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Topic: Testimony in support of bill No. 855
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To whom it may concern:

The following is testimony in support of the appointment of a Secretary of Manufacturing as proposed under bill No. 855. This testimony is a culmination of a 2 year confrontation with the Department of Economic and Community Development (DECD) under the previous administration, and the Connecticut Center for Advanced Technology (CCAT).

Context

One of the responsibilities of the DECD is to use federal funds to help small businesses and the business community in Connecticut at-large. CCAT was originally set to further these goals and received public monies to do so since 2004. Specifically CCAT was intended as a tech incubator that would "promote economic growth" and exclusively operate "for charitable and educational purposes." It should be self-evident, then, what a perversion it is to now have CCAT received free advertising and equipment by the state, and for CCAT – an ostensible non-profit – to use these resources to start competing with the very Connecticut businesses it was designed to help.

CCAT was incorporated in 2004. A retired researcher from the United Technology Research Center, became director and was instrumental in getting CCAT space at UTRC (Pratt & Whitney Campus, East Hartford). In 2004, I was invited to take up space in the then new Advanced Manufacturing Center, where Bolton Works has been offering metrology and reverse engineering services since 2005. The first director was replaced in 2007 by Elliot Ginsberg, former chief of staff of Congressman Larson. Elliot Ginsberg has no formal technical, neither scientific training.

CCAT has been involved in a myriad of activities:

- Startup incubation
- Education
- Grant administration
- Advanced manufacturing
- Energy consulting
- Information technology (IT)
- Other state-sponsored activities, like organizing participation in the Farnborough Aerospace Show (England)

As tenant, my interactions with CCAT involved the Advanced Manufacturing Center and its related functions. This center is also where the majority of federal and state grant monies for CCAT are directed.

According to Form 990's, between 2004 and 2016 CCAT has been the recipient of more than \$130,000,000 in both federal and state grants. Form's 990 for 2017 and 2018 are not yet available.

Involvement State, DECD

Over the years the DECD invited CCAT to be part of advisory committees regarding the provision of grants for the manufacturing supply chain in Connecticut. CCAT served on the advisory boards of the following state-funded programs:

- MITP – Manufacturing Technology Innovation Program
- MIF – Manufacturing Innovation Fund
- MVP – Manufacturing Voucher Program
- MOP – Manufacturing Optimization Program (defunct?)
- CMSCI - Center for Manufacturing Supply Chain Integration

Thus, CCAT was both an advisor to and beneficiary of state funded programs. The DECD apparently was not concerned about the potential for a conflict of interest, resulting in the following findings:

1. MISUSE OF CCAT'S POSITION AS ADVISOR TO THE DECD

The following projects were initiated by CCAT and initially approved for funding by the Connecticut legislature. Current funding status is unknown to me.

a. HRAM (High Rate Additive Manufacturing)

Statutory amount (2014 – 2017): \$3.5 million
Board-approved amount (2014 – 2017): \$600,000

Funding for CCAT towards the development of a large scale 3D printer:
Why the state of Connecticut is funding this project is puzzling: it should be funded by the private sector, which would subject the proposal to the appropriate level of scrutiny and potentially provide the correct level of funding. A development like this requires fundamental research. CCAT is a self pro-claimed applied research institute and not equipped to take this on. It is also unclear who the beneficiary is of such an endeavor.

b. CCECM (Connecticut Center of Excellence for Composite Manufacturing)

Statutory amount (2014 – 2017): \$5.0 million
Board-approved amount (2014 – 2017): \$5.0 million

According to CCAT, "CCECM is intended to demonstrate a new approach to dynamic, adaptive, and mistake-proof machining of advanced, high value structural composites using technologies that are applicable to current and future platforms and components."
Meeting minutes from a Manufacturing Innovation Fund Advisory Board meeting show that the question was raised if the large Zimmermann \$2.9 million milling machine installed at CCAT for CCECM could be used by other Connecticut companies. The answer was yes, but there was no follow-up question inquiring as to who exactly those companies might be. This game changing piece of equipment (according to CCAT) is, 1 1/2 year after installation not or hardly being used.

c. INNOVATION TECHNOLOGY CENTER

RADE (Regional Aerospace and Defense Exchange) funding: \$950,000

The federal government's Office of Economic Adjustment has implemented the RADE program to coordinate economic recovery and provide grants in response to the closure or realignment of military installations or the cancellation/termination of defense contracts. Only state and local governments can apply for these grants.

The DECD formed the Innovation Technology Center and used RADE grants to buy equipment for the ITC, at the advice of CCAT. The equipment consists out of a GOM 3D optical scanner (\$500,000) and an industrial NSI CT scanner (\$450k). The machines were supposed to be used as demonstrators for which DECD rented space in CCAT's Advanced Manufacturing Center, next

to the space leased by Bolton Works. CCAT is operating the equipment on behalf of the State of Connecticut.

This is problematic:

- I. The equipment was acquired by the state to demonstrate new, state-of-the-art technology. However, this technology has already been used for more than 12 years by Bolton Works, calling into question the advice given by CCAT in regards to the equipment ITC has invested in.
For the GOM 3D optical scanner, the distributor is located in South Windsor, 10 minutes from CCAT's Advanced Manufacturing Center. Why would CCAT be better at demonstrating that scanner than the distributor?
The industrial CT-scanner was used by CCAT, however not only as demonstrator but primarily for commercial services, thus violating the non-commercial use agreement between CCAT, DECD and the Office of Economic Adjustment.
- II. Initially, DECD told me that the ITC equipment would be disposed of after the RADE funded period would end. It became increasingly clear that it wouldn't be the case and it appeared that CCAT was being setup by the DECD as provider for the same services, now performed at Bolton Works. DECD answers to me in 2018 were misleading at best.
- III. In order to make room for the DECD's ITC equipment, the lease for Bolton Works was terminated by CCAT in March of 2107 and I was given 2 months to re-locate. The termination of the lease came 4 days after I mentioned to CCAT's technology officer my intention to invest in an industrial CT-scanner.
I complained to DECD that it did not make sense to move Bolton Works out of the building so CCAT, with lesser credentials, could perform the exact same function as Bolton Works. Not only is a move costly, my biggest customers are in close proximity. DECD however did not intervene. The eviction of Bolton Works is still being litigated and the DECD equipment has been located in a different area of the Advanced Manufacturing Center, which brings up the question why we had to move in the first place.
As CCAT's former CEO Ginsberg is on the board of the DECD funded Colt restoration project, he could have mentioned the fact that there is vacant space in those buildings to relocate Bolton Works, he did not. Neither did he mention that CCAT was offered additional space in another section of the building, which CCAT declined to take but was suitable for Bolton Works.

2. MISUSE OF CCAT'S POSITION AS ADVISOR TO THE CONNECTICUT MANUFACTURING COMMUNITY

DECD and CCAT struck a relationship with the organization of "Aerospace Components Manufactures" (ACM) which has a regional network of 104 members located in Connecticut and South Massachusetts. During an ACM gathering at CCAT's Advanced Manufacturing Center last fall, CCAT was touting its 3D scanning capabilities and services. Not a word was mentioned about the fact that literally at the other side of the wall, 3D scanning services are provided by Bolton Works with a much higher level of complexity.

CCAT was touted as being "open for business" during a Pratt & Whitney Innovation forum in June of 2018.

CCAT is both advisor and provider of services to the Connecticut business community. As CCAT is offering commercial services, and funnels work into employee owned businesses, CCAT's advise is not un-biased.

3. PROVISION OF FALSE STATEMENTS BY CCAT TO DECD AND FEDERAL AGENCIES

- I. I mentioned to the DECD at the beginning of 2018, that CCAT was using the equipment for commercial purposes, in violation of their contract with the DECD and the federal Office of Economic Adjustment. In February and April of 2018 the DECD questioned Elliot Ginsberg on how CCAT was using the equipment. As it became clear in April 2018 that Ginsberg's answers were not truthful, the DECD put a cease and desist order on the equipment on April 27th, after I asked then Senator Scott Frantz to intervene (Scott Frantz was part of a committee overseeing DECD). On May 30th, I send Excel sheets to the DECD, the State Auditors and then Senator Scott Frantz, detailing the extent of the commercial projects by CCAT.
- II. For reasons unclear to me, around November 2018 CCAT started using the equipment again, for the exact same work which triggered the cease and desist order earlier in 2018. My email to commissioner Smith asking for clarification of the status of the equipment in December 2018, was left unanswered.
- III. Not only provided CCAT non-permitted commercial services on the equipment, they also falsified the numbers for which the equipment was supposed to be used, claiming success of the project. The numbers reported in DECD's Manufacturing Innovation Fund 2017 Annual Report, page 13 are highly inflated. The reported equipment usage was 1,805 Equipment Hours. This corresponds with 225 days, 8 hours/day, which is an impossibly high number of hours considering the small number of projects documented in the aforementioned Excel sheets, even if one would take in account the non-permitted commercial use.

4. TAX EVASION

- I. A non-profit organization can supplement its income with "unrelated business income" according to tax law, provided this income is reported on their 990 tax returns, as it is subject to income tax. None of the forms 990's available show unrelated business income. If CCAT would have listed the commercial use on their 2017 tax return, which has not been released yet, it would however been an admission of inappropriate use of RADE funding.
- II. In 2008, a plan was devised by CCAT to become more self-sufficient. The forms 990's since 2008 show that CCAT's road to self-reliance was not successful, with the exception of their IT services. For 9 years, CCAT did not pay taxes on their 13.5 million IT service income. Apparently the IT business was doing so well that CCAT formed a new for-profit entity "Novus Insight" at the end of 2017, as a way to separate their IT business from other activities. This means that after operating and building CCAT's IT services for 9 years with the support of the State and benefit of a non-profit, CCAT rolled their IT services into a for-profit entity, now competing with other Connecticut IT businesses.

5. VIOLATION OF ITS NON-PROFIT CHARTER

If the above is not enough to question how CCAT operates, please consider their statute as a Non-profit of which I would like to highlight the following 2 clauses:

- a) 2C to engage in any lawful act or activity for which corporation might be formed under the Connecticut Revised Non-Stock corporation Sections 1000-33 et seq ("The Act"), provided, that in all its activities the corporation shall exclusively operate for charitable and educational purposes entitling the corporation to exemption under the provisions of IRC section 501 (c)(3)

The commercial services by CCAT as detailed in the Excel sheets sent on May 30th to DECD, seem to be in violation with clause 2C. The formation of for-profit Novus Insight by CCAT seems at odds with this clause as well.

b) 3 Non-Profit Status..... ; and no director or employee of the Corporation may receive or be entitled to receive any pecuniary profit from the operations of the corporations except for reasonable compensation for services rendered to the Corporation.

CCAT employees have formed their own business while employed and receive extraordinary benefits from this relationship. These relationships continue as of now, at the expense of Bolton Works.

6. OPERATING AS A NON-PROFIT WITH A NON-FUNCTIONING BOARD OF DIRECTORS

I contacted CCAT board members in October 2018. There was no awareness of litigation between Bolton Works and CCAT, and somewhat awareness of problems between DECD and CCAT. In a follow-up email I invited the board to visit Bolton Works. I never received a response to my invitation. The board is not functioning and is apparently not being informed as it should by the CCAT leadership. Elliot Ginsberg should not have been elected chair of the board, if the board was aware of the cease and desist order placed by the DECD on the RADE funded equipment and the fact that he provided knowingly incorrect statements to the DECD commissioner. A non-functioning board is another reason to revoke CCAT's status as non-profit and the board members might be accused of dereliction of duty.

7. TECHNICAL INCOMPETENCE

I. Airforce Project FA8650-15-C-5703

The Connecticut Center for Advanced Technology signed a \$1.7 million grant contract with the U.S. Air Force to develop and improve parts-inspection technology for aerospace manufacturers. A contract in which Bolton Works participated. Although the official release of a report was due more than a year ago, and despite multiple request to CCAT, I still do not know what the final version of the report looks like. The Air Force has not yet approved the report for release.

II. CMM

CCAT has begun to offer metrology services using Coordinate Measuring Machines, again in competition with Bolton Works. As CCAT does not have the knowledge/experience to program these machines they enlisted the support from a Massachusetts based company.

III. Zimmerman Installation

During the installation of the 2.9 million dollar Zimmerman machine at CCAT, it became clear that the foundation was either incorrectly designed or constructed. This resulted in having to cut and reroute piping close to the ceiling in order to position the machine. Considering the cost of the equipment and the time and expense to construct the foundation, the lack of oversight by CCAT is striking. Due to the faulty foundation, the machine is not able to reach its designed operating range and therefore detracts from the value. This all might be a moot point, as again, it does not appear that the Zimmerman machine is being used at this moment. It does bring into question CCAT's competence in dealing with technical projects like these.

IV. What happened to the \$2,900,000 Zimmerman machine is emblematic in how CCAT operates: grant proposals are submitted to acquire expensive equipment by CCAT, the equipment is then used to create the illusion of technological proficiency, which is then the basis to request more funding for more expensive equipment, and the cycle repeats.

- a. Around 2005 a \$850,000 DMG hole drilling machine was purchased. The machine was sold back to the manufacturer in 2016 for less than \$50,000 after no significant use.
- b. A Kuka high accuracy robot was purchased in 2004. The robot has seen no relevant use. When students would tour CCAT, the robot would not be demonstrated, just shown

without switching it on. CCAT could not bring itself to make the robot into a running display, which would have been more enticing to students, who in most cases would never have seen an industrial robot in action. The robot was sold in 2017 after seen no significant use.

- c. A plastic printer was installed at a price of more than \$250,000 in 2014. The price of the material (consumables) was not factored in when this purchase was made and the machine proved to be expensive to operate, limiting its practical use.

8. CONCLUSION

For years CCAT was able to siphon off funds from the federal and state government under the cloak of a non-profit. Funds which could have been put to good use, have been wasted. There is an abundance of evidence to support my claims.

The conversion of CCAT services into separate for-profit businesses, is a slap in the face of all those businesses who for years shared technical and client information with CCAT, with state support, as is the case with Bolton Works.

An organization like CCAT is masking the true difficulties businesses are facing in Connecticut. On top of that, CCAT activities have a chilling effect on companies like Bolton Works who do want to grow, in Connecticut.

The issue I raise is of vital importance to the image of Connecticut as a place to do business. I therefore support the forming of the position of an independent secretary of manufacturing, as way to further Connecticut's interests in manufacturing and restore trust in a manufacturing support system which currently consists of randomly scattered resources with no accountability.

Sincerely,

Mark Bliet - President

Bolton Works - Precision 3D Scanning