MICRON SOLUTIONS INC /DE/
Form 10-Q
August 11, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2017 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

001-9731

(Commission file No.)

Micron Solutions, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	72 0925679
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

25 Sawyer Passway

Fitchburg, Massachusetts 01420

(Address of principal executive offices and zip code)

(978) 345-5000

(Registrant's telephone number, including area code)

___

(Former name, former address and former fiscal year, if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non Accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 11, 2017 there were 2,820,999 shares of the Company's common stock outstanding.

Table of Contents

Micron Solutions, Inc. and Subsidiary

TABLE OF CONTENTS

Table of Contents

PART I - CONDENSED FINANCIAL STATEMENTS

Item 1. Condensed Consolidated Financial Statements (unaudited)

Micron Solutions, Inc. and Subsidiary

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 338,069	$ 380,381
Trade accounts receivable, net of allowance for doubtful accounts of $42,000 at June 30, 2017 and $30,000 at December 31, 2016	3,441,272	2,276,608
Inventories	3,254,264	3,060,085
Prepaid expenses and other current assets	610,204	614,362
Total current assets	7,643,809	6,331,436
Property, plant and equipment, net	6,396,582	6,440,911
Assets held for sale, net	688,750	688,750
Intangible assets, net	44,401	30,093
Other assets	10,629	156,231
Total assets	$ 14,784,171	$ 13,647,421
Liabilities and Shareholders’ Equity		
Current liabilities:		
Revolving line of credit	$ 2,670,000	$ 1,785,795
Equipment line of credit	504,781	102,500
Term notes payable, current portion	2,217,480	487,468
Accounts payable	2,611,071	1,744,261
Accrued expenses and other current liabilities	439,474	333,361
Customer deposits	210,465	122,290
Deferred revenue, current	173,722	224,988
Total current liabilities	8,826,993	4,800,663
Long-term liabilities:		
Term notes payable, non-current portion	—	1,970,863

Subordinated promissory notes	436,471	432,011
Deferred revenue, non-current portion	—	156,953
Total long-term liabilities	436,471	2,559,827
Total liabilities	9,263,464	7,360,490
Commitments and Contingencies		
Shareholders’ equity:		
Preferred stock, $0.001 par value; 2,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 10,000,000 shares authorized; 3,926,491 issued, 2,820,999 outstanding at June 30, 2017 and 3,926,491 issued, 2,816,639 outstanding at December 31, 2016	39,265	39,265
Additional paid-in-capital	11,489,089	11,457,320
Treasury stock at cost, 1,105,492 shares at June 30, 2017 and 1,109,852 shares at December 31, 2016	(3,016,667)	(3,028,564)
Accumulated deficit	(2,990,980)	(2,181,090)
Total shareholders’ equity	5,520,707	6,286,931
Total liabilities and shareholders’ equity	$ 14,784,171	$ 13,647,421

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Micron Solutions, Inc. and Subsidiary

Condensed Consolidated Statements of Operations

(unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net sales	$ 5,390,726	$ 5,129,013	$ 10,655,703	$ 10,112,294
Cost of sales	5,008,889	4,184,263	9,620,492	8,482,425
Gross profit	381,837	944,750	1,035,211	1,629,869
Selling and marketing	234,820	303,564	500,693	596,910
General and administrative	552,678	491,432	1,169,508	1,182,067
Research and development	28,344	24,415	57,640	50,258
Total operating expenses	815,842	819,411	1,727,841	1,829,235
Net income (loss) from operations	(434,005)	125,339	(692,630)	(199,366)
Other expense:				
Interest expense	(87,429)	(63,276)	(151,330)	(123,496)
Other income, net	9,981	50	34,070	827
Total other expense, net	(77,448)	(63,226)	(117,260)	(122,669)
Net income (loss) before income tax provision (benefit)	(511,453)	62,113	(809,890)	(322,035)
Income tax provision (benefit)	—	—	—	—
Net income (loss)	$ (511,453)	$ 62,113	$ (809,890)	$ (322,035)
Earnings (loss) per share - basic	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)
Earnings (loss) per share - diluted	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)
Weighted average common shares outstanding - basic	2,820,999	2,816,639	2,819,915	2,816,392
Weighted average common shares outstanding - diluted	2,820,999	2,900,493	2,819,915	2,816,392

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Micron Solutions, Inc. and Subsidiary

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Net loss	$ (809,890)	$ (322,035)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on sale of property, plant and equipment	(21,554)	—
Depreciation and amortization	803,217	745,440
Non-cash interest expense	16,753	13,842
Change in allowance for doubtful accounts	12,000	(30,000)
Share-based compensation expense	32,417	30,591
Changes in operating assets and liabilities:		
Accounts receivable	(1,176,664)	106,330
Insurance receivable	—	(258,842)
Inventories	(194,180)	(554,983)
Prepaid expenses and other current assets	4,159	36,855
Other non-current assets	145,603	52,602
Accounts payable	866,811	185,567
Accrued expenses and other current liabilities	117,361	83,922
Customer deposits	88,175	298,627
Deferred revenue, current	(51,266)	(19,156)
Other non-current liabilities	(156,953)	(29,510)
Net cash provided by (used in) operating activities	(324,011)	339,250
Cash flows from investing activities:		
Purchases of property, plant and equipment	(759,546)	(960,144)
Proceeds from sale of property, plant and equipment	23,200	—
Cash paid for patents and trademarks	(15,296)	—
Net cash provided by (used in) investing activities	(751,642)	(960,144)
Cash flows from financing activities:		
Proceeds from (payments on) revolving line of credit, net	884,205	570,000
Proceeds from equipment line of credit	402,281	544,851
Payments on term notes payable	(253,145)	(291,104)
Proceeds from stock option exercises	—	51,150
Net cash provided by (used in) financing activities	1,033,341	874,897

Net increase (decrease) in cash and cash equivalents	(42,312)	254,003
Cash and cash equivalents, beginning of period	380,381	272,291
Cash and cash equivalents, end of period	$ 338,069	$ 526,294

	Six Months Ended June 30,	
Supplemental Cash Flow Information	2017	2016
Cash paid for interest	$ 138,279	$ 113,112
Non-cash activities:		
Issuance of Treasury Stock for Directors Fees	$ 11,250	$ —
Equipment line of credit converted to term notes payable	$ —	$ 881,701

See accompanying notes to condensed consolidated financial statements.

5

Table of Contents

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The consolidated financial statements (the "financial statements") include the accounts of Micron Solutions, Inc.® (“Micron Solutions”) and its subsidiary, Micron Products, Inc.® ("Micron" and together with Micron Solutions, the “Company”). All intercompany balances and transactions have been eliminated in consolidation.

The unaudited interim condensed consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such rules and regulations. These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 22, 2017.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The Company's balance sheet at December 31, 2016 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements.

The information presented reflects, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial results for the interim periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In the normal course of business, management evaluates all new accounting pronouncements issued by the Financial Accounting Standard Board ("FASB"), Securities and Exchange Commission ("SEC"), Emerging Issues Task Force ("EITF"), or other authoritative accounting bodies to determine the potential impact they may have on the Company's Consolidated Financial Statements. Based upon this review, except as noted below, management does not expect any of the recently issued accounting pronouncements, which have not already been adopted, to have a material impact on the Company's consolidated financial statements.

ASU No. 2016-02, "Leases (Topic 842)"

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires companies to recognize all leases as assets and liabilities on the consolidated balance sheet. The standard retains a distinction between finance leases and operating leases, and the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the current accounting literature. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in a consolidated statement of comprehensive income and a consolidated statement of cash flows is largely unchanged from previous GAAP. The amendments in this standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted.

As of the date of this report, the Company is the lessee of office equipment in a single operating lease and is the lessee of a parking lot as well as storage units. The Company is not a lessor in any arrangements. The Company is evaluating other supplier relationships to determine if such arrangements constitute a lease per this guidance. The Company expects to complete is evaluation prior to the end of 2017 and will evaluate the impact of adoption at that time. The Company does not expect any material impact on reporting or on the results of operations.

ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09")

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). The core principle behind ASU No. 2014-09 is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering goods and services. This model involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when the entity satisfies the performance obligations. This ASU allows two methods of adoption; a full retrospective approach where historical financial information is presented in accordance with the new standard, and a modified retrospective approach where this ASU is applied to the most current period presented in the financial statements. In August 2015, the FASB issued ASU No 2015-14 "Revenue from

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

Contracts with Customers: Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, with earlier application permitted as of annual reporting periods beginning after December 15, 2016.

As of the date of this report the Company has established a multi-disciplinary team including members of executive management, accounting, sales, operations and IT which is expected to begin implementation of a transition plan to the new guidance in the third quarter. The team will evaluate all supply and manufacturing agreements with customers as well as the nature of other arrangements and relationships between the Company and all other customers ("arrangements"), to determine if a contract, as defined by the guidance, exists. After evaluating the arrangements, the Company will determine the appropriate treatment for revenue recognition per the guidance compared to the Company's present revenue recognition policy is outlined in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 22, 2017. As of the date of this report, given the scope of the new standard, the Company is currently unable to provide a reasonable estimate regarding the financial impact or which method of adoption will be elected.

Operating matters and liquidity

On June 16, 2017 the Company's credit facility (see Note 6) was renewed for 90 days, expiring September 30, 2017. At June 30, 2017, the outstanding balance on the Company's revolver was $2,670,000 with $728,879 of borrowing capacity. As of the June 30, 2017 testing date, the Company was in compliance with the terms of the credit facility except with respect to the debt service coverage ratio covenant. Non-compliance with the covenant entitles the bank to declare a default and seek immediate repayment of all outstanding balances. As of the date of these financial statements, the bank has indicated that they will not demand repayment of the outstanding balances. The Company is in discussion with the bank to obtain a waiver of non-compliance with the covenant. Concurrently, the Company is working with bank on extending the credit facility beyond September 30, 2017. As a result of the non-compliance with the debt service coverage ratio covenant, all of the Company's bank debt has been classified as current liabilities as of June 30, 2017.

The Company believes that it will be able to obtain the waiver of non-compliance and extension of the credit facility beyond September 30, 2017, and anticipates that cash flows from its operations, together with its existing working capital, increased booked orders and other resources will be sufficient to fund operations at current levels and repay debt obligations over the next twelve months; however, there can be no assurance that the Company will be able to do so.

Assessment of going concern

The Company follows accounting standard ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new accounting standard requires management to evaluate whether there are conditions that give rise to substantial doubt as to the Company's ability to continue as a going concern within one year from the date of issuance of these financial statements. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. Management evaluations include identifying relevant conditions and events that were known and reasonably knowable as of the date these financial statements have been issued.

At December 31, 2016, the Company identified certain conditions and events which in the aggregate required management to perform an assessment of the Company's ability to continue as a going concern. These conditions included the Company's ability to renew the credit facility which was maturing in June 2017, negative financial history and the Company's limited liquidity to meet the working capital needs to support the Company's operations. While the Company was successful in renewing the credit facility for an additional 90 days, to September 30, 2017, similar conditions exist as of June 30, 2017. As of the June 30, 2017 testing date, the Company was in compliance with the terms of the credit facility except with respect to the debt service coverage ratio covenant. The Company is in discussions with the bank to obtain a waiver of such non-compliance and extension of the credit facility beyond September 30, 2017.

Management's assessment included an analysis of the Company's first half 2017 results and financial forecasts looking forward twelve months from the date of these financial statements. During the first half of 2017, the Company made strategic decisions to take on new large orders, at aggressive initial pricing, in order to land follow-on orders with lower material costs. During this period the Company incurred extraordinary costs related to the starting up of these new customers, including increased scrap, tooling, labor, rework, expediting charges from suppliers, shift premiums and overtime, in order to meet customer delivery requirements. The Company landed the follow-on orders with the lower material costs and mitigated the startup costs of these new products.

Table of Contents

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

The second half 2017 and 2018 forecasts reflect the expected results of austerity measures and productivity improvements implemented, beginning in the second quarter of 2017, which are expected to improve gross margin, reduce operating expenses and return the Company to profitability. These include more efficient use of labor by reducing overtime and modifying production schedules, process improvements, improved material yields, and decreased overhead expenses in part by compensation reductions for all salaried personnel including executive officers. In July 2017, the Company engaged Bonifacio Consulting Services, LLC (“BCS”), a manufacturing consultancy firm with a focus on plastics, medical devices, contract manufacturing and outsourcing to analyze and benchmark the Company’s operations, suggest business development strategies and improve operating performance. Management’s assessment also considered the Company’s history of meeting financial covenants and being able to renew and refinance its debt obligations.

Based on the expected extension of the Company’s credit facility beyond September 30, 2017, certain austerity measures and improvements as noted above, cash forecasts, the expected fulfillment of booked orders from existing customers and new customer prospects and the engagement of BCS, the Company expects to continue to meet its obligations for the next twelve months. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Prior period adjustment

In the three months ended June 30, 2017, the Company identified $84,721 of cost of goods sold related to revenue recognized in the first quarter of 2017. The statement of operations for the three months ended June 30, 2017 has been adjusted for these amounts so as to accurately present the results of operations for the second quarter of 2017. The statement of operations for the six months ended June 30, 2017 is presented including these amounts on a year to date basis. The Company concluded that the correction of this error was immaterial, both quantitatively and qualitatively, to all relevant periods. The impact of the adjustment on first quarter results is an increase in net loss to $298,436 from $213,715.

2. Earnings per Share ("EPS")

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. The computation of diluted earnings (loss) per share is similar to the computation of basic earnings (loss) per share except that the denominator is increased to include the average number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In addition, the numerator is adjusted for any changes in net income (loss) that would result from the assumed conversions of those potential shares.

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

The following table presents the calculation of both basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Income (loss) from continuing operations	$ (511,453)	$ 62,113	$ (809,890)	$ (322,035)
Net income (loss) available to common shareholders	$ (511,453)	$ 62,113	$ (809,890)	$ (322,035)
Basic EPS:				
Weighted average common shares outstanding	2,820,999	2,816,639	2,819,915	2,816,392
Earnings (loss) per share - basic				
Continuing operations	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)
Consolidated basic EPS	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)
Diluted EPS:				
Weighted average common shares outstanding	2,820,999	2,816,639	2,819,915	2,816,392
Assumed conversion of net common shares issuable under stock option plans	—	70,981	—	—
Assumed conversion of net common shares issuable under warrants	—	12,873	—	—
Weighted average common and common equivalent shares outstanding, diluted	2,820,999	2,900,493	2,819,915	2,816,392
Earnings (loss) per share - diluted				
Continuing operations	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)
Consolidated diluted EPS	$ (0.18)	$ 0.02	$ (0.29)	$ (0.11)

3. Inventories

Inventories consist of the following:

	June 30, 2017	December 31, 2016
Raw materials	$ 799,698	$ 1,027,474
Work-in-process	624,983	537,858
Finished goods	1,829,583	1,494,753
Total	$ 3,254,264	$ 3,060,085

Silver included in raw materials, work-in-process and finished goods inventory had an estimated cost of $583,733 and $521,745 as of June 30, 2017 and December 31, 2016, respectively.

Table of Contents

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

4. Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following:

	Asset Lives (in years)	June 30, 2017	December 31, 2016
Machinery and equipment	3 to 15	$ 17,322,498	$ 16,647,302
Building and improvements	5 to 25	3,986,715	3,986,715
Vehicles	3 to 5	90,713	90,713
Furniture, fixtures, computers and software	3 to 5	1,538,316	1,504,776
Construction in progress		122,822	402,099
Total property, plant and equipment		23,061,064	22,631,605
Less: accumulated depreciation		(16,664,482)	(16,190,694)
Property, plant and equipment, net		$ 6,396,582	$ 6,440,911

For the three months ended June 30, 2017 and 2016, the Company recorded depreciation expense of $406,761 and $361,001, respectively. For the six months ended June 30, 2017 and 2016, the Company recorded depreciation expense of $801,881 and $744,561, respectively

In January 2016, the Company entered into a Purchase and Sale Agreement (Agreement) with a Buyer (collectively the “Parties”) to sell two unoccupied buildings, with approximately 52,000 square feet, and land, at its Fitchburg, Massachusetts campus.

In December 2016, the Parties entered into a First Amendment to the Purchase and Sale Agreement (the First Amendment) which extended the time to close to January 13, 2018. As part of the consideration for extending the Agreement the Buyer agreed to pay certain extension fees.

In January 2017, the Parties entered into a Second Amendment to the Purchase and Sale Agreement (the Second Amendment) to further extend the time to close to July 2018. The Second Amendment permits the Buyer to assign the Agreement to a third party and extends the extension fees through July 2018 or the culmination of the agreement.

At June 30, 2017 and December 31, 2016, the real estate under agreement was classified as Assets Held for Sale valued at $688,750. The carrying value approximated the fair value less the cost to sell.

5. Intangible Assets, net

The Company assesses the impairment of long-lived assets and intangible assets with finite lives annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. For the three and six months ended June 30, 2017 and 2016, the Company did not impair any intangible assets.

Intangible assets consist of the following:

	Estimated Useful Life (in years)	June 30, 2017 Gross	Accumulated Amortization	Net	December 31, 2016 Gross	Accumulated Amortization	Net
Patents and trademarks	10	$ 26,290	$ 10,617	$ 15,673	$ 26,290	$ 9,738	$ 16,552
Patents and trademarks pending	—	25,568	—	25,568	13,541	—	13,541
Trade Names	—	3,268	108	3,160	—	—	—
Total intangible assets		$ 55,126	$ 10,725	$ 44,401	$ 39,831	$ 9,738	$ 30,093

For the three months ended June 30, 2017 and 2016, the Company recorded amortization expense of $547 and $1,006, respectively. For the six months ended June 30, 2017 and 2016, the Company recorded amortization expense of $987 and $2,013, respectively.

10

Micron Solutions, Inc. and Subsidiary

Period Ended June 30, 2017

Notes to the Condensed Consolidated Financial Statements (unaudited)

6. Debt

The following table sets forth the items which comprise debt for the Company:

	June 30, 2017	December 31, 2016
Revolving line of credit	$ 2,670,000	$ 1,785,795
Equipment line of credit	$ 504,781	$ 102,500
Subordinated promissory notes	$ 436,471	$ 432,011
Term notes payable:		
Commercial term loan	$ 2,187,403	$ 2,398,870
Equipment term loans	—	—
Equipment notes	30,077	59,461
Total term notes payable	$ 2,217,480	$ 2,458,331
Total Debt	$ 5,828,732	$ 4,778,637

Bank Debt

The Company has a multi-year credit facility with a Massachusetts based bank. This credit facility consists of a revolving line of credit (the "revolver"), a commercial term loan and an equipment line of credit. The debt is secured by substantially all assets of the Company with the exception of real property. On June 16, 2017, the credit facility was renewed for a 90 day term, expiring September 30, 2017. The Company is in discussion with the bank to extend the credit facility beyond September 30, 2017.

Revolver

The revolver provides for borrowings up to 80% of eligible accounts receivable and 50% of eligible raw materials inventory. The interest rate on the revolver is calculated at the bank's prime rate plus 0.25% (4.50% at June 30, 2017). Amounts available to borrow under the revolver are $728,879 at June 30, 2017.

Commercial term loan

In November 2016, the Company refinanced its bank term debt, including the commercial term loan and three equipment term loans, along with $500,000 from the revolver, into a new $2,481,943 consolidated five year commercial term loan with a maturity date in November 2021. The interest rate on the loan is a fixed 4.65% per annum and the loan requires monthly payments of principal and interest of approximately $46,500.

Equipment line of credit

In November 2016, the Company entered into an equipment line of credit that allows for advances of up to $1.0 million under the Company's multi-year credit facility. The term of this equipment line of credit is six years, maturing in November 2022, inclusive of a maximum one-year draw period. Repayment shall consist of monthly interest only payments, equal to the bank's prime rate plus 0.25% as to each advance commencing on the date of the loan through the earlier of: (i) one year from the date of the loan or (ii) the date upon which the equipment line of credit is fully advanced (the “Conversion Date”). On the Conversion Date, principal and interest payments will be due and payable monthly in an amount sufficient to pay the loan in full based upon an amortization schedule commensurate with the remaining term of the loan.