

## COUNCIL ON DEVELOPMENT FINANCE

April 26, 2010  
PUBLIC HEARING 360

### THOSE PRESENT:

Mr. Andy Lubin, Chairperson  
Steve Biener, Esquire  
Honorable Nancy Cook  
Mr. Tom Gilligan  
Honorable Greg Lavelle  
Mr. Donald Lynch  
Mr. Jack Riddle  
Mr. Fred Sears  
Mrs. Richelle Vible

Mr. Alan Levin  
Mr. Gary Smith  
Mr. Stephen Bach  
Ms. Rachael Onorato  
Mrs. Lee Porter  
Mr. Jeff Stone  
Ms. Bernice Whaley  
Mrs. Barb DeHaven  
Mr. Joe Zilcosky  
Mrs. Nikki Boone  
Ann Marie Johnson, Deputy  
Attorney General

**ALSO PRESENT:** Geoff Sawyer, Esquire, Governor's Office; Mr. Mike Morton, Controller General's Office; Ms. Andrea Godfrey, Office of Management & Budget; Mr. David Small, DNREC; Mr. Mike Dughan, Moores Liquidation Company; Mr. Jeff Nye, Benz Hydraulics; Mr. Ernest Farina of RAI, Mr. Mark Gotlib of RAI, and Mr. Robert Stickels of CABA Associates; Representing Projects: **Fisker Automotive** - Mr. Bernard Koehler; **Miller Metal Fabrication, Inc.** – Mr. Martin Miller, Mr. Dave Morris, Mr. Bruce Kelly and Mr. Bill Abernathy; **RLDP Holdings, LP** – Mr. Donald Hollenbeck, **US Lubes LLC** – Mr. Art Alessandroni and Mr. Bill Packer; **E. I. DuPont DeNemours and Company** – Mr. Warren Wood and Mr. Richard Kinard; **Association of Educational Publishers** – Ms. Susan Fletcher; **Delaware City Refining Company LLC** – Mr. Matthew Lucey and Mr. Michael Gayda

**LOCATION:** Buena Vista, 661 South DuPont Highway, New Castle, Delaware 19720

**TIME:** 9:00 A.M.

### **CALL TO ORDER**

The meeting was called to order at 9:05 A.M. by Mr. Lubin, Chairperson, on Monday, April 26, 2010.

### **OLD BUSINESS:**

Representative Lavelle made a motion that the minutes of the February 22, 2010 and the March 22, 2010 Council on Development Finance meetings be approved as presented. Mr. Sears seconded the motion which was then adopted by unanimous vote.

**NEW BUSINESS:**

Director Levin introduced and welcomed Jack Riddle as a new member on the Council on Development Finance.

**Fisker Automotive, Inc. (“Fisker” or the “Applicant”)** - The Applicant is requesting funding from the Delaware Strategic Fund program for a \$9,000,000 grant to be used to offset utility costs while its facility is being upgraded and a \$12,500,000 convertible loan to be used for facility improvements at the facility formerly known as the General Motors Boxwood Plant in Newport, Delaware (the “Project”).

Director Levin presented this request to the Council. He stated that Fisker had pledged 1,495 direct full-time employees and an additional 1,000 indirect employees; all with benefits. He stated that there will be a claw back provision of \$5,000 per employee if it falls short of its employment commitment. Director Levin stated that Fisker will spend approximately \$175,000,000 in June to rejuvenate the former General Motors Boxwood facility. He stated there will be a contractors’ fair held at the facility.

Director Levin stated that he was very impressed with the Fisker team as to their commitment and understanding of the business. He stated that local concerns will be doing the work and then there will be an additional \$350-400 million for lines to bring the facility up to speed. He stated that there was a demise of the auto industry six months ago and now we are at the beginning of a new industry; the cutting edge with this plug-in hybrid auto that Fisker will create.

Mr. Koehler stated that Fisker had a conditional commitment for approximately \$528 million from the U.S. Department of Energy Advanced Technology Vehicles Manufacturing Loan Program. One of the conditions of that loan was that Fisker was to acquire a site in the U.S. for the manufacture and production of its electric plug-in hybrid vehicles known as the NINA project. Mr. Koehler stated that the company started looking for a site. He stated they came to Delaware and found the plant first; everything else fell into place after that. He stated it was the “right place and had the “right people”. He stated that within a couple of days everything was set up for a visitation and it was decided that Fisker and the State of Delaware could make this a success together.

Mr. Koehler stated that Fisker had received much bigger offers from other states; some in the area of \$150 plus million. But, he stated, Fisker has made a commitment to Delaware because they feel this is the best available plant and labor source.

Representative Lavelle thanked Mr. Koehler for Fisker's interest in Delaware. He stated that in reading through the submitted information, it talked about the other plants' capacity and how Fisker sees a market for these cars developing in Europe and the U.S. Representative Lavelle stated he is hoping that Fisker will expand its expected production of 100,000 vehicles a year.

Mr. Koehler stated that this car is produced for the world. He stated there is a market in the U.S., Asia and Europe. He stated that he was just in China and had talked to importers there. He stated there is a huge market that is growing. He stated they have a lot of dealers in Europe. Mr. Koehler stated that currently they have sold 2,000 of these cars to date where the people don't even have the car yet. He stated they hope to increase that number to 100,000 in 2013, 200,000 in 2014 and even more in 2015. He stated there will be a sports wagon, an SUV and a sports car. Mr. Koehler stated that Fisker will be 100 percent efficient from the beginning. He stated it is the indication from the dealers, that Fisker will need to produce more cars.

Mr. Gilligan asked what Mr. Koehler thought the biggest threat was to his business plan. Mr. Koehler stated that he believes right now it is the economy. He stated everybody is pushing for the hybrid. He doesn't see a big challenge for Fisker. He stated Fisker knows how to upgrade a plant and how to make cars.

Mr. Biener asked about the price tag for the NINA which was about \$47,400 with a \$7,000 tax credit. He stated that those price plans are significantly lower than in the business plan and he asked if that was felt to be okay. Mr. Koehler stated it would be. He stated that now the discussion is if it is hybrid or gasoline. He stated the car in the future will be noticed immediately as a hybrid plug-in. He stated they want to and will be seen as environmentally friendly.

Mr. Biener also asked if Fisker had considered all the additional people plugging into the electric grid and what effect it would have on electricity. Mr. Koehler stated that the cars would be plugged in at night not during the day when electricity is more of an issue. He stated there would also be a generator which will generate its own electricity.

Mr. Lubin mentioned about the vendors and suppliers. Mr. Koehler stated Fisker is working hard with other plants to encourage them to come to Delaware. He is telling these companies that it would be a cost savings, it is better quality control and there are more jobs here.

Mr. Lubin asked how much square footage of the site would Fisker occupy. Mr. Koehler stated Fisker will be using the majority of the space but has designated some space for suppliers.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (I) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, and approval of a loan in an amount not to exceed Twelve Million Five Hundred Thousand Dollars (\$12,500,000) and a grant in an amount not to exceed Nine Million Dollars (\$9,000,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 25, 2011. Representative Lavelle seconded the motion, which was then adopted by unanimous vote.

**Miller Metal Fabrication, Inc. ("Miller Metal" or the "Applicant")** - The Applicant is requesting \$300,000 in total funding from the Delaware Strategic Fund program. The first \$250,000 (51% of cost of machinery) will be a first lien-convertible to grant loan, and the remaining \$49,500 (10% of total cost of machinery) will be a seven year, third position loan behind the Delaware Community Development Corporation ("DCDC") who will finance a \$198,000, (39% of total cost of machinery) second lien loan. The Applicant proposes to use the funds towards the purchase of a 4,000 watt laser to be used at its current fabrication operations located at 16356 Sussex Highway in Bridgeville, Delaware (the "Project").

Mrs. Booker presented this request to the Council. She stated Miller Metal is a successful operation located in Bridgeville which has grown from seven to twenty employees. She stated that the request for funds that would allow Miller Metal to purchase a new laser will enable them to do the new jobs which they have had to put on hold. She stated it would allow them to hire new employees. Mr. Miller stated that this started out as a small business which has really grown.

Mr. Miller stated the company started in 1982. They specialize in laser cutting, punching, forming and welding. He stated they have expanded from 7 to 20 employees today. Mr. Miller stated that Baltimore Aircoil Company ("BAC") came to them a few years ago and now Miller Metal produces 100% of coils and other products for BAC

which is its largest account. Miller Metal will also be producing over 1 1/2 million pounds of stainless for one of its customers.

It was stated that when the State came in and Miller Metal went through the lean manufacturing process, it was very beneficial to the company. He stated it was done at the perfect time. He stated this allowed them to be “partners” not just vendors. He stated this effort has produced a lot of new jobs in Delaware.

Mr. Miller stated that Miller Metal provides a lower cost alternative to various companies. He says, however, that they have been turning away a lot of jobs because they are restricted on the use of a laser which is a new technology which would help them tremendously. This new laser is very efficient technology. Mr. Miller stated that they actually have jobs that they compete for with the Chinese. He stated that with the purchase of this new laser it may create twenty jobs at Miller Metal, but it will also create other jobs at other industries. He stated their partnership with BAC is indirectly creating a lot of other jobs.

Mr. Morris stated that he was formerly with Dresser Wayne in Salisbury which employed 700-900 people. Mr. Morris stated that Mr. Miller had invested everything he has made back into the company. He stated that bringing the lean manufacturing technology to Miller was one of the best things that has happened to Miller Metal. He stated Miller Metal had to turn away a \$30,000 dollar job because the current laser was out of capacity which was very unfortunate.

Mr. Morris stated that he was able to convince Mr. Kelly, a former controller for Dresser Wayne, to come to Miller Metal about a year ago. He stated Mr. Kelly’s role is to allow Miller Metal to grow at a reasonable pace.

Mr. Biener asked if the SBA loan approval had come through yet. Mr. Bill Abernathy, with the Delaware Community Development Corporation (“DCDC”), stated that DEDA is in the deal for fifty percent of the Project costs and the SBA 504 would have 40 percent. He stated they need DEDA’s commitment for the loan.

Mr. Biener asked about the conversion of the loan to a grant upon the creation of additional employees. Mr. Smith stated that Miller Metal will be making interest only payments for the first three years. However, once the employment requirements are met, \$250,500 of the Strategic Fund loan may convert to a grant at a multiplier of \$4,000 a job, up to a maximum of 62 employees. The remaining \$49,500 would remain as a loan.

It was stated that traditionally a bank is in the first lien position for an SBA 504 loan. This is the first time that Mr. Smith is aware of a situation where the bank will not be the first position lender but an economic development entity will be acting as a bank. He stated that this allowed DEDA to do a \$300,000 deal. He stated the SBA package works well for DEDA.

Mrs. Vible stated that she was aware that the DCDC was waiting for a commitment for this loan and she asked if there were any other contingencies. Mr. Abernathy stated that when they receive the commitment from DEDA, the deal will then have to go through DCDC's loan committee. Mrs. Vible asked if there were any other concerns. Mr. Abernathy stated that he believes they can work with the financials. He stated the DCDC has been very impressed with the operation.

Mr. Sears asked about the SBA funding. He said he thought the SBA usually required a ten percent down payment from the borrower. Mr. Abernathy stated that the Applicant may borrow the ten percent down payment but they have to identify the source of the down payment and build that debt service into the overall debt service requirement into the cash flow of the company.

It was asked about the timing of the funding. Previously the Bank would need to fund 90% of the project and wait for the SBA 504's 40% portion which usually occurred within 60 days. Mr. Sears asked if this was all going to happen at the same time. Mr. Abernathy stated that the first lender would lend two loans; one at fifty percent which will stay and a second interim loan of forty percent. He stated the genesis of the funding is that debentures are funded every month. They go to a settlement with the borrower and get everything ready to be submitted to the SBA; then the funds will be disbursed at the first opportunity. He stated there is an interim time. Mr. Sears asked if that would be the case in this deal – will Metal Miller go to settlement on this and then defer advancement of funds until everything in place. Mr. Abernathy stated that's how this would take place.

Mr. Sears asked how Miller Metal was going to handle the Felton Bank note due in a few months. Mr. Kelly stated that the way it usually works is that the Bank will review the balloon date, and then extend the terms. Mr. Sears stated he was concerned that in February, Miller Metal would have to come up with \$300,000. Mr. Kelly stated that would not be the case, the term would be extended, most likely through an extension letter.

Mr. Lubin asked about the expenditures rising. Mr. Kelly stated that the statements also reflected that the sales also went down. He stated it was simply a reclassification – an internal adjustment.

Director Levin stated that he was very impressed when he visited Miller Metal. He stated everything was on line, operation was running smoothly and the knowledge and experience was very apparent.

Mr. Miller stated that the employees were not new to a laser. He stated the employees were trained and ready. He stated it would run the very first day it hits the floor.

Mr. Riddle asked about the environmental concern in the past. Mr. Miller stated that concern had been addressed, at a cost of \$150,000 to Miller Metal.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Senator Cook made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Three Hundred Thousand Dollars (\$300,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon up to Two Hundred Fifty Thousand Five Hundred Dollars (\$250,500) of the loan being converted to a grant based on \$4,000 per job created and upon the approval remaining in effect through and including April 25, 2011. Representative Lavelle seconded the motion, which was then adopted by unanimous vote.

**RLDP Holdings, LP ("RLDP" or the "Applicant")** - The Applicant is requesting a loan in the amount of \$500,000 from the Delaware Strategic Fund. The Applicant proposes to use the funds to make leasehold improvements for the purpose of relocating Linus Tooling Inc. from Pennsylvania to an existing facility located at 108 Park Avenue in Seaford, Delaware ("Project").

Mrs. Booker presented this request to the Council. She stated that RLDP diligently runs its business and has gone from 15 to 60 employees.

Mr. Hollenbeck stated that RLDP is a real estate holding company that owns property which Craig Technologies and its related businesses lease space. He stated that in 2006, Craig Technologies participated in a split loan program between Citizens Bank and DEDO. He stated Craig has purchased four other companies. He stated four years ago they started Craig's Ball Sales which was a distribution company. They purchased one of their customers, Flow Smart and then they acquired Linus Tooling. He stated they did this because Linus Tooling was one of their customers and a key supplier that fell on hard times and Craig couldn't afford to lose them so Craig purchased them. Mr. Hollenbeck

stated they started their own sales agency last year. He stated their new sales managers are doing quite nicely.

Mr. Hollenbeck stated that Linus Tooling is a unique company, especially in making tool and die equipment. He stated Linus will be a nice addition to the current operation. He stated they are hiring tool makers and first class machinists. Mr. Hollenbeck stated that once this gets underway, Craig will begin its new look for next year. They will be bringing more manufacturing in house for one of its other companies, Flow Smart.

Mrs. Vible asked how Craig Technologies had been performing with its current DEDA loan. Mr. Smith stated they were current and always made timely payments. He stated he is looking for Citizens Bank or another institution to pay DEDA's portion of the current loan and for the balloon payment to be paid back to DEDA. Mr. Hollenbeck stated he has a commitment from Citizens to provide financing. Mr. Smith asked if there was another lending institution involved. Mr. Hollenbeck stated that they do have another offer that will be considered.

Mr. Hollenbeck stated they are purchasing this building from Nanticoke Hospital. Mr. Lubin asked if they were intending to take fee title to this 13,000 square foot building. Mr. Hollenbeck answered in the affirmative. Mr. Gilligan asked if the loan was specifically to RLDP Holdings and if there were cross guarantees. Mr. Hollenbeck stated yes to both questions. Mr. Lubin asked if there were personal guarantees. Mr. Smith stated that DEDA's security position will mirror Citizens or another lending institution will require but DEDA did have personal guarantees in the first loan with Craig. Mr. Hollenbeck stated he assumed there would be personal guarantees.

Mr. Riddle abstained from the deliberations and vote.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Representative Lavelle made a

motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Five Hundred Thousand Dollars (\$500,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 25, 2011. Senator Cook seconded the motion, which was then adopted by unanimous vote except for Mr. Riddle who abstained due to a possible conflict of interest.

**US Lubes LLC (“US Lubes” or the “Applicant”**- The Applicant is requesting a loan in the amount of \$200,000 from the Delaware Strategic Fund. The Applicant proposes to use the funds to renovate an existing building located in New Castle, Delaware and for the purchase of machinery and equipment to be used in its current operation as an independent supplier of lubricants and value-added services (the “Project”).

Mr. Zilcosky presented this request to the Council. He stated that US Lubes wants to consolidate all of its facilities into Delaware. He stated the company has been here for awhile and that Mr. Packer has over 30 years experience in the lubricant industry. He stated they are currently operating facilities in Delaware, Maryland and New Jersey. He stated that they believe a Delaware facility as a central location would better serve their markets. He stated they take lubricants from finished bay stops and package them into drums.

Mr. Sears asked if the employees in the other states would be coming to work in Delaware. Mr. Packer stated the sales force would be coming with them but they would look to the local market for the needed office staff, drivers and warehouse employees.

Mr. Lubin asked if the company had identified a location. Mr. Packer stated they had identified three locations subject to funds available. He stated all three properties are more than adequate. He stated they have nonhazardous, non flammable products so there is no serious threat of negative environmental impact.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation

or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Two Hundred Thousand Dollars (\$200,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 25, 2011. Representative Lavelle seconded the motion, which was then adopted by unanimous vote.

**E. I. DuPont De Nemours and Company – DuPont Photovoltaic Solutions (“E. I. DuPont – PV Solutions” or the “Applicant”)** - The Applicant is requesting a grant in the amount of \$1,090,000 from the Delaware Strategic Fund. The Applicant proposes to use the funds to renovate an existing building located in New Castle, Delaware and for the purchase of machinery and equipment for its state of the art Photovoltaic Research lab (the “Project”).

Mrs. DeHaven presented this request to the Council. She stated that the Applicant's global headquarters are located here and they operate in more than seventy countries.

Mr. Wood stated that DuPont – PV Solutions has a new venture. Its purpose is to create a world-class research center for applied research on photovoltaic materials, structures and products. Mr. Wood stated he is a tax manager and his job is to meet with Delaware on a quarterly basis and work with their existing businesses to make sure they are looking at Delaware as a place to grow. Recently DuPont – PV Solutions said they wanted to grow one of their businesses and they were considering other places such as Europe, Texas, etc. Mr. Wood stated he questioned why they were not looking at Delaware. He talked to the Applicant and now the Applicant is requesting financial assistance to renovate its existing facility at Building 1708 at the Chestnut Run facility. Mr. Wood stated this would be a world-class photovoltaic research lab. He stated that the plant would both develop products and build prototypes for customers. Mr. Wood said that the employees will need to be trained. The Applicant will be working with DEDO's Work Force section for assistance with Blue Collar Training Funds. He stated the training process will also be assisting other people, not just people who work for DuPont. Mr. Wood stated that he is working with Mrs. DeHaven on ways to make sure DuPont is giving back to Delaware and not just receiving. Mr. Wood stated he hopes he can come back to the Council twice a year with a lot of companies as a result of this Project.

Mr. Kinard stated that when this idea started, he asked to see the numbers and the numbers were definitely there. He gave an example of where if you have solar panels put on a roof, half of the cost goes to installers and the other half goes into the products. He stated he convinced them to put this in a platform, determine what other value they could appreciate and figure out how they could put together this research entity. He stated that with Governor Markell strongly supporting solar energy, this gave them a great

opportunity. He stated they are looking at the generational aspect – where companies come to them with a problem, they analyze it and solve their problem. Mr. Kinard stated that the companies they are dealing with like this concept where DuPont provides economics, runs the numbers and solves the problems. He stated they work with the University of Delaware to leverage technology.

Mr. Warren added that one thing that hadn't been mentioned to Mrs. DeHaven was that this Project will also ensure that \$750,000 – \$1,000,000 of supplies stay in Delaware rather than currently being sent to Europe or China.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Gilligan made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Two Hundred Forty Thousand Dollars (\$240,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 25, 2011. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

**Association of Educational Publishers (“AEP” or the “Applicant”)** - The Applicant is requesting a grant in the amount of \$50,000 from the Delaware Strategic Fund. The Applicant proposes to use the funds for building renovations, purchase of new machinery and equipment, furniture and fixtures, IT upgrades and equipment and for moving expenses for its facility located at 300 Martin Luther King Drive in Wilmington, Delaware (the “Project”).

Mr. Stone presented this request to the Council. He stated AEP was founded in 1895 and is currently located in Logan Township, New Jersey. He stated AEP is proposing to move its national headquarters from Logan Township to downtown Wilmington. They currently have ten employees. AEP anticipates hiring two to four additional people.

Ms. Onorato stated that previous grant commitments provide the necessary financing to withstand normal operations. She stated that AEP's current financial health appears stable.

Mrs. Fletcher stated that AEP received a grant in 2008. The grant was used for diversity initiatives that have been started. This is a one-time grant over a three year period. It is not renewable.

Representative Lavelle stated that he was curious as to why AEP was moving to Delaware. Mrs. Fletcher stated that they just wanted to get out of where there were currently. She stated they were unable to work with the current owners of the industrial park and there were too many variables in expenses each month. They started working with a realtor in New Jersey and told him what they needed and he recommended Delaware. This new building is located at 300 Martin Luther King Drive, Suite 200. She stated it has been recently renovated. Representative asked if Mrs. Fletcher was moving to Delaware. She stated that she moved closer but is actually still in New Jersey.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 25, 2011. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

**Delaware City Refining Company LLC ("DCRC" or the "Applicant")** - The Applicant is requesting a convertible loan from the Delaware Strategic Fund program in the amount of \$20,000,000. The Applicant proposes to use the funds to restart the

Refinery and also make critical infrastructure improvements for future operations at the formerly known Valero Refinery located in Delaware City, Delaware.

Director Levin presented this request to the Council. He stated that as everyone knows, Valero announced that it would be closing the Delaware City Refinery last year. At that time, Governor Jack Markell, his administration and DEDO started looking for potential acquirers of that facility. He stated the search ended with Thomas D. O'Malley, CEO of PBF Energy Partners, LP ("PBF"), and who originally ran the facility at that time. He stated the State was able to strike an arrangement with this company over the last four months. Director Levin stated that the deal is really quite simple. It is a \$20,000,000 Delaware Strategic Fund loan, conditioned upon the demonstrated expenditure of \$100,000,000 which includes 600,000 man hours of labor and the creation of 600 full-time jobs per year in five consecutive calendar years after the refining operations are initially restarted. There will be 400 direct and 150 indirect employees hired.

Director Levin stated that PBF is prepared to take this facility where Valero could not, and that is to profitability. He stated that he believes this will be a successful venture for the people of Delaware. PBF has successfully balanced environmental issues as well as employment issues. He believes this company will serve Delaware well.

Mr. Lucey stated that DCRC is a startup company filled with veterans, Petroplus Holdings AG, The Blackstone Group and First Reserve Corp. He stated these companies had come together and said they wanted to invest in the United States. He stated they looked at this facility in the fall but could not reach an agreement. He stated that after the facility was shut down, everything fell into place. Mr. Lucey stated that they analyzed the situation and determined what they needed to do to make it profitable. They had a business plan, support from the labor unions and the support of the State.

Mr. Gayda stated that refineries come in varying complexities and as they look at the Delaware City operation, they think of it as a survivor. He stated it is a complex plant but this plant should not be one that closes. He stated that all the equipment is there, all capabilities are there and they believe if the facility is run properly, it will be profitable.

Mr. Lucey stated there are a lot of refineries that are shutting down and they had the opportunity to look at a lot of them. He stated that this Delaware operation is one that they believe is their best investment.

Mr. Lubin asked if deepening the channel would have any impact. Mr. Lucey stated it would have an impact because being able to use larger vessels will lower costs. The deeper the channel, the larger the vessel, the less time it takes to unload.

Senator Cook asked if there was a projected time line for the facility to be fully operational. Mr. Lucey stated they have to close the deal with Valero which they hope to do by June 1<sup>st</sup>. At that point, he said they would get into the facility and open up the units

and do a full inspection. He stated they have spent a lot of time getting ready and they are pretty sure they know what has to be done. Mr. Lucey stated he believes it will take six to nine months to refurbish the plant. He said it would take a lot of work by a lot of people to get this done. It would then take time to start up unit by unit to make sure that all the equipment is operating properly. Therefore, he believes that by April 2011, they should be fully operational.

Mr. Gayda stated that PBF has the benefit of having the refinery idle for over a year, enabling them to retrofit key components. He stated this will extend the time before they will have to do the next turn around. He stated that having these six to nine months will help them tremendously.

Mr. Lucey explained that the previous owners spent enormous amounts of money on a gasification piece of equipment. However, PBF intends to scrap it.

Mr. Biener asked about the under measurement of releases and the need to upgrade the monitoring system and be sure the equipment is state of the art. Mr. Lucey stated that they have had an opportunity to inspect yet, but that they have professional staff who will deal with those issues to make sure PBF is in full compliance. He stated they have to be compliant every day. He stated that things can go wrong, no operation is perfect, but they are going to do their best.

Mr. Biener asked if there was a component regarding environmental compliance in their capital plan. Mr. Lucey stated they will look at every unit. Mr. Gayda said that right now PBF doesn't own the plant so they don't have the opportunity to look at the facility. He stated they would as soon as they could and then they would fine tune everything.

Director Levin stated that DNREC has been involved on this project from day one. He said he can assure the Council that this Administration takes this environmental responsibility very seriously.

Mr. Sears asked if any residual would be shipped out of the Port of Wilmington as before. Mr. Lucey stated he believed Mr. Sears was referring to the petroleum coke which was material with gas and fire burners and so there would be some export business for the Port of Wilmington. Mr. Lucey stated that PBF will be exporting if they are unable to find some users locally.

Representative Lavelle said he had read some articles regarding the ramping up of docks to bring in some refined gasoline. Mr. Lucey stated that Valero has been selling out the product that has been stored up to this point and will continue to do that.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance. Senator Cook made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Twenty Million Dollars (\$20,000,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the loan being converted to a grant if DCRC spends in excess of \$100,000,000 which includes 600,000 man hours of labor and supports 600 full-time jobs per year in five consecutive calendar years after the refining operations are initially restarted and upon the approval remaining in effect through and including April 25, 2011. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

### **ADJOURNMENT**

The meeting adjourned at 10:30 a.m.

Respectfully submitted,

Lee Porter, Secretary

*LKP*

cc: Members of the Council on Development Finance  
Director Alan Levin  
Ann Marie Johnson, Deputy Attorney General

The next CDF meeting is scheduled for Monday, May 24, 2010, at 9:00 A.M. at Buena Vista in New Castle, Delaware.