

Salt Lake County Community Resources and Development
 County Government Center, 2001 South State Street, South Building – Room S-2950
 Economic Development Revolving Loan Fund (EDRLF)

Thursday, April 13, 2017

Meeting Minutes

<u>Attendees</u>	<u>Excused</u>	<u>Staff in Attendance</u>	<u>Guests</u>
Blake Thomas	Kelly Hartnett	Stephnie Gyllenskog, SLCo	Jack Garzella
Andrew Larsen	Melissa Jensen	Gordy Holt, UBLC	Gary West
Ken Krull		Brad Bertoch, VentureCapital.org	
Mike Lunt		Debra Beresini, VentureCapital.org	
Karen Wiley	Beth Colosimo		
Ching Xu	Whit Johnson		
Laura Hayes	Kent Vance		

1. **Welcome** – Mike Lunt welcomed members.
2. **Approval of Minutes** – Andrew made a motion to approve the minutes. Ken seconded. **Minutes approved.**
3. **Loan Recipient Presentation** – Jack Garzella and Gary West from Flying Software Labs were present to give an update and present new information to the board. Jack said the company is doing well and they’ve hired eight Salt Lake County based employees and will continue to hire more employees. The company has products for airports to sell fuel, maintenance products for charter flights, and flight training products. The company just won a contract with Pan Am, which they anticipate will generate \$300M/year in revenues. Pan Am is a leading provider of training support for airlines and aviation professionals. The company has also finalized a contract with Shell. Jack and Gary also reviewed their current financial status with the board. The company’s burn rate has increased since they added employees via a merger with Vessix. Jack and Gary hope to be profitable by Q4 of 2017 or Q1 of 2018. In October 2016, they raised capital of \$386M to cover Q4 2016 expenses. In December 2016, they raised an additional \$1MM of equity from two investors (one existing and one new) who invested \$500M each. They are currently working on a \$3MM investment offering at a \$20-25MM valuation, and indicate they have raised \$2MM of the \$3MM. Jack indicated they should not need to raise capital again before achieving profitability, unless they accelerate their plan. They had approx. \$200M in software revenues in Q1 2017. Management indicated that revenue is within 20% of their pro forma (actual less than pro forma). They anticipate revenues in the \$3-6MM range for 2017. Once they achieve positive EBITDA, they anticipate refinancing all of the debt.
4. **Portfolio Update** – Debra reviewed financials for several loan recipient companies that were distributed to the board through e-mail. Debra committed to providing M-Vac Systems portfolio

to the board after the meeting. Debra reported that she has a call in with M-Vac Systems next week.

5. **Company Workout Update** – All company annual reporting is done and Brad said he is now able to put together a comprehensive report.
 - a. **Adamatic** – Brad said they have a buyer and a term sheet. He received a call from Jordan Bentley (Founder) today letting him know he believes the buyer will take everyone out of their loan positions. He wanted to know if there was any flexibility in case the new buyer did not work out with this loan fund such as modifications with the interest outstanding. Brad sent the payoff to him today. This fund will be paid principal and interest from the last 5 months. Brad is not sure who the buyer is, but assumes it could be a customer who needs the software.
 - b. **Extreme Ozone** – Gordy said that six weeks ago they had 100 units sold for \$1,100 each. The receivables were expected to be delayed because of school district budget cycles. Unfortunately, 20 units were returned from one of the schools. Kyle (CEO) will not speak to Gordy or Debra. Gordy received a text that Kyle has retained an attorney and will be in touch about the possibility of filing for bankruptcy. Gordy recommended that the County should take over the process of foreclosure. Brad will send a formal letter to the County suggesting that it utilize the loan loss reserve. **Because this loan has been delinquent for more than 12 months, it will be charged to the County's loan loss reserve, but collection action will be pursued. The Committee recommended that we retain an attorney to assist with collection efforts.**
 - c. **Arterial Insight** – Debra said the CEO is out selling his machine and is difficult to get a hold of. The CEO's wife called and could answer Debra's questions. She will get the company's financials and bank balance so that Brad and Debra can complete a workout plan for the loan. Debra stated that the workout plan has been a slow process because of her travel schedule but she has a commitment for Monday.
 - d. **Sendside Networks** – Brad informed the board that Sendside Networks (Title IO) is now wholly owned by D'Affinity Holdings, Inc. D'Affinity restructured a deal with UBLC to pay off the loan. Payments started in February at \$2,000 monthly. There is a strong belief that the company will get purchased and pay out the balance of the loan. This loan was financed solely with County funds (i.e., no banks participated).
6. **Pipeline** – Brad summarized the pipeline. The active leads include MULTIVOICE, Optimum Foods, Simplure, and Megalopolis: City of Collectibles. Some companies with future potential include SteamDX, Blyncsy, Veritas Medical, ClearPlay, Hydrant ID, PenBlade, Storytime GPS, Veristride, GoFanbase, and Velo Motors.
7. **Reporting** - There is nothing additional to add to the report that was e-mailed to the board. Brad will update it as soon as they get updated job numbers from the companies. In addition to the workout loans discussed above, Anecare and M-Vac Systems are ones to watch.
8. **Other business** – Karen said the Master Participation Agreement (MPA) has been updated by the Salt Lake County District Attorney and has been sent to American Express. There is a meeting on Tuesday with the Advisory Committee and they will review the agreement. The Loan Loss Reserve will be split into two funds. One will use Salt Lake County General Fund dollars to make loans in areas other than the urban county as defined by Community Development Block Grant regulations. This will provide for a broader range of loans, and will allow the CRA officers and loan fund manager greater ability to bring in new partners who are interested.
9. **Next Scheduled Meeting – May 11, 2017** **Adjourn – 4:36**