

COUNCIL ON DEVELOPMENT FINANCE

**August 23, 2010
PUBLIC HEARING 363**

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Honorable Nancy Cook
Mr. Tom Gilligan
Mr. Jack Riddle
Mr. Fred Sears

Mr. Alan Levin
Mr. Gary Smith
Mr. Stephen Bach
Ms. Rachael Onorato
Mrs. Lee Porter
Mr. Jeff Stone
Ms. Nikki Lavoie
Ms. Patty Cannon
Mrs. Bernice Whaley
Ann Marie Johnson, Deputy
Attorney General

ALSO PRESENT: Mr. Michael Morton, Controller General's Office, Ms. Andrea Godfrey – Office of Management and Budget; Mr. J. L. Miller, *The News Journal*, Representing Projects: **Connections Community Support Programs, Inc.** – Ms. Catherine D. McKay, Emilie Ninan, Esquire, Ballard Spahr and Mr. Mike Skipper, WSFS; **Saint Edmond's Academy, Inc.** – Mr. Michael Smith, Emilie Ninan, Esquire, Ballard Spahr and Mr. Bill Foley, WSFS; **Jackson & Sharp LLC** – Mr. Bryce Bennett and Mr. Andrew Diffley; **Pinnacle Foods Group LLC** – Mr. David Socolow; **CA*TX, Inc.** – Bruce Boman, MD, PhD and Mr. James Stave

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, August 23, 2010.

OLD BUSINESS:

Mr. Sears made a motion that the minutes of the July 26, 2010 Council on Development Finance meeting be approved as presented. Mr. Gilligan seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Connections Community Support Programs, Inc., a Delaware corporation (**“Connections” or the “Applicant”**) - The Applicant is requesting the issuance of industrial development revenue bonds in an amount not to exceed \$9,500,000. The proceeds of the revenue bonds (the “Bonds”) will be applied to make a loan to the Applicant to finance, refinance or to reimburse the Applicant the Applicant for, a project consisting of one or more of the following: (a) to refinance The Delaware Economic Development Authority Variable Rate Demand Revenue Bonds (Connections CSP Project) Series 2006 in the outstanding principal amount of approx. \$6,175,000 originally issued to refinance (i) acquisition of a transitional residential housing facility located at 404 Jefferson Street, Wilmington, New Castle County, DE; (ii) capital improvements to renovate group homes located at 676 Black Diamond Road, Smyrna, New Castle County, DE, 124 West Street, Camden, Sussex County, DE, 204 Gordy Place in Langollen Estates, New Castle, DE 19720, and the Applicant’s headquarters; and (iii) refinance various loans aggregating approximately \$5 million including (A) tax-exempt bonds and a construction line of credit originally issued to finance capital improvements to the Applicant’s headquarters and related parking lots located at Washington & Jefferson Streets, Wilmington, New Castle County, DE, (B) various acquisition and construction loans originally issued to finance purchases and/or capital improvements to (I) group homes located at 994 Blackbird Landing Road, Townsend, New Castle County, DE, 676 Black Diamond Road, Smyrna, New Castle County, DE, 2197 Still Road and 124 West Street in Camden, Kent County, DE and 35906 Zion Church Road, Frankford, Sussex County, DE, which loans were further secured by a group home located at 708-710 West Street, Wilmington, New Castle County, DE, (II) staffed apartments located at 816 West Street, Wilmington, New Castle County, DE and, (III) transitional housing facilities located at 402 Jefferson Street, Wilmington, New Castle County, DE, and (C) an unsecured loan used to finance miscellaneous capital repairs to a transitional housing facility located at 617 West Street, Wilmington, New Castle County, DE; (b) refinance various acquisition and construction loans totaling approx. \$2,500,000 originally issued to finance purchases and/or capital improvements to (i) group homes at 722 Cardinal Avenue, Bear, New Castle County, DE and 414 West 23rd St., Wilmington, New Castle County, DE and (ii) an office building at 801 West Street, Wilmington, New Castle County, DE; (c) acquisition of (i) an employment and training facility located at 807 West Street, Wilmington, New Castle County, DE and (ii) an apartment building located at 511 West 9th Street, Wilmington, New Castle County, DE and (iii) a group home located at 600 East 9th Street, Wilmington, New Castle County, DE; and (d) allowable costs of issuance of the bonds (collectively, the “Project”). The Applicant is headquartered at 500 W. Tenth Street, Wilmington, New Castle County, Delaware 19801 and maintains various locations throughout the State of Delaware. The Project will be owned and operated by the Applicant. The Applicant is a not for profit organization described in Section 501(c)(3) of the Internal Revenue Code.

Mrs. Ninan stated that Connections would like to refinance the previous issuance of 2006 Bonds with bank-qualified bonds which would be sold to WSFS. She stated that because of the current Stimulus Program, Connections has an opportunity to get out of this letter of credit structure which has become unpredictable and expensive. Mrs. Ninan stated that the new bonds would be issued to pay off the old bonds. She stated there is no liability to the State for repayment of the debt and no volume cap is being used.

Mr. Riddle asked the Applicant to update the Council on how Connections is doing regarding the original bond issuance. Mrs. McKay stated that Connections is in very good shape. In 2009, they had \$25,000,000 in revenue with \$700,000 in excess revenue over the expenses. She stated they have \$19.5 million of assets with a net liability of \$7,000,000.

Mr. Sears stated that it appears that Connections is refinancing every debt it has. Mrs. McKay stated it includes everything except for a couple of subsidiary corporations. Those either have a tax credit or have limited partners so they could not refinance those debts. She stated that the A&G Steakhouse is doing very well and they also have a culinary arts project. They will be doing institutional catering which will hire a lot of people in the future.

Mr. Gilligan questioned the waiver of issuer's fee. Mr. Smith stated that it was decided to not charge an Issuer's fee in connection with a refunding issue. He stated that an Issuer's fee was charged with the original issue and annual service fees will be still be paid.

Mr. Sears stated that this deal was originally done as a letter of credit with Mercantile Bank.

Mr. Levin asked how A&G was doing. Mrs. McKay stated it was doing amazingly well. She stated that original pro formas had projected approximately \$300 a day. She stated the first day they did \$700 and the first Friday they were open, they did \$1,200. She stated that have continued this trend. She realized that they had had a lot of press and they have a great location.

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 finding: financing the Project will meet a need for assistance in financing the facilities and activities of the Applicant, as an exempt person within the meaning of 29 *Del. C.* §5052(8), in order to contribute to the prosperity, health and general welfare of the citizens of Delaware. Mr. Riddle made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson of The Delaware Economic Development Authority, approval of an amount not to exceed Nine Million Five Hundred Thousand Dollars (\$9,500,000.00), of revenue bonds, not guaranteed by

the State, to be used for the Project; and that such approval will remain in effect through and including August 22, 2011. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

Saint Edmond's Academy, Inc. ("Saint Edmond's" or the "Applicant"), a Delaware corporation. The Applicant is requesting the issuance of industrial development revenue bonds in an amount not to exceed \$9,000,000. The proceeds of the revenue bonds (the "Series 2010 Bonds") will be applied to make a loan to the Applicant to (a) refinance the Delaware Economic Development Authority, Variable Rate Demand Revenue Bonds (St. Edmond's Academy, Inc. Project) Series 2005 (the "Series 2005 Bonds") which originally financed a project consisting of (i) capital expansion at the Applicant's campus located at the address above to accommodate the addition of a kindergarten through 3rd grade curriculum (totaling approximately 45,000 feet) including 14 new classrooms, student common areas, a science center, a band room, an extended day facility, and a gymnasium, (ii) the renovation to the current facilities on the Applicant's campus, (iii) capitalized interest on the Series 2005 Bonds, and (iv) credit enhancement and other costs of issuance, and (b) the costs of issuance of the Series 2010 Bonds (the "Project"). The Project is located at 170 Lukens Drive in New Castle, Delaware. The Project is owned and operated by the Applicant.

Mrs. Ninan stated that Saint Edmond's would like to refinance the previous issuance of 2005 Bonds with bank-qualified bonds which would be sold to WSFS. She stated that because of the current Stimulus Program, Saint Edmond's has an opportunity to get out of this variable rate letter of credit structure which has become unpredictable and expensive. Mrs. Ninan stated that the new bonds would be issued to pay off the old bonds. She stated there is no liability to the State for the repayment of the debt and no volume cap is being used.

Mr. Riddle asked Applicant to update the Council on how St. Edmond's is current doing from the bank and the Applicant's prospective.

Mr. Foley stated that in 2006, the bank financed the expansion of the school to add grades kindergarten through third. He stated economic conditions have impacted the school dramatically. He stated the enrollment is down to 250 from 360. He stated that 100 percent of the risk is to the bank.

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 finding: financing the Project will meet a need for assistance in financing the facilities and activities of the Applicant, as an exempt person within the meaning of 29 *Del. C.* §5052(8), in order to contribute to the prosperity, health and general welfare of the citizens of Delaware. Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson of The Delaware

Economic Development Authority, approval of an amount not to exceed Nine Million Dollars (\$9,000,000.00), of revenue bonds, not guaranteed by the State, to be used for the Project; and that such approval will remain in effect through and including August 22, 2011. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

Jackson & Sharp LLC (“Jackson & Sharp” or the “Applicant”) - The Applicant is requesting a matching grant in the amount of \$150,000 from the Delaware Strategic Fund under the Brownfields Assistance program. The Applicant proposes to use the proceeds for the redevelopment of approximately 1 acre of land located at 1101 East 8th Street in Wilmington, Delaware.

Ms. Onorato presented this request to the Council. She stated that this Project actually involves a partnership between the Applicant, Design Contracting and a non-profit training organization, The Challenge Program. She stated that Jackson & Sharp owned a one acre piece of land located near the Kalmyr Nickel shipyard. The Challenge Program has a building under construction at the shipyard but doesn't have room for its recycling and sawmill operation. This Project would allow The Challenge Program to expand its sawmill and building materials recycling operation. It would provide jobs and training to at-risk inner city youths in conjunction with The Challenge Program's mission.

Ms. Onorato stated that this is a certified Brownfield site for approval of up to \$100,000.

Mr. Diffley stated The Challenge Program is a worthwhile group that is running out of space. He stated Jackson & Sharp's property is right across the street and Mr. Andrew McKnight of The Challenge Program expressed an interest in the space. Jackson & Sharp has donated some equipment to The Challenge Program. Mr. Diffley stated the company is currently in the middle of the cleanup. He stated The Challenge Program is actually using the property now for storage but once the property is cleaned up, they would be able to utilize it for their saw mill.

Mr. Lubin asked if the DNREC funding was restricted. Mr. Diffley stated that they burned through all of the money they received from DNREC for the investigation phase. He stated they have also spent \$100,000 of their own money. Mr. Diffley stated they have finally gotten DNREC to agree to a higher level standard of cleanup. He stated now it is a lot more manageable. Mr. Diffley stated it is not a big piece of property but it is a great location for The Challenge Program.

Mr. Diffley stated they have been working with 10Bears Environmental on this project, Clay Grier specifically. Mr. Lubin asked if 10Bears has put together a work plan with cost estimates so that they could have a sense of what the Project would cost. Mr. Diffley stated the estimate was approximately \$150,000 to complete the cleanup. He stated this is a small area where there was a PCP spill. They will have to build a concrete wall, excavate the inside which is approximately a 12 x 12 area, send that to New York for disposal and then finally it would all have to be capped. He stated there was a great deal of paperwork involved. Ms. Onorato stated the estimated cost of the entire Project was

approximately \$350,000. She stated reimbursement is fifty percent of receipts received with a cap of \$100,000.

It was asked how many students are currently in The Challenge Program. Mr. Diffley stated it was about 20. He stated they refurbish windows, etc. He stated the organization wants each of their students to receive a GED – so they work with them during the day to do their classroom work. He stated it is very unconventional but they get results and it is very successful.

Ms. Cannon stated that she has worked with The Challenge Group and one reason it is so successful is that the Director won't have more than 20-25 kids at a time because he won't go above what he can handle. She stated they have done several good projects such as the horticultural center. She stated that when students go through this program, they have a diploma and a craft.

Mr. Riddle asked about the total of \$350,000 – what was break down. Mr. Diffley stated that they have already spent \$100,000 which they received from DNREC, - Jackson & Sharp has put in over \$100,000 and then the remainder of the cost is for what still needs to be done.

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

After duly considering, inter alia, the nature of the business, that Dover Station, LLC is a “certified Brownfield” within the meaning of 29 Del. C. §5028(4) and 1 Del. Admin. C. §402-3.0 and 19.0, the Council made the following findings: (i) the Project will contribute to the creation or retention of gainful employment of the citizens of the State, and will reduce pollution of the State’s environment; (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 grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) 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, and (v) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the Delaware Code. 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 Fifty Thousand Dollars (\$50,000.00) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the Applicant submitting a detailed list of expenditures prior to the release of the funds and upon the approval remaining in effect through and including August 22, 2011. Senator Cook seconded the motion, which was then unanimously approved.

Pinnacle Foods Group LLC – (“Pinnacle” or the “Applicant”) - The Applicant is requesting a grant in the amount of \$90,000 from the Delaware Strategic Fund. The Applicant proposes to use the funds for infrastructure improvements to its existing pickle manufacturing facility located in Millsboro, Delaware (the “Project”).

Mr. Stone presented this request to the Council. He stated he was very impressed with the story of Vlastic Foods. He stated in May 2001, Pinnacle Foods acquired the North American business of Vlastic Foods International. The company has been in Millsboro for the last forty years. They have a plant in Millsboro and one in Michigan. Mr. Stone stated that Pinnacle will be investing \$1.3 million in the Millsboro plant now and will be upgrading its heating system using fuel oil to utilizing natural gas. Pinnacle has negotiated an agreement with Chesapeake to extend gas lines to their facility. He stated this will lower their costs and reduce emissions. It will also reduce the truck traffic in the Millsboro area. Mr. Stone stated that going forward; Pinnacle is planning to do a major refurbishment on its tank farm.

Mr. Socolow stated that the Millsboro facility is Pinnacle’s pride and joy. He stated that the Vlastic brand of pickle which produced 5.3 million cases this year in Delaware is their number one brand and is the number one pickle in America. He stated they process one-half of a million bushels of pickles each year. Mr. Socolow stated these cucumbers are grown on about 3,000 acres of Delaware farmland. He stated they have to have one specific grade of pickles.

Mr. Socolow stated that this current effort is incredibly important. He stated they did a major upgrade in 2000. This investment will also assist Pinnacle in meeting the SQF Quality Standards Program to satisfy the requirements of one of its existing customers, Wal-Mart. He anticipated that SQF certification will be required by the Federal Government in the near future.

Director Levin stated that the Secretary of Agriculture and he met with officials of Pinnacle in New Jersey. He stated that the pickle industry is a critical industry for our State. He reiterated that the conversion to natural gas allows Pinnacle to operate cleaner, better and more efficiently. This investment enables the State to retain the jobs currently provided by Pinnacle and ensures their potential for growth.

Mr. Sears asked what it would take to get the Michigan facility to move to Delaware. Mr. Socolow stated that their volume has fluctuated. He stated it is \$5.3 million for Delaware and \$11.0 million for Michigan. He stated the first plant was built by Joe Vlastic in Michigan in 1942. He stated they took what they learned from Michigan and established the Delaware plant. He stated they always want to have both plants. He stated the question is to what the mix is – the mix could change. The Millsboro facility is going to be the first to be SQF certified and would therefore be well situated to expand first.

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 Ninety Thousand Dollars (\$90,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including August 22, 2011. Senator Cook seconded the motion, which was then adopted by unanimous vote.

Proposed Program – Currently, the Small Business Innovation Research bridge-grant program offered by the Delaware Economic Development Office (DEDO) provides up to \$50,000 in grant funding to small businesses whom have been successful in securing Phase I funding and have submitted, but not yet received, its Phase II funding from a participating Federal agency. Phase IB and Phase IIB are accelerated forms of funding, whereby a company with exceptional potential is eligible to receive matching funds from the Federal Government on a dollar-to-dollar basis on any private money it's able to raise.

Ms. Cannon stated that most SBIR programs are granted to universities. She stated that however, when a company is awarded an SBIR, it is signifying that that particular company is better than the average company.

Ms. Cannon stated that DEDO is proposing that up to \$200,000 from the Delaware Strategic Fund be made available to companies pursuing the Phase IB and Phase IIB funding facilities for fiscal year 2011. She stated this would be a pilot plan which would be revisited in one year to determine success/growth.

Mr. Lubin asked if changing the usual \$50,000 award amount to \$40,000 was to allow DEDO to help more companies. Ms. Cannon stated that was accurate. Mr. Lubin asked if it was reasonable to assume that this would help companies get to commercialization. Ms. Cannon agreed.

Mr. Gilligan questioned DEDO's authorization regarding Phase I and Phase II assistance. He asked if there was a stipulated capacity of what DEDO could do. Mr. Smith stated that there was no cap or limit for SBIR projects.

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

After duly considering, 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 Two Hundred Thousand Dollars (\$200,000) to be disbursed from the Delaware Strategic Fund, and for which funds will be made available to companies pursuing the Phase IB and Phase IIB funding facilities for fiscal year 2011, with the understanding that this would be a pilot program to be reviewed in one year and contingent upon the approval remaining in effect through and including August 22, 2011. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

CA*TX, Inc. ("CA*TX" or the "Applicant") – The Applicant is requesting a \$50,000 grant from the Delaware Strategic Fund under a proposed SBIR Phase I(b) and II(b) bridge grant through the NIH/National Cancer Institute for its "Project to accelerate the development of a clinical pretest for detecting HNPCC toward commercialization." This Applicant is located at 57 E. Main Street, Suite 202 in Newark, Delaware.

Ms. Cannon presented this request to the Council. Dr. Boman stated that CA*TX was incorporated in 1993. He stated this research could save many, many lives. He stated that they have realized they need more research to develop better antibodies. Therefore, this requested bridge grant would be very beneficial. He stated under Phase II, they hired three people and that with this bridge grant, they would hire more. Dr. Boman stated that if this assay was commercialized, it would be used nationally.

Mr. Sears asked if there was any competition – any other people working on the same thing. Dr. Boman stated that this is the only research of this kind; they have a patent only technology. He stated this technology is unique.

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

After duly considering, inter alia, the nature of the business, that the Applicant is a "small business" within the meaning of 29 Del. C. §5035 (b)(3), that the Applicant has won a Phase I and a Phase II award in the Federal SBIR Program, that the Applicant has submitted a proposal for a proposed SBIR Phase I(b) and II(b) bridge grant award but has not yet received such award, that the Applicant's principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under applicable statutory and regulatory provisions, Mr. Sears made a motion that the Council recommend to Mr. Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Forty Thousand Dollars (\$40,000) to be disbursed from the Delaware Strategic Fund/Delaware Technical Innovation Program ("DTIP"), to be used

for the Project, contingent upon the approval remaining in effect through and including August 22, 2011. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 9:50 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, September 20, 2010, at 9:00 A.M. at Buena Vista in New Castle, Delaware.