

COUNCIL ON DEVELOPMENT FINANCE

June 27, 2011
PUBLIC HEARING 373

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Steve Biener, Esquire
Senator Brian Bushweller
Honorable Nancy Cook
Mr. Tom Gilligan
Mr. Jack Riddle
Representative Darryl Scott
Mr. Fred Sears
Mrs. Richelle Vible

Director Alan Levin
Mr. Gary Smith
Mr. Stephen Bach
Ms. Rachael Onorato
Mrs. Lee Porter
Ms. Beverly Ennis
Ann Marie Johnson, DAG
Ms. Patty Cannon
Mrs. Bernice Whaley
Mrs. Karen Smith

ALSO PRESENT: Ms. Andrea Godfrey – Office of Management and Budget; Representing Projects: **Hawker Beechcraft Global Customer Support Corporation** – Mr. Randy Blad, Mr. Robert Rechio, Mr. Allan McReynolds, Mr. Robert Sill, Mr. Steve Williams; **SLM DE Corporation** – Mr. Joseph Muffler; **Compact Membrane Systems, Inc.** – Dr. Stuart Nemser; **Bloom Energy** – Mr. Josh Richman, Mr. Benny L. Johnson representing Carpenters L.U. 626; **The Milton & Hattie Kutz Home, Inc.** – Silvia Shin, Esquire with Saul Ewing and Karen Friedman; **FMC BioPolymer** – Mr. Dipok Mia

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, June 27, 2011.

OLD BUSINESS:

Mr. Sears made a motion that the minutes of the May 23, 2011 Council on Development Finance meeting be approved as presented. Mr. Gilligan seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Hawker Beechcraft Global Customer Support Corporation (“Hawker” or the “Applicant”) - The Applicant is requesting a performance-based, job-creation grant from the Delaware Strategic Fund program in the amount of \$750,000. The Applicant proposes to use the funds to support cash flow as it opens a factory service center at the New Castle County Airport (ILG), located at 142 Old Churchman’s Road in New Castle, Delaware (the “Project”).

Ms. Cannon presented this request to the Council. Mr. Blad stated that Hawker is a world-leading manufacturer of business, special mission and trainer/attach aircraft. He stated they have a full line of Hawker products. He stated they do a lot of modification work and they continuously work to improve their products. Mr. Blad stated that Hawker wants to build a service center in the northeast to better take care of their customers. He stated that in the New Castle location, within an hour flight, they could impact about 90 percent of their fleet.

Mr. Sears asked where Hawker’s nearest site was located. Mr. Blad stated there is nothing on the East coast and that the nearest location is Indianapolis. Mr. Blad stated that in December 2010, Hawker added mobile service units as part of their experienced team. The Teterboro, New Jersey location (for mobile service units) would therefore relocate to Delaware.

Mr. Sears asked what percentage of Hawker’s business was new versus upgrading and maintaining. Mr. Blad stated that new aircraft sales is about \$1.8 billion and the other segments including aftermarket sales is about \$600M.

Mr. Riddle asked the difference between what Hawker was doing in Mesa versus what it would be doing in Wilmington. Mr. Blad stated that they currently have four service centers, and three domestic. The Delaware location would be a full capacity center with the ability to do paint and interior in the future.

Mrs. Vible asked if they had signed a lease. Mr. Blad stated that they have agreed to the terms, and hoped to have it finalized by August 1st.

Senator Bushweller asked for the time frame with which the economic impact is measured. Mr. Bach stated that DEDO utilizes the IMPLAN economic impact software and the underlying matrices are not time sensitive, so what was presented in DEDO’s analysis, was the overall project’s net impact once all of the spending and hiring of jobs occurs, over time.

Mr. Gilligan asked about the 100 jobs to be created. Ms. Cannon stated that in fact, Hawker plans to expand the services by adding a paint shop. She stated that assuming that everything goes well, Hawker would anticipate an additional 25 jobs. Mr. Levin indicated that the Company will also have the opportunity to take advantage of the Blue Collar Tax Credit program, assuming the pending legislation is signed by the Governor.

Mr. Sears asked where Hawker would find the people with the skills needed for these jobs. Mr. Reicho stated that he didn't anticipate any problems with finding qualified people, as he had received many telephone inquiries from interested and qualified people. He further stated that they were going to be meeting with people today and tonight. Mr. Reicho stated that it is usually a struggle to find employees but this experience has been so different. He stated that the background for these positions ordinarily is in aircraft maintenance, and with the Dover Air Force base and other airports nearby, there is plenty of talent.

Mr. Gilligan asked how Hawker's 2011 operations were going. Mr. Blad stated that their aftermarket business does quite well with approximately 19-20% profit margins, although they have seen some losses on the aircraft side of the business. Mr. Blad stated that in the projections for 2012, they should see an uptake in aircraft deliveries and see the business then rebound. Mr. Sill noted that Hawker has always found a way to grow in difficult financial times.

Mr. Biener asked about the ramp up time for hiring. Mr. Blad indicated that they anticipated hiring over a five-year period.

Representative Scott asked if the Wilmington facility would be involved in collective bargaining. Mr. Blad stated that only the Mesa facility would be involved in collective bargaining.

Mr. Riddle asked Mr. Williams, Director of Airports for the DRBA, what his role was in this project. Mr. Williams stated that for seven years they have had a facility at the Port at which the existing tenant is now terminating its lease. He stated that now there will be a seven year agreement with Hawker. He also stated that the DRBA hopes to discuss with Hawker an additional facility there that Hawker could build its paint hangar. Mr. Williams stated that the terms are straightforward as to the rent and initial improvements. He stated that Hawker would like to see some parking improvements and that some of Hawker's requests are minor and others are more extensive. He stated that this space was recently occupied by MBNA so logically there will have to be changes made to accommodate the change from corporate to manufacturing occupancy.

Director Levin stated that there has been a great working partnership with Hawker, the DRBA and the State.

Mr. Blad briefly described a project that Hawker is currently involved with that is providing support to the military. Currently they have two groups of people working in Bagdad supporting the Iraq Air Force. He stated that this is another area which has been a productive part of Hawker's business.

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. Biener 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 Seven Hundred Fifty Thousand Dollars (\$750,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the amount being disbursed at \$7,500 per full-time job up to 100 new jobs, and upon the approval remaining in effect through and including June 26, 2012. Representative Scott seconded the motion, which was then adopted by unanimous vote.

SLM DE Corporation (Sallie Mae Inc.) (“Sallie Mae” or the “Applicant”) - The Applicant is requesting a grant from the Delaware Strategic Fund program in the amount of \$5,105,440. In 2010, Sallie Mae announced it would relocate its corporate headquarters from Reston, Virginia to Newark, Delaware. Significant renovations are being made to its facility located at 300 Continental Drive in Newark, Delaware, in an effort to transform it into its corporate headquarters operation. Specifically, grant proceeds will be used towards the renovation of its existing building, furniture and fixtures (the “Project”).

Ms. Onorato presented this request to the Council. She stated that SLM DE is a Delaware Headquarter Management Corporation and a 100% owned subsidiary of SLM Corporation. She stated that Sallie Mae Inc., owned by SLM Corporation, first opened a facility in Newark, Delaware in November 2008. That facility focused on the company's private student loan business, including credit underwriting, collection, customer service, compliance, business development and its new retail deposit business.

Mr. Muffler stated that Sallie Mae will be relocating its headquarters with anticipation of approximately 1050 employees. He also stated that Sallie Mae expects to add an additional 500 jobs over a five-year period.

Mr. Muffler stated that they are in the midst of the expansion and renovation, they are creating larger work stations, replacing glass offices, with estimated capital expenditures

of twenty-three million dollars over three years. They are currently in Phase I with interior renovations and expect to start exterior renovations next year.

Mr. Biener asked how Sallie Mae was adapting to the change in the student loans market. Mr. Muffler stated that they are adapting very well. To respond to the loss of business which occurred as a result of changes in student loans, Sallie Mae has targeted expense reductions of about \$1 Billion. They are also working to improve their bond rating. He stated Sallie Mae needs to do that to be able to invest for future growth.

Mr. Biener asked about the growth in the private credit market for student loans. Mr. Muffler stated that the economy has been tough but for the first time in three years; their private credit sector is seeing growth, although it is a relatively small part of their business. They are expected to hit their quarterly number and the collections business shows signs of potential growth. Mr. Biener asked how much of the business was lost with the changes by the government. Mr. Muffler stated it was worth several million dollars in revenue and that is why they have had to cut costs.

Director Levin stated that it was remarkable how this company to shift its ways. Mr. Muffler stated that all of the other locations have reduced employees by thousands. They have reduced employees by 3-4,000. He stated that however, this location still has \$150-170M portfolio. They have many years of significant cash flow which will give them time to get into the growth areas.

Mr. Gilligan asked what made Delaware the most desirable site for the corporate headquarters. Mr. Muffler stated that Delaware is a business friendly state, tax costs are competitive and there is significant talent in the financial services market.

Mrs. Vible asked if some of the employees would be relocating here from Reston. Mr. Muffler stated that it will be a combination of relocating some of the employees from Reston and new hires. He stated that the CEO has been based here for awhile and there is a core group that has already relocated.

Representative Scott asked when the clock started on the reimbursement for relocation. Director Levin stated it goes back a year ago when DEDO sat down with Sallie Mae.

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, Mrs. Vible 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 Five Million One Hundred Five Thousand Four Hundred Forty Dollars (\$5,105,440) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including June 26, 2012. Honorable Cook seconded the motion, which was then adopted by unanimous vote.

Delaware City Refining Company LLC ("DCRC" or the "Applicant") - The Applicant is requesting a grant from the Delaware Strategic Fund program to fund \$2,000,000 annually through 2016 for a total of \$12,000,000, which was proposed in the April 28, 2010 offer letter to the Delaware City Refining Company LLC. The Applicant proposes to use the funds to offset the costs to maintain dredging at the Delaware City Refinery located at 4550 Wrangle Hill Road in Delaware City, Delaware (the "Project").

Director Levin stated that this project deals with the matter of dredging the canal from the Delaware River to the Delaware City Port. He stated that this was a key ingredient of DEDO's original offer to DCRC. He stated that the State will be responsible for a period of six years for the dredging. He stated that this is needed to accommodate the ships coming up and down the river. Director Levin stated that DEDO had hoped the dredging would get federalized. However, he stated that the Port is out of money and that federalization does not seem to be forthcoming. He stated that the Port is amenable to do it, but financially can't do it.

Director Levin stated that this is the completion of the Delaware City proposal which was approved over a year ago. He informed the Council that as of March 31, 2011, DCRC had reported to DEDO that for the quarter ending March 31, 2011, man hours of labor were approximately 1,298,211 and qualified capital expenditures were in excess of \$155,801,175. Director Levin stated that the DCRC is not at 100 percent of production and is taking it as slow as possible.

Director Levin stated that this is being asked on the basis that this was part of DEDO's original commitment. He stated that they have completed a first dredging and they would be reimbursed up to \$2,000,000 for that dredging. The disbursement of funds would then be done on an annual basis. He stated that the dredging does cost more than \$2M, however, if for some reason, it were to run less, the money would be returned.

Mr. Lubin asked if there was adequate capacity for this dredging and Director Levin stated there was adequate capacity. He further stated that the river is a mess. Mr. Gilligan asked if the Council was being asked to approve all \$12,000,000 at this time.

Director Levin stated he would like to have approval for the total amount now so that it wouldn't have to keep coming back before the Council each year. Honorable Cook asked if the first disbursement would be in the 2011 fiscal year and Director Levin stated that it would begin in FY 11. Director Levin also stated that when the DCRC took over, the river had not been dredged in three years.

Senator Bushweller asked who would be responsible after the six years. Director Levin stated it would be the DCRC's responsibility. Mr. Sears asked if the DCRC was using Delaware companies. Director Levin stated that actually it is a company out of Norfolk that has been doing the Delaware River for awhile.

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. Riddle 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 Twelve Million Dollars (\$12,000,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the funds being disbursed over a six-year time period at \$2,000,000 per year and upon the approval remaining in effect through and including June 26, 2012. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

Compact Membrane Systems, Inc. ("CMS" or the "Applicant") – The Applicant is requesting a grant from the Delaware Strategic Fund SBIR program in the amount of \$50,000. The Applicant proposes to use the funds to provide bridge funding for its current project involving the venting of underground storage tanks containing ethanol-gasoline blends while both inhibiting escape of volatile organic compounds to the atmosphere and recycling gasoline vapors back to the storage tank, which will be conducted at its current facility located at 335 Water Street in Newport, Delaware (the "Project – Underground Storage Tanks").

Compact Membrane Systems, Inc. ("CMS" or the "Applicant") – The Applicant is requesting a grant from the Delaware Strategic Fund SBIR program in the amount of

\$50,000. The Applicant proposes to use the funds to develop a new membrane for improved hydrogen purification, which will be conducted at its current facility located at 335 Water Street in Newport, Delaware (the "Project - Ethanol").

Ms. Onorato presented these requests to the Council. She stated that there were two separate applications. She stated that an entity is allowed to receive up to four grants within a ten-year rolling period. Within the past ten-year rolling period, CMS has received two SBIR grants. Therefore, CMS is eligible for the two grants submitted today. Ms. Onorato stated that each of these grants would provide bridge funding from Phase I to Phase II.

Dr. Nemser stated that this money is quite important to CMS. He stated CMS received a \$3,000,000 grant from the Department of Energy. He briefly described each project. Regarding the underground storage tanks, he stated that as we move away from gasoline based fuels, and as more ethanol gets into fuel systems, underground storage tanks have to be addressed and modified. He stated the current process leads to emissions and the pressure has to be released. The gas and air go out but the ethanol stays behind. Dr. Nemser stated that the original product did a very good job in venting but in dealing with ethanol, it is a different situation. He stated CMS modified the system. He stated this new process will serve industry today, tomorrow and in the future.

Given the move to the increased use of bio-ethanol, certain precautions and advancements must be made in order to store this more product because it is more corrosive and has a higher vapor pressure. While working with DuPont, they were able to create a product which was able to release the additional pressure by venting the air without releasing the gas. This modified system with a tighter membrane will be prepared for the next two generations of ethanol usage and will be ready in about two years.

In regards to the process of improved hydrogen purification, Dr. Nemser stated that our country has a lot of coal which is dirty and which emits a lot of CO₂. He stated that in collaboration with national technology, CMS has developed a system using a shift reaction to separate a mixture of chemicals into their component parts. This is accomplished by keeping the hydrogen at high temperatures.

Mr. Lubin asked if CMS had gone through an SBIR Phase III process. Dr. Nemser stated that the \$3,000,000 received from DOE is actually a Phase III grant. He stated that CMS struggled to find Phase III monies. He stated he doesn't feel there is much money available for those fundings.

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 award in the Federal SBIR Program, that the Applicant has submitted a proposal

for a Phase II SBIR 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, Representative Scott 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 Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program ("DTIP"), to be used for the Project– Underground Storage Tanks, contingent upon the approval remaining in effect through and including June 26, 2012. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

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 award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR 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, Representative Scott 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 Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program ("DTIP"), to be used for the Project– Ethanol, contingent upon the approval remaining in effect through and including June 26, 2012. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

Bloom Energy ("Bloom" or the "Applicant") – The Applicant is requesting grant funds from the Delaware Strategic Fund program in the amount of \$16,500,000. The Applicant, an innovative fuel cell company, proposes to use the funds to establish a new manufacturing campus in Newark, Delaware (the "Project").

Mr. Lubin recused himself as Chairman, from all discussion and voting on this Project due to a possible conflict of interest. Mr. Gilligan presided as Acting Chairperson for the Bloom presentation.

Mrs. Whaley presented this request to the Council. She stated that Bloom is an innovative fuel cell company that generates clean, highly efficient power from natural gas or other fuels. She stated that Bloom projects that it will create and maintain 50 managerial and 850 skilled and unskilled positions for a total of 900 new jobs. She further stated that Bloom estimates that 350 construction jobs will also be created for the construction of this facility.

Mr. Richman stated that Bloom's intent is to prove that you won't need NASA's budget to power large facilities. He stated that Bloom is a global player trying to change the way energy is made and consumed. He stated that the way Bloom does this is by creating one of its fuel cells and by relying on ceramic versus precious metals such as platinum. Mr.

Richman also stated that the other difference is that Bloom is much more efficient. He stated that their cell produces the same amount of electricity but by using half of the fuel. Mr. Richman stated that Bloom currently utilizes the west coast market and now they are very excited to come to the east coast market.

Mr. Richman described the process as a stacking of fuel cells. He stated that in a manufacturing facility, they will start with flat ceramic, add a "secret sauce" which actually works like a silk screen process. He stated that this process does not require a billion dollar clean room; it has been designed for low cost. Mr. Richman stated that the process just keeps printing out the cells. He stated that each cell powers one light bulb. He explained that they take these cells and stack them to achieve the proper amount of energy. Mr. Richman stated that a unit the size of a loaf of bread could fuel an average house. He stated that a unit the size of a parking space could fuel a large office building. This is accomplished by the stacking of cells. Mr. Sears made a further comparison of seeing something like an air condition system outside an office building which would be the fuel source.

Mrs. Vible asked if it ran like a battery. Mr. Richman stated that the cells pop in and out. He compared it to connecting a Lego set. He stated the system could be shipped at 6:00 a.m. and according to the distance, could be in operation by noon. The final component is connecting to the internet. He stated that maintenance primarily consisted of changing a filter or a blower. Mrs. Vible asked the life time of the systems. Mr. Richman stated that cells will have to be replaced four or five times in twenty years. With the internet monitoring the unit, they are able to know when the unit will be needing service. Furthermore, after old cells are replaced, they can be recycled by Bloom. He further clarified that if they were relying on platinum instead of ceramic, it would be more expensive and the cells would have to be replaced more often.

Mr. Biener asked about the product producing CO². Mr. Richman stated that they don't see a risk if there is a presence of CO². Bloom has reduced the average CO² output by half and the emissions can be captured and distributed. He also added that sometimes they do have some customers that need CO² and Bloom is working with them to fulfill their needs.

Mr. Riddle asked why Google would use this product. Mr. Richman stated that this process reduces CO² footprints and it helps them save money as their biggest expense is the power needed for their data systems. Mr. Richman stated that Bloom is there 24/7, helping their customers save money, maintain sustainability and reduce their liability. Mrs. Whaley stated that Bloom's "reliability" is very high on their list. They also noted that Google runs on DC power, the same type that is created by these units. It is therefore simpler because there is no need for conversion between DC and AC power.

Senator Bushweller asked about Bloom's initial market, and how Bloom's product will compare to traditional ways of generating electricity and are there other federal subsidies. Mr. Richman stated that there are existing federal subsidies such as the investment tax

credits for solar products. He further stated that Bloom is excited with its partnership with Delmarva Power which represents a big deal. Mr. Richman stated that Bloom can produce that power cheaper. Senator Bushweller asked when the average homeowner would be able to utilize this power. Mr. Richman stated that it could be within a decade; but the market will have to dictate it.

Honorable Cook asked for a time line of the Project. Mr. Richman stated that after today and once they get to iron out the final details of the Delmarva deal, they are in final stages of getting regulatory approval, so within the next few months, things should start to happen. Bloom expects to break ground this year and start hiring. He stated that Bloom needs to have assurances in place before they start spending money. He stated that currently they are sold out through the next year with their current manufacturers.

The State will work closely with Bloom on identifying suppliers. Mr. Richman stated that there are fifty acres of which twenty will be occupied by Bloom and other thirty acres will be used by suppliers.

Mr. Biener asked if the Delmarva deal was an absolute necessity for this Project. Mr. Richman stated that it is a critical part of the deal but that he could not speculate further.

Mr. Riddle asked about the loan and equity component listed under the "Use of Funds". Mr. Richman stated that it was cash being put in as an equity raise – part of their current funds they are putting in. Mr. Riddle asked when the grant funds would be disbursed. Director Levin stated the funds will be disbursed in two tranches; half six weeks after the agreement is signed and then the remaining half within six weeks of the Certificate of Occupancy being signed.

Mr. Lubin asked if there were any public comments. Mr. Benny Johnson, Carpenters L.U. 626, stated that the fuel cell is very intriguing but that the 350 construction jobs look a lot better as they are certainly need. He fully supported the Project.

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 Sixteen Million Five Hundred Thousand Dollars (\$16,500,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including June 26, 2012. Representative Scott seconded the motion, which was then adopted by unanimous vote, except for Mr. Lubin who had recused himself from all discussion and voting on this Project due to a possible conflict of interest.

At this time, Mr. Lubin resumed his position as Chairman of the Council.

The Milton & Hattie Kutz Home, Inc. (“Kutz Home” or the “Applicant”) - The Applicant has applied for an issuance of revenue bonds in an amount not to exceed at any time \$13,000,000.00. The proceeds of the revenue bonds will be used to finance: (i) the construction of a two-story assisted living facility consisting of thirty-one apartments and a 16-unit, secured wing for memory-impaired residents; (ii) the payment of capitalized interest on the Bonds; and (iii) the payment of costs associated with issuing the Bonds, on property owned by Jewish Federation of Delaware, Inc., located at 704 River Road, Wilmington, Delaware.

Mr. Smith presented this request to the Council. He stated that the application had been noticed in compliance with the TEFRA requirements. He further stated that these bonds will not count against the State’s bond volume cap. Mr. Smith explained that the Applicant was currently operating a ninety bed nursing home facility and that the Applicant will be constructing an assisted living facility next to the current building. He stated that this will diversify their income base which he believes is a wise decision. He stated the new facility will be a forty-seven unit facility of 46,000 square feet with thirty-one apartments including sixteen for dementia/memory loss issues. He stated that the bonds will be purchased by WSFS, requiring a portion of the bonds to be at a fixed rate approximately at 5.3 percent.

Silvia Shinn stated that this is tax exempt financing will not go to the market. She stated that there will be an agreement whether the bonds will close and be sold at the same time.

Director Levin stated that he is familiar with this facility and that there is a need for these additional units. He complimented Ms. Friedman on doing an excellent job as Executive Director.

Mr. Gilligan asked why this facility will not be connected to the original facility. Ms. Friedman stated that when someone has decided to go to an assisted living facility, that person really has a difficult time passing through a nursing home. She stated that person doesn’t want to openly recognize that a nursing home may be in their future down the road. She stated that you definitely want a separate entrance.

Mr. Riddle asked if there was any other room for expansion. Ms. Friedman stated this would take up all the available space.

Honorable Cook asked if Kutz Home had to go through a process to assure that they could build. Ms. Shin stated that that was not required.

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. Gilligan 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 Thirteen Million Dollars (\$13,000,000.00), 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 June 26, 2012. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

FMC BioPolymer (“FMC” or the “Applicant”) - The Applicant is requesting a grant from the Delaware Strategic Fund program in the amount of \$161,000. The Applicant proposes to use the funds to increase its capacity at its existing facility located at 1301 Ogletown Road in Newark, Delaware (the “Project”).

Ms. Clark presented this request to the Council. Mr. Dipok stated that the Newark site has been in operation since 1962 and provides 105 manufacturing jobs. He stated they have a well trained and committed workforce with seventy percent being with FMC for more than ten years and forty percent being with FMC more than 20 years. He stated that FMC has maintained its competitive edge. He stated that the parent company sees growth opportunity in the Asian market and therefore has three options to expand; open a location in the Asian market, increase the capacity of the Ireland plant, or increase the capacity of the Newark plant. However, Mr. Dipok stated that he believes that the proposal today and expanding the capacity here in Newark would be the best option for FMC Corporation. He believes it would also be the cheapest way to get the product to market. He believes this Project will strengthen the Newark facility and that all the existing jobs would remain.

Mr. Dipok stated that this Project would increase employment which would add to the State and local tax base. He stated that it would also retire a very old 1962 dryer and in its place put a state of the art, energy efficient, larger dryer – a win, win situation.

In response to Mr. Riddle’s question, Mr. Dipok stated that the dryer will cost approximately seven to eight million. The total project costs should be around \$16,000,000.

Senator Bushweller stated that as he understands it, the initial motivation is competition with other sites around the world and asked what would happen if FMC should lose that competition. Mr. Dipok stated that FMC needs to have that capacity either in Asia, Ireland or Newark – which is why he is trying to make them an offer they cannot refuse. Senator Bushweller asked if FMC would lose business if this is done in another site. Mr. Dipok stated that FMC will continue producing what they are producing but the future will be different. He stated this Project will help FMC to ensure the future of the new jobs.

Director Levin stated that he and the Governor visited this facility and it was his understanding that if this improvement is not made, it will cut off any growth and slowly take away from this facility. He added that he also understands that the Ireland facility is a mirror of this one but this one is more productive. He stated that it is in DEDO's best interest even though this seems to be a high cost per job, you must also take into consideration the capital expenditures being made and the job security for the present employees. When you add those costs in, the job cost is much lower. Director Levin stated that he believes this is an investment in FMC. Mr. Biener also added that there was a claw back with this funding to be considered.

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. Riddle 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 One Hundred Sixty One Thousand Dollars (\$161,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including June 26, 2012. Mr. Biener seconded the motion, which was then adopted by unanimous vote.

Executive Session - Mr. Biener made a motion that the Council go into executive session to discuss confidential and privileged commercial and financial information in

CDF Minutes

Page 15

June 27, 2011

accordance with 29 Del. C. §10004(b)(2). The motion was seconded by Mr. Gilligan, which was then adopted by unanimous vote.

Mr. Sears made a motion that the Council go out of executive session. The motion was seconded by Mr. Gilligan which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 10:50 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

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

The next CDF meeting is scheduled for Monday, July 25, 2011 at 9:00 A.M. in Room 219 at the Haslet Armory in Dover, Delaware.