Business Enterprise Council
CERTIFICATION SUBCOMMITTEE MEETING
Monday, July 22, 2019
1:30 pm – 3:30 pm
James R. Thompson Center
100 W. Randolph Street, Room 4-404 JRTC
Chicago, IL 60601

COUNCIL SUBCOMMITTEE MEMBERS IN ATTENDANCE

Sharla Roberts; Beth Doria; Bola Delano; Sheila Morgan-Hill; Larry Ivory; Karen Eng; Edward McKinnie

COUNCIL SUBCOMMITTEE MEMBERS NOT IN ATTENDANCE

Derrick Champion

ACTING COUNCIL SECRETARY

Terrence Glavin

CMS MEMBERS IN ATTENDANCE

Carlos Gutierrez

OTHERS IN ATTENDANCE

Sharron Matthews
AGENDA

I. Welcome

II. Call to Order

III. Roll Call

IV. Posted Business
   • Approvals of May 28, 2019 Meeting Minutes
   • Appeal:
     o SLG Innovations, Inc.
     o Brandt Equipment DBA Brandt Industries
     o B & F Fabricating Inc.
     o Transformation by Wieland, Inc.

V. Suggestions for Business Enterprise Council meeting agenda
   • Next BEP Council Meeting – August 26, 2019
   • Next Subcommittee Meeting – September 23, 2019

VI. Public / Vendor Testimony

VII. Adjournment
I. Welcome
Chair Roberts welcomed all in attendance.

II. Call to Order
Chair Roberts called the meeting to order at 1:30pm and requested a roll call.

III. Roll Call
Roll call conducted. Quorum was established.

IV. Posted Business

- Approvals of May 28th, 2019 Meeting Minutes
  Vote taken, Minutes approved.

- Appeal:
  - SLG Innovations, Inc.
    Chair Roberts asked Carlos Gutierrez from the Business Enterprise Program Certification Unit to introduce the first appealing firm to provide opening statements.

Meanwhile, Sharron Matthews introduced herself as the new representative on the Council for the Department of Human Services (DHS). She stated her attendance as a part of orientation.

Mr. Ed Burns, President of SLG Innovation, Inc., introduced himself. Mr. Burns explained having 51 percent ownership of the firm. After the company filed for Chapter 11, it allowed a non-minority to infuse money to the company. The loan was made in two parts: One loan in the amount of $150 thousand was made to Mr. Burns himself to infuse into the company. The second loan was in the amount of $150 thousand to the company for investment, granting the investor 49% ownership. The Company exited Chapter 11 in 2017 (which was filed for restructuring) and now operates as a normal business.

Chair Roberts asked Mr. Burns what the ownership interest was at the time of the company’s establishment. Mr. Burns responded that it was 51 percent his own and 49 percent his wife’s, Tracy Burns.

Chair Roberts stated Mr. Burns presented his schedule pay once to the Business Enterprise Council. Mr. Burns stated that he supplied Schedule K-1’s (from 2016) and a supplemental package presented at the current meeting. He apologized for not having submitted those along with documentation to Carlos.
Member Doria asked that with the investor, she understood that the payback is at the time of sale of his company. She asked if there was a set timeframe. Mr. Burns responded that it was established upfront that there would not be a timeframe. Mr. Burns stated that at the time the investor got involved, the company was ending the year 2016 at $6 million. The company is ending the year 2019 at $10 million and that because of wins at Illinois Healthcare and Family Services (HFS), the Department of Human Services (DHS) and others, projected numbers for 2020 are exceed $13 million. He stated the value of the investment was growing and that was the investor’s benefit from the firm.

Member Doria asked if the investor earned some type of APR or yearly rate. Mr. Burns responded no. Mr. Gutierrez asked if the original loan directly to Mr. Burns of $150 thousand had been paid back. Mr. Burns responded no.

Member Ivory clarified that Mr. Burns still had 51% percent ownership of the company and could make majority decisions. Member Ivory stated that the investor made an investment in what he considered to be a growth company that would allow him an opportunity to get a return on investment and make a better return than for example, having his money sitting in a savings account. Member Ivory clarified that the investor made a $300 thousand investment, giving him ownership and an equity position in the company, but that he was not a debt instrument and could perhaps absolve his money if SLG Innovation Inc. went bankrupt.

Member Doria asked for a description of the investor’s role in the company. Mr. Burns responded that the investor’s only capacity was as shareholder and not role like that of an officer.

Chair Roberts asked Mr. Burns to provide his final statements as to why he should be certified with the BEP. Mr. Burns thanked the subcommittee. He stated believing the BEP certification bringing success to the company and feeling the need to share with others how they have come to leverage the program. Mr. Burns extended an apology to the certification analyst for not sharing all necessary information due to oversight. He stated believing the certification is critical to the firm and that the company will go out of business if they are not certified.

Chair Roberts thanked Mr. Burns for appearing and that he would receive an answer within two weeks.

- Brandt Equipment DBA Brandt Industries.

In accordance with the Illinois Open Meetings Act (5 ILCS 120) and the Freedom of Information Act (5 ILCS 140) the above meetings are open to the public.
BEP Council Certification Subcommittee
Esther Reich, President and sole proprietor of Brandt Equipment. Introduced the company as having been established over 75 years ago by the Brandt Family as a wholesale and manufacturing medical equipment company. Mr. and Mrs. Reich purchased the company in 2008 using joint monies and a bank loan with the intention that she would run business. Mrs. Reich expressed her interest in the medical field due to her own medical history with Type 1 diabetes and needing an insulin pump since her teens. She stated flying in from New York for the appeal because the certification provided her an opportunity to increase business with a major customer and sell her product. Mrs. Reich stated that in 2013 her husband, Abraham Reich, gave her his 50 percent so that she’d have 100 percent ownership. He relinquished all his shares and equity to her.

She stated appearing to address two concerns: the statement of sole organizer of Brandt Equipment dated October 2008 that inadvertently left out Abraham Reich’s name (Mrs. Reich stated she did not notice until BEP brought it to her attention), and the transfer of power in January 2013, when the attorney drew up paperwork stating Abraham Reich sells, assigns, and transfers his 100 percent of the membership (meaning his full share of his 50 percent ownership). She stated understands how the wording sounded ambivalent.

The transfer was done in 2013 years before application for a WBE certification through BEP. She stated her job coming into question at the Department of Education (DOE) and noted that she has plenty of time off and a reliable employee who is neither family or friend. She stated being the only authorized signer on every check and banking document from the Bank Signature. Mrs. Reich also stated that her Schedule C (Form 1040) tax returns for several years lists her name as sole proprietor. She added actively adding control of Brandt Equipment including decisions, marketing, purchasing and day-to-day operations.

Member McKinnie asked what Mr. Reich’s current role was in the company. Mrs. Reich responded that Mr. Reich is focused on his real estate business ventures but helps answer phone calls if Mrs. Reich is unavailable (phone calls are transferred to his phone) and that he will assist in the office if Mrs. Reich so needs. She noted though, that her employee, Mark, is her right-hand.

Chair Roberts asked when Mrs. Reich found interest in the certification program and applied. Mrs. Reich responded that she first applied in 2016 or 2017.

Member Matthews asked if Mr. Reich was paid for his advice or consultation. Mrs. Reich responded that he is not although she noted that all their assets and liabilities are joint.
Member Delano stated the application’s section under “control” listed both Mr. and Mrs. Reich having 100 percent responsibilities so there is no difference in terms of hiring and firing. She stated this going back to the issue of control. Mrs. Reich responded that she wasn’t sure what estimating meant and whether it had to do with buying or estimating the cost and that her husband is good at that. That was her understanding of estimating. She stated her husband estimating if it pays to change vendor or buy components to put together. Member Delano stated the issue is that Mrs. Reich would have to have that control. She asked Mrs. Reich to clarify whether Mr. Reich makes all the financial decisions. Mrs. Reich explained that she is the one that makes major financial decisions.

Member Matthews stated estimating is at the core of doing business because that is where a business sets pricing. Mrs. Reich stated that in her business, when a product is bought it is raised across the board by 30% so there is not much estimating involved. The only estimating is when the business buys components to put together (for example, a medical lab). That is the only time Mr. Reich assists with estimating.

Member Doria asked for clarity on whether Mrs. Reich is a manufacturer of products and whether her husband’s shares were paid for by her or gifted to her. Mrs. Reich clarified that the business acts as a distributor, she did not pay for her husband’s shares when they were turned over to her.

General Counsel Glavin asked if Mrs. Reich buys from a manufacturer and who signs the distribution agreements. Mrs. Reich indicated that she signs all distribution agreements.

Member Eng asked if the denial was appealed by Mrs. Reich. She responded that she appealed the denial herself as well as the application. Member Ivory asked what percentage of contracts Mrs. Reich is winning at 30% average cost that she puts on product line. Mrs. Reich estimated that she was winning less than 50%.

Chair Roberts asked Mrs. Reich to provide her closing statements to the subcommittee. Mrs. Reich stated wanting the opportunity to certify as she feels she justly meets the requirements.

- B & F Fabricating Inc.

Chair Roberts asked Mr. Gutierrez to introduce the third and final vendor.

Mrs. Jean Bednarek, listed President of B & F Fabricating, Inc., introduced Jennifer Bednarek, listed Vice President. Ms. Jennifer Bednarek stated that her grandparents
started the company in 1969. In 2016, then President (her father), passed away unexpectedly and there was no set plan on how to move forward.

Member Doria asked if at the time of the owner’s passing there was a structure. Ms. Jennifer Bednarek said that nothing was official on paper. Member Doria asked if the way they structured the company was based solely on trying to get women-owned status. Ms. Jennifer Bednarek stated that one of the reasons for the denial was because her brother was listed as President in January. As the oldest sibling, the company felt it was the right thing to do. Once the family started looking at ways to help the business and looked into the certification, they decided to make the change. Ms. Jennifer Bednarek stated that Jean Bednarek and herself were running the office anyway and that her brother was their foreman but needed help running the business. Jean Bednarek was involved with the company prior to her husband’s passing (helped with billing, take-offs, phone calls). Prior to her father’s death, Ms. Jennifer Bednarek was comptroller of the company and made financial decisions for five plus years.

Member Ivory asked if there was a will left addressing ownership since there was no business continuation strategy in place, verbal communication but nothing in writing. Mrs. Jean Bednarek stated there was a family trust but no will and that her husband’s shares were within family trust. General Counsel Glavin stated it’s important to note that the shares, if put into the trust, would be subject to certain decision-making by the trust administrator that would act on behalf of the beneficiary. He stated it may not necessarily control ownership.

Member McKinnie asked Mrs. Bednarek for the difference between sales or estimating. Mrs. Bednarek stated that you estimate a project for an amount of money and once the bid is accepted you have sales. Member Delano asked who makes the decisions in terms of expenses. She also asked if we have a copy of the trust. Mrs. Bednarek responded that she did not have a copy with her. Member Delano asked Mrs. Bednarek to walk the subcommittee through a typical bid. Mrs. Bednarek stated if someone emailed prints, Joe Villareal would look at prints, and look at the materials in stock and what needs to be ordered. He then gives list to Jennifer Bednarek and between both of them, they send out bids to suppliers. They then wait for prices in several quotes and mostly Ms. Jennifer Bednarek funnels in all prices. Between her and Mr. Villareal, they decide how many hours to put toward the project. The company shoots for a 20 percent profit on every job. Ms. Jennifer Bednarek types up the quote and sends it out. If they offer the job she gets the ball rolling.

Chair Roberts asked Mrs. Bednarek to provide closing statements.

Mrs. Bednarek stated that when a death happens, it is shocking. In their instance, her husband ran everything. When he passed, Mrs. Bednarek did not know what direction to take. Her husband gave her guidance on what to do. She stated having reconnected
with former customers to let people know the business is still running and wanting to keep up the quality of work that was provided for the past 50 years while her husband was alive.

Chair Roberts thanked Mrs. Bednarek for appearing and that she would receive an answer within two weeks.

- Closed Session:

During closed session Member Doria voiced concerns about not letting other shareholders answer councilmember questions. Chair Roberts stated the answers needed to come directly from the applicant. Member Doria wanted to clarify that if there are multiple owners at the hearing, they may respond, it does not have to be the president. All present agreed.

Member Morgan-Hill motioned to approve SLG Innovations, Inc.’s certification and overturn denial. Motion passed. Denial was overturned.

Member Doria motioned to uphold denial for Brandt Equipment. Member McKinnie seconded. Motion carried to uphold decision not to certify.

Member McKinnie motioned to uphold denial for B & F Fabricating, Inc. Member Doria suggested that the group look at the wife’s trust. Member Delano asked for additional verification stating that the shares and information were just not clear. Member Delano stated believing neither wife nor daughter have control. Member Eng noted the amount of time that has passed since the president’s death (three years). Member Eng seconded the motion to uphold the denial. Motion passed. The decision to deny certification was upheld.

Member Doria addressed the pending hearing vote (Transformation by Wieland, Inc.) stating that there have been no changes to ownership, it is a temporary management situation, and the owner holds control. Member Doria made the motion to overturn denial. Member Eng seconded. Member Delano stated that the people making the day-to-day decisions are in control because decisions were being made on her behalf. General Counsel Glavin stated the subcommittee should restate the motion after much confusion. Member Doria motioned to overturn the denial. Member Morgan-Hill seconded. Chair Roberts requested a roll call, and the decision was made to overturn the denial.

Meeting adjourned.