



**Made in the USA: Our story as an American Manufacturer
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**CP Holdings LLC
Commodore Plastics LLC
Commodore Technology LLC
Ontario Holdings LLC**

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Commodore – A Small Manufacturing Business

Our Story

Commodore is a small manufacturing business located in Bloomfield NY. We make polystyrene foam meat trays and the equipment to make foam products. Commodore Technology LLC makes the machines and the molds for Commodore Plastics LLC and also sells equipment for export. Commodore Plastics makes and sells mostly meat trays for the domestic market. We started as a foam packaging business in 1981 and added machinery sales around 1990 when we learned that there is a market for equipment designed like ours.

My father, George, decided to start a foam business in 1981 when the industry was in a high growth period. He was able to pull some people together and buy some used equipment. His plan was to offer a few items with some unique features added to the current offering. Right away this idea didn't work. The customers required that he be able to offer all of the sizes. He could not afford the molds for all of the sizes using the current processing technology so he developed and patented a new method of trimming the parts from the web. He was later able to offer more sizes, but still had trouble with sales. So George started offering colored trays (rose, blue, charcoal) instead of just the offering at the time of white and yellow. The developments came as a result of necessity and are part of our continuous improvement.

It was much more difficult than my father imagined, but he had some lucky breaks too. At one point, he learned that Pepperidge Farms had decided that they would rather buy their trays instead of making their own. As a result, he was able to get some equipment and a new customer at the same time. This led to a discovery that the smaller equipment that Pepperidge Farms had been using was more efficient with material than what he had been doing. Because we are small relative to our competitors, we needed a different manufacturing footprint in order to be competitive. With the addition of this new equipment, he could see what previously had not been known to him.

From this knowledge, we developed a system that incorporates many of the ideas behind Lean Manufacturing. We need to make shorter runs of different sheet types and colors and this change allows for us to do it efficiently. This turned out to be a big advantage when it came to selling equipment and molds. Many of the worlds markets are smaller and a producer might make trays, hinge lid containers, and plates all in the same plant. Our foot print works well for this so we have been able to design, manufacture, and sell equipment and molds to companies in Central and South American. Today the area where we are most active selling equipment is in Russia and the former Soviet Republics.

Our company's biggest setback occurred on May 19, 1991. The entire business burned to the ground. There was almost nothing of value remaining. Insurance was expensive so we were underinsured leaving us few options. We focused exclusively on making machines and molds. We found this to be very difficult and we were determined to get back into the foam business. Then in 1995, we found a way and found it to be even

harder the second time. Things started out very slowly and 10 years after the fire, we were still well below our pre-fire revenue levels.

I have always been impressed with my father's optimism. For the first 20 years, we struggled. We reinvested every penny that we earned back into the business. He had everything that he owned on the line.

Things have improved. The last 10 years have seen 8 that were profitable and a few good years where we earned more than a normal return. We have a strong balance sheet and currently meet all of our bank covenants. Commodore is now 175 employees strong and offer competitive compensation packages. We are able to attract some great people to come and work with us. We are the largest private employer in the Village of Bloomfield and an important part of our community. We contribute to many great causes from kid's baseball to the school yearbook. We are very happy where we are now with the business and very hopeful that we can continue to grow and prosper.

Commodore and Government

Our Company and the Government are sort of like partners with the Government having the final word in many areas. The Government has a set of rules that we live by called regulations and we pay taxes on our profits. The government does what they can to ensure the market place is fair for all competitors and also does what they can to help us to be successful through Government programs.

Over time we have found our way through the maze of laws and regulations. We have great products so we are competitive in a mature market. We know that we need to get all of the details just about perfect or there will be no profits for a given period. We are most concerned about things that we can't control. One of things where we have the least control is with the most recent government intervention on the part of Mayor Michael Bloomberg in the form of product bans.

Regulations

Regulations can be a very real barrier to entry. There are so many different regulations that can be very complicated and also costly. Over time, the regulation become less onerous and if done right can be a guide to best practices. Listed below are some of the regulations that we follow. An unfortunate aspect of regulations is that they don't always change as fast as new technologies become available.

OSHA

We want a safe work place and feel this is one of our most important responsibilities to our employees. The last thing that we want to see is a person getting hurt on our watch; this is the same as what OSHA wants. We meet or exceed the regulations and as a result, have a safe work place.

Chemical bulk storage

We are regulated by the EPA for chemical bulk storage. The butane is use to foam the plastic and we buy it by the tanker load. The tank needs to be big enough to fully unload the truck. We had a case where we did not know a law existed regarding the storage. We found out about the law after we had been using the tank and were in the process of creating a safety program to meet the regulation when we had an EPA visit. We were given a chance to submit the program that we were working on and when we did so at the wrong program level, we were subject to a fine.

Building codes

The codes for buildings and fire systems can be confusing. We have an older building that was built around 1900. At one point we had a very difficult time with the fire inspection process. We were very fortunate to find an architectural firm with the necessary expertise to move us forward.

AIB

We are self regulated by The American Institute of Bakery. We hire AIB to do an annual inspection of our manufacturing facility. AIB publishes a guideline for facilities making packaging for food. We develop processes that follow the guideline and they assign us a number grade for our performance against the standard. Because of this, our customers do not need to inspect our facility to know that we are delivering safe and sanitary packaging. Our December 2012 score is 940 out of a possible 1000 points.

The Affordable Care Act

We offer a group health care option to our employees. We pay for about half of the cost. We have about 90 of our 175 full time employees that participate. We purchase our coverage from a brokerage company and they spend time with management to help us decide what package is the best fit for our employees. They also explain the benefits to our employees and they are our primary source of information. We have been in constant contact with them since The Affordable Care Act passed, but we still do not understand how much our costs are going to change. We assume that some of the people who do not get insurance through the company get it from other places including their parents or spouse. We also assume that some do not have insurance. How many will join our plan is unknown and this is concerning. We think that our plan meets the affordability requirements this year, but the regulation changes and our current plan may not meet the requirements next year.

I have concerns that the legislation will decrease the employment for the entry level worker. At Commodore Plastics, we have chosen to do a lot of the work in our plant manually as opposed to automatic packing machines. We feel the added complexity of having more equipment and the setup associated will limit flexibility. With the upcoming changes, I can see companies choosing automation over hiring more people.

401K

We offer our employees a defined contribution retirement plan. Since we have more than 100 participants, we are required to do an annual audit. The cost of the audit is about \$10,000 not including the time spent by our employees.

GAAP Accounting

We are required to follow GAAP accounting. The banks that we work with insist that we follow the rules so they can understand the financial health of a business before loaning the business money. We understand the rules and do the accounting ourselves and then have them reviewed by an accounting firm that specializes in reviews and audits.

Taxes laws

The tax laws are very complicated so we hire an accounting firm to prepare our taxes. We have been through an IRS audit of our business and personally.

Workman's Comp.

We purchased workman's compensation insurance through a pool regulated by New York State. We were members of the pool for one year and then moved to a different carrier. Years later when the fund was empty and still had claims to pay; the attorney general of NYS sued the past and present members of the pool. We spent a significant amount of money on attorneys and eventually paid a settlement of about \$250,000.

Visas for Visitors

Because we make equipment and also run a manufacturing plant, we can offer training to our Technology customers by having them spend time in our plant. We have been having trouble getting the necessary travel visas for them to come and visit.

Taxes

We are an S corporation so we pay our income taxes through the owner's tax return and do not file a separate corporate return. The negative impact is that individuals pay a higher tax rate than C corporations leaving us at a competitive disadvantage.

Loop holes

I have heard of these, but don't know of any. These must apply to some other type of company or product because we pay almost 50% of our income in taxes.

Reinvesting in the company

High income tax rates hinder growth. Our owners work for the business. We pay money to our owners for living expenses; we pay our taxes and reinvest the rest. With the tax amount being high, the reinvestment is low. Successful manufacturing businesses constantly reinvest just to stand still and more investment is required to grow. Alternatively, we borrow money to grow, but banks will not lend to a company that is not reinvesting as it will not have the

proper debt to equity ratios. Lower rates would increase growth. Perhaps a reduced rate for money that remains inside the company would do the same thing for an S corp.

Financial assistance

We have taken part in a few different government loan programs. The loans were a very important part of our past. The loan guarantees that we were able to get from SBA and USDA allowed us to borrow money and grow our business.

EXIM Bank

We have an ExIm line of credit that we use to finance our work in progress for exporting machinery and tooling. The program also allows us to write a standby letter of credit. The program has worked well for us in the past. We have customers that use the ExIm bank to finance their projects. We are currently working on an order that will ship to Paraguay. This will be their second project using an ExIm loan guarantee.

Product bans

We are most concerned about PS foam packaging bans. We believe that the bans are based on people's negative reaction to litter and not based on scientific fact. There are many people who think that ps foam is bad for the environment. They base their opinion on emotion and avoid understanding the facts about foam packaging. Foam packaging is polystyrene that is foamed to stretch the natural resources to make more product using less material. People don't seem to have a problem with the unfoamed version of the exact same material. There are many positive attributes of foam packaging. The process to produce foam uses little energy and there is no water waste. Foam packaging is thought to be non recyclable but that is not the case. It is being recycled and turned into many household products. All of the internal scrap in our plant is recycled and put back into the products that we make.

Mayor Michael Bloomberg has proposed a law that would ban polystyrene take out containers in New York City. This ban will have little to no impact on litter or the amount sent to landfill. This ban is bad for New York State and it is bad for Commodore. It is very difficult for us to understand how a government can pick the winners and losers without considering all of the other products in a category and without having the science on their side. I have invited Mayor Bloomberg to visit our plant and have had no response. It seems to me that he should see the material being made before taking such consequential actions.

Made in USA

Most of the foam used in the US is produced in the US. The substitutes that are being pushed by the bans are often made abroad. In many cases, these products are made in China and often are made from recycled paper. Paper is made from wood and contains many naturally occurring but potentially dangerous chemicals. The substitute products are less environmentally friendly when looking at the entire life cycle of the product.

Waste to Energy

We expect in the future that waste to energy will become more popular. Plastic packaging is generally non absorbent and also has high BTU content. Instead of using petroleum to make electricity, use it to make packaging and then use the packaging to make electricity.

Conclusion

Commodore is a small, privately held company operating in Bloomfield, New York which is located in the Finger Lakes Region. We have been in business for since 1981 and employ 175 people. While our company has had its' share of challenges through the years, (fire disaster, market driven, regulations), we are healthy with a bright future. We believe in reasonable and fairly administered government oversight; one that allows privately held companies to compete effectively domestically and abroad.

Our biggest concern is that Government will ban our products.

I appreciate the opportunity to have Commodore's story heard in front of the Committee on Small Business.

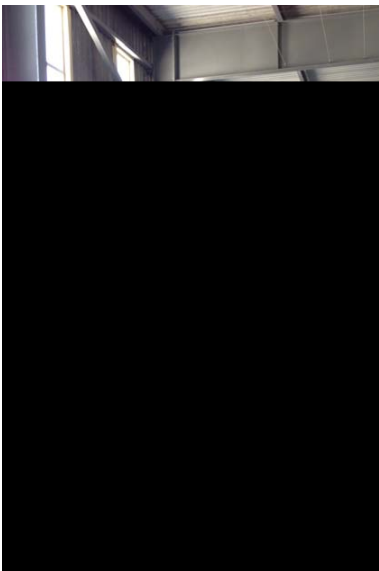
Commodore Facility



This is a picture of our manufacturing and also our roll storage buildings. This picture must have been taken on a Sunday. We run extrusion 24 hours by 7 days a week in the extrusion department.



This is an aerial view that includes our warehouse and also a good part of Canandaigua.



This is a picture of some of our trays in use. We make a wide variety of sizes and colors. Strength requirements vary depending on the application so we run the same sizes and colors in different strengths.

Commodore Technology



This is a picture of a foam extrusion line that Commodore Technology sold that is running in the Moscow region. It is used to make sheet for meat trays and egg cartons.



This is a picture of our wide sheet thermoformer. It is running in Chelyabinsk in Russia. It is used to form sheet into meat trays and hinge lid containers.



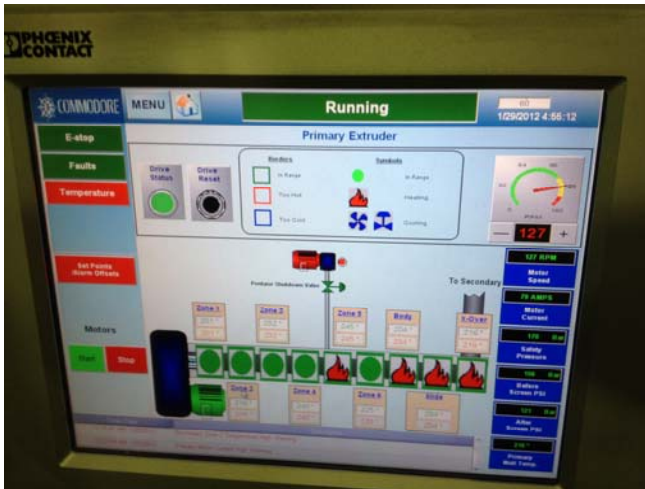
These are what foam trays look like before they are trimmed from the web. The guiding system positions the web in the correct spot so it is trimmed from the sheet evenly.



This is the press and mold that forms the product in the previous picture. Just about everything in the picture was made at Commodore.



This is the male side of a 3 compartment plate mold. This mold runs in our plant in Bloomfield NY and was produced there also.



This a touch screen. It is used to control the extrusion system. It was designed and programmed in Bloomfield NY.



This is what ps foam looks like under magnification. The walls of the cells are polystyrene plastic. The material inside the cells is air.

Commodore Plastics



This is a row of silos used to store recycled materials in Bloomfield NY. The conveyer system is used to bring the materials into the plant where it is densified so it can be reused to make more foam. PS foam from our factory is about 30% recycled content.



This is a foam line that has been converted from R and D environment to make label stock. Foam labels provide cushioning that allows glass bottles to have thinner walls and use less glass. We sell this foam for microwavable cups for products like mac and cheese.



This picture is the inside of our plant in Bloomfield. The trays are being made on the thermoformers. The trays are packed into plastic bags. The cases are then bundled and in lots of about 24 cases and shipped to supermarkets or food processors. A case of 300 trays sells for about \$15 depending on the product weight.



We make roof vents for home construction. In the picture is also a padding machine that de-nests trays, applies glue, applies an absorbent pad, and the re-nests the product so it can be packed for shipment.



Polystyrene foam is pulled by the roller stand. The speed of the stand will influence the weight of the final product. Notice the roll on the winder in the background.



This is a picture taken inside of our plant of a bundle of product. This bundle weighs about 110 pounds and might sell for about \$250 delivered.



We make rolls of foam sheet on an extrusion system that was build by Technology for Plastics. Each of the 4 extruders makes about 5 rolls per hour. That takes a lot of space.



The foam comes out of an annular die and we stretch it over a cooling mandrel as a tube. The tube is slit at the bottom and opened up to make sheet. Then we roll it up and age it for about 5 days before thermoforming.