31/2019 balance sheet and projections. The projected balance sheet includes the new equipment to be purchased, inventory and working capital proceeds.

Balance Sheet	Internally Prepared			Pro Forma	
ASSETS	12/31/2019		Year 1	Year 2	Year 3
Current Assets					
Cash	250	5,000	1,561	10,573	30,891
Inventory	5,000	3,000	8,000	8,000	8,000
Total Current Assets	**5,250**	**8,000**	**9,561**	**18,573**	**38,891**
Fixed Assets					
Land & Building	64,716		64,716	64,716	64,716
Equipment, Furn., Fixtures	25,337	25,000	50,337	50,337	50,337
Less: Accumulated Depreciation	(22,032)	0	(29,910)	(37,788)	(45,666)
Net Fixed Assets	68,021	25,000	85,143	77,265	69,387
Total Assets	**73,271**	**33,000**	**94,704**	**95,838**	**108,278**
LIABILITIES					
Current Liabilities					
Accounts Payables/cr. Card debt	1,770		1,770	1,770	1,770
Curr. Portion of LTD-private loan	0		2,839	3,199	3,605
Curr. Portion of LTD-privately held mtg.	0		3,325	3,495	3,674
Total Current Liabilities	**1,770**	**0**	**7,934**	**8,464**	**9,049**
Long-Term Liabilities					
Private Loan-Rick Drilling *	20,000		14,642	11,443	7,838
Privately held mtg. **	37,341		30,853	27,358	23,684
Total Long Term Liabilities	57,341	0	45,495	38,801	31,522
Shareholders' Equity					
Owner's Investment/Equity	104,844	8,000	112,844	112,844	112,844
Net Income	(111,917)				
Retained Earnings	21,233		(96,569)	(89,271)	(70,137)
Niagara Co. IDA MicroGrant	0	25,000	25,000	25,000	25,000
Total Shareholders' Equity	14,160	33,000	41,275	48,573	67,707
Total Liabilities & Owner's Equity	**73,271**	**33,000**	**94,704**	**95,838**	**108,278**

* The company borrowed $20,000 from a family friend of Ms. Kephart. The monthly payment is $398.66 (P&I) with an interest rate of 12% over 70 months.

** Brenda Kephart purchased the building in September 2019 and seller is holding the mortgage, payable monthly at $424.26 (P&) amortized over 10 years.

Employment

Owner Brenda Kephart works full time in the business and has two part time employees. Based upon Ms. Kephart's 2019 family income, she qualifies as a low-moderate-income person as per HUD regulations and is not required to create a minimum of one full-time equivalent job. However, Ms. Kephart intends to hire new employees once the business is able to provide dine-in seating. Dine-in restaurant business has been prohibited due to the COVID-19 virus pursuant to an Executive Order of the Governor of New York State.

Credit Report and Personal Financial Statement

Personal Credit Report

A personal credit report obtained from Equifax for **Brenda L. Kephart** shows a FICO Score of 695 and a credit rating of Good Credit. The Equifax Report dated May 5, 2020 shows five open revolving credit lines totaling $22M with total outstanding balances of $6M. The report also shows a home equity line of credit for $34M, jointly held, with an outstanding balance of $30M. These figures are consistent with information reported on the applicant's personal financial statement. One revolving account, which has a zero balance, had been 30 days late (1) in the past 24 months. Also, a medical account was transferred to collection but has been subsequently paid in full/satisfied. All other revolving accounts and installment accounts are paid timely and as agreed. No bankruptcies, judgments or liens were reported.

Personal Financial Statement

Brenda L. Kephart submitted a Personal Financial Statement signed and dated on April 13, 2020, which is shown below.

	Brenda Kephart as of 4/13/2020		
Assets			
Cash on Hand (including savings)	9,426		
Marketable Securities (stocks/bonds)	18,100		
Automobiles *	65,600		
Personal Residence	48,000		
Other-personal property	27,500		
Business Equity-B&B BBQ	14,000		
Total Assets	**182,626**		
Liabilities			
HELOC-personal residence	30,369		
Charge accounts	3,113		
Total Liabilities	**33,482**		
Net Worth	**149,144**		
Liquidity			
Cash on Hand	9,426		
	9,426		

* The value of the Kepharts' vehicles include two "every day" vehicles for Mr. and Mrs. Kephart and three vintage Chevrolet automobiles (1960's). The Kepharts are auto-enthusiasts and attend many car shows throughout the year. The market value used in the pfs is self-valued based upon their knowledge and experience.

Based on the 2019 federal personal tax returns, Ms. Kephart's family income qualifies her as a low-moderate income person as per HUD regulations. As a result, Ms. Kephart is not required to hire at least one FTE in order to satisfy a national objective.

Risk Assessment

Positive Factors:

- Owner has experience and a customer following for her unique BBQ brisket and related barbeque items.
- New location has seating/dining capacity for 30 persons and outdoor seating in warmer months, full kitchen and storage to meet demand. Owner purchased the restaurant building and is able to make the affordable mortgage payment to seller (privately-held loan).
- Good marketing and advertising strategies with a presence on social media--over 1,500 Facebook followers.
- Owner has a good personal credit score with limited personal debt and access to additional personal equity should business require it. Owner does not take out a salary and is supported by a working spouse.
- Expected to hire new employees within the next two years.
- Personal capital injection of $8,000 which represents 24% of the total project cost. Previously, owner has injected over $60,000 into the business for start-up, non-recurring costs.

Negative Factors:

- After a food truck business which operated only on the weekends during the warmer months, the start-up restaurant required a significant investment leaving the company with a net loss of over $100M. However, much of the loss is attributed to non-recurring start up costs of repairs, supplies, tools and small kitchen equipment expensed in 2019.
- The start-up restaurant may be under-capitalized which may be mitigated by the owner's ability to access additional, albeit limited, funds from personal resources.
- Projections are optimistic especially given the recent pandemic outbreak limiting restaurant business to take-out only for the near future.
- The extent of the impact of COVID-19 on the company's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on customers, employees, and vendors, all of which cannot be predicted.

Summary / Recommendations

If approved based on the positive factors noted above, it is recommended that grant be structured as follows:

Grant Amount:	$25,000
Grant Term:	Release upon closeout of OCR grant and satisfaction of any repayment obligation
Interest Rate:	N/A
Repayment:	Grant subject to recapture if Grantee fails to comply with grant requirements
Collateral/Security:	None

Training:	Grantor should obtain documentation confirming that the owner of the business has completed an approved Microenterprise Technical Assistance Program prior to disbursing grant proceeds.
Equity Injection:	Grantor should obtain documentation evidencing the minimal injection of $3,300 (10% of total project) in cash equity by the owner prior to disbursing grant proceeds.
Employment:	Based on the 2019 federal personal tax returns, Ms. Kephart's family income qualifies her as a low-moderate income person per HUD regulations. As a result, Ms. Kephart is not required to hire at least one FTE in order to satisfy a national objective.

Grant Assessment

Eligibility

☒ The business is a commercial enterprise that has five (5) or fewer employees, one (1) or more of which is the principal and owns the enterprise.

☒ The business ownership has committed a minimum of 10% equity toward the project budget.

☐ A principal of the business has completed an approved Microenterprise Technical Assistance Program. (Verification required that this condition has been satisfied.)

National Objective

☒ The microenterprise owner is a person of low- or moderate-income as defined by the U.S. Department of Housing and Urban Development; or

☐ The microenterprise will create at least one full-time equivalent job available to individuals of low- or moderate-income.

Microenterprise Type

☒ The microenterprise is a "start-up business", defined as having been in operation for less than six (6) months from the time of application; or

☐ The microenterprise is an existing business that as of the time of application has been operating for longer than six (6) months.

Feasibility

The applicant operated a food truck business in the recent past and obtained a following for her unique BBQ brisket and related barbeque items. The food truck business ceased at the end of 2018. The dine-in and take-out restaurant began in September 2019, generating much interest in Niagara County. With her past experience, background, capital injection, and purchase of the building, Ms. Kephart demonstrates her commitment to grow and expand her business in Niagara County. However, the considerable upfront costs of opening the restaurant resulted in a net loss in 2019 of over $100M and the feasibility of the business as a thriving, on-going business may be adversely affected by a continued prohibition of dine-in business, limiting revenues to take-out only.

Impact

The applicant offers unique BBQ brisket and related barbeque products for lunch and dinner. The business provides the community with affordable food and provides employment for the company's current employees and future employees as well as Ms. Kephart, a low-mod person as defined by the U.S. Department of Housing and Urban Development.

10% Equity Contribution Requirement

The grant applicant is aware that receipt of a grant and the subsequent disbursement of grant funds is subject to evidence of an equity contribution by the grant recipient of at least 10% of total project costs in compliance with the guidelines of the Niagara County Microenterprise Program.

Prepared by: Elizabeth M. Kraus, VP Commercial Finance
H. Sicherman / the Harrison Studio
May 20, 2020

Request for Grant Approval
Niagara County Industrial Development Agency
Microenterprise Assistance Program

Grant Applicant:	Graham Bros Enterprises LLC dba Graham Bros. Property Services, a New York Limited Liability Company formed on February 27, 2018
Tax ID#:	82-4577070
DUNS:	11-749-0166
Business Address:	5162 Tonawanda Creek Road, Pendleton, NY 14120
Telephone:	716-909-2969 (Justin Graham)
Management/ Ownership:	Justin Graham, Owner 50% Jacob Graham, Owner 50% Total 100%
Website:	www.grahambrospropertyservices.com
Business:	Landscaping and Snow Contractor
NAICS#:	561730 (Landscaping and snowplow services)
Date of Review:	May 22, 2020

Grant Request

Grant Amount:	$25,000
Grant Term:	Release upon grantee compliance with all grant requirements and closeout of OCR grant.
Interest Rate:	0% - Grant Request
Repayment:	None – Grant Request
Collateral/Security:	None
Project Description:	Graham Bros Enterprises LLC is a full-service landscape and snow contractor operating under the assumed name of Graham Bros. Property Services. Their customer base consists of homeowner associations, apartment communities, some residential and select retail locations within Niagara County. To continue to grow the company and offer additional services, the company intends to purchase a used utility tractor (John Deere or Monroe Tractor) to expand its customer base. Justin Graham operates the business out of his home on Tonawanda Creek Road, Pendleton in Niagara County. The business stores the

heavy equipment on Mr. Graham's parents' farm. Total project costs equal $50,025 which includes the price of the used tractor and sales tax.

Uses of Funds: The requested grant proceeds will be used for a used utility tractor. The quote examples are attached to this analysis.

History and Background of the Applicant

Graham Bros Enterprises LLC, a New York limited liability company formed in 2018 and doing business as Graham Bros Property Services ("Graham Bros"), operates as a full-service landscape and snow contractor. The business is owned equally by brothers Justin and Jacob Graham. Justin has an Associates Degree in Horticulture and Landscape Design from NCCC and has studied business marketing at Niagara University and Empire State College. His work experience includes employment as a snowplow operator for a landscaping company, working for landscape and construction equipment dealers, and a job in manufacturing. Jacob has an Associates Degree in business administration from NCCC and is completing his Bachelors degree in business administration, with a focus on marketing, at the University of Buffalo. Both brothers have experience working on their parents' farm.

In 2018 Justin and Jacob partnered to form Graham Bros, a business which would allow Justin to use his training in horticulture and landscape design and which would benefit from his work experience and both brothers' business training. The business is based at Justin's home at 5162 Tonawanda Creek Road, in Pendleton. Equipment is stored at their parents' nearby farm. Graham Bros provides the following services: lawn care, landscape design and installation, landscape maintenance, site work and drainage, snow and ice management, and small concrete and asphalt repairs. Customers include homeowner associations, apartment complexes, individual homeowners, and select retail locations, mainly located in Niagara County. The company markets through direct mailings and maintains a Facebook page and website. Graham Bros doubled its sales between its first and second years of operation, due in part to the addition of snowplow services. The company seeks to distinguish itself from "a guy with a pick-up truck and a mower" by emphasizing their education and experience and their high level of service. The business tends to be seasonal, and the company is seeking grant funding to assist with the purchase of a tractor to allow for an additional stream of income and more year-round operations, including the preparation of easements on farms.

Justin functions as the business' manager and Jacob acts a foreman. They plan to create two part-time landscape and snowplow technician positions. Duties will include landscape installation and maintenance and assisting with winter season operations. The owners do not qualify as low-moderate income and will be required to create one full-time equivalent job that is available to low-mod individuals based on the requisite skills, education, and experience.

The Project

The owners are requesting $25,000 in microenterprise grant funds for a utility tractor. See attached quote for detail. The owner plans to inject 50% of the equipment cost or $25,025 towards the project.

Sources and Uses of Funds

	Niagara Co. MicroGrant	Owner Equity	Total Budget
Heavy Equipment-Tractor *	25,000	25,025	50,025
Total	**25,000**	**25,025**	**50,025**
	50%	50%	100%

* The owners provided two examples of used utility tractors, John Deere and Monroe Tractor, that they are interested in purchasing with grant proceeds. The quotes are attached to the analysis.

Financial Analysis

Historical Financials & Financial Projections

We are in receipt of 2018-2019 corporate tax returns. The business began in February 2018 and generated nearly $70M in total revenues. In 2019, the year-round business more than doubled its sales as the owners were able to secure additional homeowners association customers. Snowplowing services generate approximately half of total sales; landscaping and lawn mowing approximately 42% of total sales; and the remaining sales were comprised of miscellaneous additional work with farmers, which is a revenue stream the company would like to grow along with attracting additional customers in the core business.

The following financial projections for 3 years were provided by the applicant with the assistance of the Small Business Development Center. The projections were prepared and modified given the COVID-19 pandemic and the fact that landscaping services were recently added to permissible business activity. The projections appear to be conservative providing a 14% increase in gross sales in year one and 7% thereafter. There is no rent expense as the Graham brothers/owners store the heavy equipment on their parents' farm at no cost for now. Projected salary expenses include two new part time employees. The company projects a modest net profit for the next three years.

Since this analysis involves a $25,000 grant, there is no commentary regarding debt service/ability to pay, however debt service figures are nonetheless represented below. For purposes of illustration, the company has three small truck loans, being paid as agreed, and will be paid off in year 3.

Source: Corp. Tax Returns	10 mos.	12 mos.	Projections		
Graham Bros. Enterprises, LLC	**2018**	**2019**	Year 1	Year 2	Year 3
Total Revenues	69,255	181,350	206,275	221,367	248,491
Cost of Goods Sold	(15,521)	(22,318)	(37,660)	(39,593)	(41,991)
Gross Profit	53,734	159,032	168,615	181,774	206,500
SG&A Expenses					
Officers salaries	0	53,768	61,000	64,050	70,455
Salary Expense	0	0	24,932	31,839	32,795
Repairs & Maintenance	2,113	6,308	5,400	5,600	5,800
Auto/truck expense & fuel	9,655	13,922	8,000	6,500	7,000
Equipment rental/lease		3,060	12,192	12,342	12,500
Insurance	5,303	6,655	7,000	7,500	8,000
Interest Exp.	0	0	756	732	708
Depreciation & amort.	23,954	0	12,583	12,583	12,583
Other SG&A *	5,627	4,934	18,100	18,987	20,389
Total Operating Expenses	**46,652**	**88,647**	**149,963**	**160,133**	**170,230**
Pre-Tax Net Income/(Loss)	**7,082**	**70,385**	**18,652**	**21,641**	**36,270**
Add Back:					
+ Interest Exp.			756	732	708
+ Depreciation Exp.	23,954	0	12,583	12,583	12,583
Cash Flow Available for Debt Service	**31,036**	**70,385**	**31,991**	**34,956**	**49,561**

* Other SG&A expenses include utilities, safety equipment, professional fees and advertising and promotion.

Balance Sheet Projection

A three-year balance sheet projection was provided by the applicant. The pro forma balance sheet includes machinery and equipment owned by the company and forecasts the purchase of the used tractor. The company's leverage is low for the type of industry as companies in this industry are typically heavily capitalized and financed. The owners have been conservative in purchasing equipment and often seek used equipment for competitive pricing.

ASSETS Current Assets	Internally Prepared 12/31/2019		Pro Forma Year 1	Year 2	Year 3
Cash	33,694	(25,025)	34,264	34,934	53,099
Inventory	200		200	200	200
Total Current Assets	**33,894**	**(25,025)**	**34,464**	**35,134**	**53,299**
Fixed Assets					
Machinery & Equipment	95,681	50,025	145,706	173,596	198,596
Less: Accumulated Depreciation	(85,681)	0	(98,264)	(110,847)	(123,430)
Net Fixed Assets	10,000	50,025	47,442	62,749	75,166
Total Assets	**43,894**	**25,000**	**81,906**	**97,883**	**128,465**
LIABILITIES					
Current Liabilities					
Accounts Payables/cr. Card debt	0				
Curr. Portion of LTD	5,640		5,664	5,688	3,835
Total Current Liabilities	**5,640**	**0**	**5,664**	**5,688**	**3,835**
Long-Term Liabilities					
3 small truck loans-prin. Pyt	15,187		9,523	3,835	0
Total Long Term Liabilities	15,187	0	9,523	3,835	0
Shareholders' Equity					
Owner's Investment	7,000		7,000	7,000	7,000
Niagara Co. IDA MicroGrant	0	25,000	25,000	25,000	25,000
Current Earnings	0		18,652	21,641	36,270
Retained Earnings	16,067		16,067	34,719	56,360
Total Shareholders' Equity	23,067	25,000	66,719	88,360	124,630
Total Liabilities & Owner's Equity	**43,894**	**25,000**	**81,906**	**97,883**	**128,465**

Employment

The owners work full time in the business and, based upon their 2019 family income, do not qualify as low-moderate-income persons per HUD regulations and are required to create a minimum of one full-time equivalent job. Graham Bros intends to hire two new part-time employees as landscape and snowplow technicians.

Credit Report and Personal Financial Statement

Personal Credit Report
A personal credit report obtained from Equifax for **Justin Graham** shows a FICO Score of 782 and a credit rating of Very Good Credit. The Equifax Report dated May 14, 2020 indicates seven open revolving credit lines totaling $76M with total outstanding balances of $3,800. The report shows an auto loan of $9,700. These figures are not totally consistent with the information reported on the applicant's

personal financial statement (pfs). The pfs indicated a real estate mortgage loan with Farm Credit East, with an outstanding balance of $26,940. The mortgage debt did not appear on the personal credit report. The automobile loan on the credit report was not reflected on the pfs. The applicant has established credit since 2010 with all accounts paid timely and as agreed. No bankruptcies, judgments or liens were reported.

A personal credit report obtained from Equifax for **Jacob Graham** indicates a FICO Score of 750 and a credit rating of Very Good Credit. The Equifax Report dated May 14, 2020 shows two open revolving credit lines totaling $9,500 with total outstanding balances of $850. The report shows an auto loan of $11,000. The applicant did not indicate any outstanding revolving line balances or auto loan on his personal financial statement. The applicant has established credit since 2017 with all accounts paid timely and as agreed. No bankruptcies, judgments or liens were reported.

Personal Financial Statements

Justin and Jacob Graham submitted their Personal Financial Statements signed and dated on May 14, 2020, which is shown below.

	Justin Graham as of 5/14//2020	Jacob Graham as of 5/14/2020
Assets		
Cash on Hand (including savings)	12,000	5,650
IRA	77,854	0
Automobiles	0	0
Real Estate*	91,250	0
Life Insurance - Cash value	9,407	0
Personal property	0	1,000
Total Assets	**190,511**	**6,650**
Liabilities		
Accounts Payable/credit cards	3,000	
Unpaid State and Federal Taxes	0	7,563
Mortgage on Real Estate	26,650	0
Total Liabilities	**29,650**	**7,563**
Net Worth	**160,861**	**(913)**
Liquidity		
Cash on Hand	12,000	5,650
	12,000	**5,650**

* The real estate is identified as a vacant land located Tonawanda Creek Road, Pendleton, NY. Property was acquired June 2013.

Risk Assessment

Positive Factors:

- Owners have education (horticulture and landscape design) and work experience, having worked for their sister's business (Bison Turf Equipment) and other small businesses in the industry.
- Diversified client listing with repeated annual contracts with homeowners' associations, apartment communities and select retail locations within Niagara County.
- Purchase of new equipment allows for another stream of income and increased business overall with new customers and improved profitability.
- Good marketing and advertising strategies using direct mail and social media, with a targeted approach to reach local development companies.
- Sales have more than doubled after the first year of operations; projected sales figures are conservative with a 14% growth rate followed by 7% thereafter.
- The company has been profitable historically and project growing sales and profitability for the next three years; company shows the ability to service all long-term debt satisfactorily.
- Owners have very good personal credit scores with nominal personal debt, paying all their debt timely and as agreed.
- Expected to hire new employees within the next two years.
- Personal capital injection of $25,025 which represents 50% of the total project cost.

Negative Factors:

- Weather and fuel costs can cause revenues and profitability to suffer.
- The extent of the impact of COVID-19 on the company's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on customers, employees, and vendors, all of which cannot be predicted.

Summary / Recommendations

If approved based on the positive factors noted above, it is recommended that grant be structured as follows:

Grant Amount:	$25,000
Grant Term:	Release upon closeout of OCR grant and satisfaction of any repayment obligation
Interest Rate:	N/A
Repayment:	Grant subject to recapture if Grantee fails to comply with grant requirements
Collateral/Security:	None
Training:	Grantor should obtain documentation confirming that the owners of the business has completed an approved Microenterprise Technical Assistance Program prior to disbursing grant proceeds.

Equity Injection: Grantor should obtain documentation evidencing the minimal injection of $5,000 (10% of total project) in cash equity by the owner prior to disbursing grant proceeds.

Employment: Based on the 2019 federal personal tax returns, Justin Graham's family income does not qualify him as a low-moderate income person per HUD regulations. As a result, the company is required to hire at least one FTE in order to satisfy a national objective. The company intends on hiring at least two part-time positions within the next two years.

<u>Grant Assessment</u>

Eligibility

☒ The business is a commercial enterprise that has five (5) or fewer employees, one (1) or more of which is the principal and owns the enterprise.

☒ The business ownership has committed a minimum of 10% equity toward the project budget.

☐ A principal of the business has completed an approved Microenterprise Technical Assistance Program. (Verification required that this condition has been satisfied.)

National Objective

☐ The microenterprise owner is a person of low- or moderate-income as defined by the U.S. Department of Housing and Urban Development; or

☒ The microenterprise will create at least one full-time equivalent job available to individuals of low- or moderate-income.

Microenterprise Type

☐ The microenterprise is a "start-up business", defined as having been in operation for less than six (6) months from the time of application; or

☒ The microenterprise is an existing business that as of the time of application has been operating for longer than six (6) months.

<u>Feasibility</u>

The applicant, Graham Bros, has been operating as a full- service landscape and snowplow business principally serving Niagara County customers. The company has been historically profitable, growing both revenues and profitability. The projections are conservative and, based upon historical figures, appear reasonable. The feasibility of the business is evidenced by the historic growth of the business and the owners' capital injection to support further expansion. The grant proceeds will be used to purchase a used utility tractor in an effort to increase business.

Impact

The applicant provides landscape and snowplow services predominately within Niagara County. Their services provide the community with competitively priced services and provides full time employment for the two owners with a forecast of hiring two new part-time employees.

10% Equity Contribution Requirement

The grant applicant is aware that receipt of a grant and the subsequent disbursement of grant funds is subject to evidence of an equity contribution by the grant recipient of at least 10% of total project costs in compliance with the guidelines of the Niagara County Microenterprise Program.

Prepared by: Elizabeth M. Kraus, VP Commercial Finance
H. Sicherman / the Harrison Studio
May 22, 2020

Request for Grant Approval
Niagara County Industrial Development Agency
Microenterprise Assistance Program

Grant Applicant:	Northridge Printing Inc., a New York Subchapter S Corporation formed October 22, 2019
EIN#:	84-3442404
DUNS:	12-093-5152
Business Address:	6444 Ridge Road, Lockport, NY 14094
Telephone:	716-434-8505
Management/ Ownership:	Steven R. Verheyn, President 100%
Website:	www.nridgeprinting.com
Business:	Commercial printing business
NAICS#:	323100 (commercial printing)
Date of Review:	May 20, 2020

Grant Request

Grant Amount:	$25,000
Grant Term:	Release upon grantee compliance with all grant requirements and closeout of OCR grant.
Interest Rate:	0% - Grant Request
Repayment:	None – Grant Request
Collateral/Security:	None
Project Description:	Northridge Printing Inc. is a manufacturer of pressure sensitive labels serving a variety of markets including medical suppliers, wholesale, warehouse, food processing, bottling plants, retailers and farmers. The company was recently formed to take over the operations of Ontario Label Graphics, which had been owned and operated by Mr. Verheyn's father Richard (recently deceased). The company is in the process of upgrading and expanding its operations. The company has experienced increased demand especially as a result of the current COVID-19 pandemic as it provides label manufacturing for healthcare and medical industries. In late April 2020, the company purchased a new piece of machinery and is requesting grant funds for inventory purchases and working capital to help meet increasing demand. The business is located on Ridge Road

	in the Town of Lockport in Niagara County. Total project costs equal $30,000 and funds will be used for inventory and working capital.
Uses of Funds:	The requested grant proceeds will be used for inventory--paper and label supplies and working capital. The quote examples are attached to this analysis.

History and Background of the Applicant

Northridge Printing Inc. ("Northridge"), a manufacturer of pressure sensitive labels, is a subchapter S corporation 100% owned by Steven Verheyn. Northridge was formed in October 2019 to take over the operations of Ontario Label Graphics Inc., which had been owned and operated by Mr. Verheyn's father, Richard. Richard started the company in 1991 and formed Ontario Label Graphics Inc. in 2004. Richard passed away in September 2019 and Northridge was formed to allow for continuity in the operations and service to customers while Richard's estate was resolved.

Title to the manufacturing facility at 6444 Ridge Road in the Town of Lockport (Wrights Corners) has been transferred to Northridge and may be transferred to a real estate holding company in the future. Since starting Northridge, Mr. Verheyn has purchased new equipment, a digital printer/cutter, to enhance operational efficiencies and expand its customer base, using a term loan provided by M&T Bank. The business specializes in flexographic and digital inkjet printing and serves a variety of markets, including medical suppliers, wholesale warehouses, food processing and bottling plants, retailers, and farmers.

Mr. Verheyn has indicated that his business has actually improved due to the COVID-19 pandemic, as business with medical supplier customers has increased. As President of the company, Mr. Verheyn oversees the day-to-day operations of the business, including printing, shipping and receiving, pricing, customer service, and various administrative tasks. The company also employs a Director of Sales who assists with pricing and manages inventory, contacts vendors, accepts order, keeps financial records, and assists with design as needed. The company currently has a Pressman position, who is responsible for running the machinery and printing the labels. Duties include mounting plates to the press, inking the pans, cleaning the press, and maintaining the machines when needed. Mr. Verheyn intends to hire a new employee as an inventory manager, printer or salesperson. Northridge is seeking a $25,000 grant to fund the purchase of paper and label inventory and for working capital expenses.

The Project

As part of his business expansion, Mr. Verheyn is requesting $25,000 microenterprise grant funds for inventory (paper and label supplies) and working capital i.e. marketing and advertising, professional fees, etc. Attached are examples of the pricing of inventory purchases from vendors the company has used in the past. Last month, the company borrowed $70M from M&T Bank for the purchase of a new digital printer/cutter. The owner plans to inject at least $5,000 in equity towards the entire project.

Sources and Uses of Funds

	Niagara Co. MicroGrant	Owner Equity	Total Budget
Inventory	20,000	5,000	25,000
Working Capital	5,000		5,000
Total	**25,000**	**5,000**	**30,000**
	83%	17%	100%

NOTE: The company operates out of the same location as Ontario Label Graphics--the company owned by applicant's father. The grant proceeds will be used for paper and label supplies (inventory) and working capital i.e. marketing, advertising and professional fees. Copies of examples of the inventory purchases are attached to the analysis.

Financial Analysis

Historical Financials & Financial Projections

We are in receipt of internally prepared financials for Ontario Label Graphics, the printing business that was owned by Mr. Verheyn's father who passed away in September 2019. Steven Verheyn established a new company named Northridge Printing and basically conducts the same operations as Ontario Label Graphics, selling to his father's existing customers. Northridge generated sales for approximately 2 ½ months in 2019 and had total sales of $72M. Mr. Verheyn prepared three-year financial projections with the assistance of the Small Business Development Center. The financial projections are based upon 2019 total sales (Ontario Label Graphics plus Northridge Printing) with a 10% growth rate for the next two years, leveling out at 5% thereafter. Mr. Verheyn plans to implement increased marketing and advertising strategies to expand and diversify product offerings and reach additional clients.

Given the current pandemic of COVID-19, Mr. Verheyn has indicated that business has actually improved as demand from medical supplier customers has increased i.e. labels for hand sanitizers and other products. Mr. Verheyn and his employees are taking the necessary precautions amid the pandemic and utilize safe social distancing along with personal protection equipment.

Since this analysis involves a $25,000 grant, there is no commentary regarding debt service/ability to pay, however debt service figures are nonetheless represented below. For purposes of illustration, the M&T Bank term loan, which the company recently used to finance a digital printer/cutter, can be satisfactorily serviced by the projected cash flow.

Source: Internally Prepared	Ontario Label 7 mos	Northridge 3 mos	Northridge 2 mos	10%	10% Projections	5%
Northridge Printing Inc.	Jan-Sept 2019	Oct-Dec 2019	Jan-Feb 2020	Year 1	Year 2	Year 3
Total Revenues	310,734	71,706	38,183	421,965	464,161	487,369
Cost of Goods Sold (Prod. Supplies)	(139,546)	(18,074)	(11,095)	(160,347)	(162,456)	(170,579)
Gross Profit	171,188	53,632	27,088	261,618	301,705	316,790
SG&A Expenses						
Salaries/Wages (includes ofcr salary)	93,609	0	8,522	138,163	168,288	173,337
Rent	13,770	0	1,288	10,800	11,124	11,458
Interest Expense	4,568	0	0	3,877	3,445	2,574
Other SG&A *	57,896	2,649	7,730	74,993	80,620	83,037
Total Operating Expenses	169,843	2,649	17,540	227,833	263,477	270,406
Pre-Tax Net Income/(Loss)	1,345	50,983	9,548	33,785	38,228	46,384
Add Back:						
+ Interest Exp.	4,568	0	0	3,877	3,445	2,574
Cash Flow Available for Debt Service	5,913	50,983	9,548	37,662	41,673	48,958
Debt Service						
M&T Term Loan Pyt (P&I)	0	0	0	16,436	16,436	16,436
Projected Debt Service	0	0	0	16,436	16,436	16,436

* Other SG&A expenses include insurance, professional fees, repairs & maintenance, utilities, taxes and licenses etc.

Balance Sheet Projection

A three-year balance sheet projection was provided by the applicant. The projected balance sheet includes the new equipment recently purchased and currently financed, inventory and working capital proceeds.

ASSETS Current Assets	Internally Prepared 12/31/2019		Pro Forma Year 1	Year 2	Year 3
Cash	28,096	5,000	46,668	67,633	97,999
Accounts Receivables	37,775	0	47,262	51,474	54,048
Inventory	0	25,000	25,000	32,934	40,400
Total Current Assets	**65,871**	**30,000**	**118,930**	**152,041**	**192,447**
Fixed Assets					
Equipment, Furnishings & Fixtures	0	0	70,000	70,000	70,000
Less: Accumulated Depreciation	0	0	(7,000)	(14,000)	(21,000)
Net Fixed Assets	0	0	63,000	56,000	49,000
Other Assets					
Intangibles, Professional fees, etc.	0	0	7,000	7,000	7,000
Less: Accumulated Amortization	0	0	(467)	(934)	(1,401)
Net Other Assets	0	0	6,533	6,066	5,599
Total Assets	**65,871**	**30,000**	**188,463**	**214,107**	**247,046**
LIABILITIES					
Current Liabilities					
Accounts Payables/cr. Card debt	13,663	0	13,663	14,073	14,495
Curr. Portion of LTD	0	0	12,994	13,866	14,796
Total Current Liabilities	**13,663**	**0**	**26,657**	**27,939**	**29,291**
Long-Term Liabilities					
Bank Term Loan	0	0	45,813	31,947	17,151
Total Long Term Liabilities	0	0	45,813	31,947	17,151
Shareholders' Equity					
Owner's Investment	0	5,000	5,000	5,000	5,000
Niagara Co. IDA MicroGrant	0	25,000	25,000	25,000	25,000
Retained Earnings	52,208	0	52,208	85,993	124,220
Net Income (Loss)	0	0	33,785	38,228	46,384
Total Shareholders' Equity	52,208	30,000	115,993	154,221	200,604
Total Liabilities & Owner's Equity	**65,871**	**30,000**	**188,463**	**214,107**	**247,046**

Employment

Owner Steven Verheyn works full time in the business and has three employees. Based upon Mr. Verheyn's 2019 family income, he qualifies as a low-moderate-income person per HUD regulations and is not required to create a minimum of one full-time equivalent job. However, Mr. Verheyn intends to hire a new employee as an inventory manager, printer or salesperson.

Credit Report and Personal Financial Statement

Personal Credit Report
A personal credit report obtained from Equifax for **Steven R. Verheyn** shows a FICO Score of 757 and a credit rating of Very Good Credit. The Equifax Report dated May 12, 2020 shows five open revolving credit lines totaling $16M with total outstanding balances of $1,800. The report shows no real estate or automobile related debt. These figures are consistent with the information that is reported on the applicant's personal financial statement (pfs). However, the applicant did not indicate any outstanding revolving credit line balances on his pfs. Applicant has established credit since 2014 with all accounts paid timely and as agreed. No bankruptcies, judgments or liens were reported.

Personal Financial Statement
Steven R. Verheyn submitted a Personal Financial Statement signed and dated on February 13, 2020, which is shown below.

	Steven R Verheyn as of 2/13/2020
Assets	
Cash on Hand (including savings)	1,200
Automobiles	8,000
Real Estate*	14,000
Life Insurance - Cash value	4,132
Total Assets	**27,332**
Liabilities	
Charge accounts	0
Total Liabilities	0
Net Worth	**27,332**
Liquidity	
Cash on Hand	1,200
	1,200

* The real estate is identified as a vacant lot located at 6448 Ridge Road, Lockport, NY. Property was transferred on February 12, 2020.

Based on the 2019 federal personal tax returns, Mr. Verheyn's family income qualifies him as a low-moderate income person per HUD regulations. As a result, Mr. Verheyn is not required to hire at least one FTE in order to satisfy a national objective.

Risk Assessment

Positive Factors:
- Owner has experience, having worked for his father's label printing company and other small businesses in the industry.
- Owner has a "built in" customer list from taking over father's business in late 2019 and is actively pursuing new customers via marketing/advertising strategies.

- Purchase of the new equipment allows for better efficiencies and turn-around time resulting in increased business and new customers and improved profitability.
- The company has plans to invest in additional marketing and advertising strategies and utilizing social media to reach additional customers.
- Owner has a very good personal credit score with minimal personal debt.
- The company has a good banking relationship with M&T Bank which has recently provided financing for the new equipment and a small business line of credit.
- Expected to hire new employees within the next two years.
- Personal capital injection of $5,000 which represents 17% of the total project cost, demonstrating commitment of funds and to the expansion project.

Negative Factors:

- While Mr. Verheyn has taken over his father's label printing business (client listing, commercial r/e) and formed his own company, this is start-up operation for this first-time business owner which carries the risk of maintaining the *current* client relationships and growing the business.
- The extent of the impact of COVID-19 on the company's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on customers, employees, and vendors, all of which cannot be predicted.

Summary / Recommendations

If approved based on the positive factors noted above, it is recommended that grant be structured as follows:

Grant Amount:	$25,000
Grant Term:	Release upon closeout of OCR grant and satisfaction of any repayment obligation
Interest Rate:	N/A
Repayment:	Grant subject to recapture if Grantee fails to comply with grant requirements
Collateral/Security:	None
Training:	Grantor provided documentation confirming that applicant has completed an approved Microenterprise Technical Assistance Program.
Equity Injection:	Grantor should obtain documentation evidencing the minimal injection of $3,000 (10% of total project) in cash equity by the owner prior to disbursing grant proceeds.
Employment:	Based on the 2019 federal personal tax returns, Mr. Verheyn's family income qualifies him as a low-moderate income person as per HUD regulations. As a result, Mr. Verheyn is not required to hire at least one FTE in order to satisfy a national objective.

Grant Assessment

Eligibility

☒ The business is a commercial enterprise that has five (5) or fewer employees, one (1) or more of which is the principal and owns the enterprise.

☒ The business ownership has committed a minimum of 10% equity toward the project budget.

☒ A principal of the business has completed an approved Microenterprise Technical Assistance Program. (Verification required that this condition has been satisfied.)

National Objective

☒ The microenterprise owner is a person of low- or moderate-income as defined by the U.S. Department of Housing and Urban Development; or

☐ The microenterprise will create at least one full-time equivalent job available to individuals of low- or moderate-income.

Microenterprise Type

☒ The microenterprise is a "start-up business", defined as having been in operation for less than six (6) months from the time of application; or

☐ The microenterprise is an existing business that as of the time of application has been operating for longer than six (6) months.

Feasibility

The applicant, Northridge Printing Inc., has been operating as a manufacturer of pressure sensitive labels, serving a variety of markets including medical suppliers, wholesale warehouses, food processing and bottling plants, retailers and farmers. Shortly after Mr. Verheyn's father passed in September 2019, Mr. Verheyn formed his own company principally taking over the customer list of his father's printing business-Ontario Label Graphics. Last month, the company purchased a new machine, a digital printer/cutter, in an effort to expand its customer base and enhance operational efficiencies. The feasibility of the business is evidenced by continued sales and profitability in the last two months of 2019 and the commitment to upgrading operations in order to further expand the business. The grant proceeds will be used to purchase inventory and working capital which supports the expansion project.

Impact

The applicant specializes in flexographic and digital inkjet printing and services a variety of markets. Given the current COVID-19 pandemic and its effect on the health care industry specifically, the company has experienced additional business and a generous spike in profitability as demand has substantially increased for labels for health care-related items such as hand sanitizers and the like. The business provides the community with competitively priced product offerings and provides employment for Mr. Verheyn, a low-mod person as defined by the U.S. Department of Housing and Urban Development.

10% Equity Contribution Requirement

The grant applicant is aware that receipt of a grant and the subsequent disbursement of grant funds is subject to evidence of an equity contribution by the grant recipient of at least 10% of total project costs in compliance with the guidelines of the Niagara County Microenterprise Program.

Prepared by: Elizabeth M. Kraus, VP Commercial Finance
H. Sicherman / the Harrison Studio
May 20, 2020