

**COUNCIL ON DEVELOPMENT FINANCE**  
**February 28, 2011**  
**PUBLIC HEARING 369**

**THOSE PRESENT:**

Mr. Andy Lubin, Chairperson  
Steve Biener, Esquire  
Mr. Tom Gilligan  
Mr. Jack Riddle  
Mr. Fred Sears  
Mrs. Richelle Vible

Director Alan Levin  
Mr. Gary Smith  
Mr. Stephen Bach  
Ms. Rachel Onorato  
Mrs. Lee Porter  
Mr. Jeff Stone  
Mrs. Barb DeHaven  
Mrs. Karen Smith  
Mrs. Bernice Whaley  
Ann Marie Johnson, Deputy  
Attorney General

**ALSO PRESENT:** Mr. Michael Morton - Controller General's Office; Mr. Paul Sample – Samples, Inc.; Mr. Benny Johnson - “Carpenters LU 626; Mr. Harry Gravell – Building Trades Council; Mr. Jonathan Starkey – *News Journal*; Representing Projects: **Johnson Controls Battery Group, Inc.** – Mr. Rick Thompson and Mr. Mike Eickhoff; **Pioneer Hi-Bred International, Inc.** – Mr. Steve Bonine, Mr. Tony Kinney and Mr. Rick Straitman; **Sanosil International, LLC** – Mr. David Gates

**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 9:00 A.M. by Mr. Lubin, Chairperson, on Monday, February 28, 2011.

**OLD BUSINESS:**

Mr. Sears made a motion that the minutes of the January 24, 2011 Council on Development Finance meeting be approved as presented. Mr. Biener seconded the motion which was then adopted by unanimous vote.

**NEW BUSINESS:**

**Johnson Controls Battery Group, Inc. (“Johnson Controls” or the “Applicant”)** - The Applicant is requesting a grant from the Delaware Strategic Fund program in the amount of \$2,445,668. The Applicant proposes to use the funds for the purchase of land,

construction of a 400,000 square foot manufacturing/distribution facility and for the purchase of machinery and equipment at a facility to be located in Middletown, Delaware (the "Project").

Mr. Stone presented this request to the Council. He stated that Johnson Controls will be undergoing a significant expansion in the Middletown area. He stated that the Company has met with DNREC and DNREC was very impressed. Even though Johnson Controls handles a lot of acids and a lot of lead, it does not cause any pollution. Mr. Stone stated the Project will be in operation this year. The Applicant will employ 67 new employees and will be able to retain another 136. Without this expansion, these jobs would have been transferred out of state. Mr. Stone stated this is a remarkable addition to the manufacturing base in Delaware.

Mr. Thompson, Plant Manager, stated he will be running the new facility. He stated Johnson Controls replaces electrical charges in batteries. He stated there are also some plans for renovations to the existing site.

Mr. Sears asked about the competition. Mr. Thompson stated the nearest competitor is in Pennsylvania. He stated Johnson Controls has a good share of the market. He stated Johnson Controls is a global company represented in every sector of the globe. He stated there are seventeen plants in the United States. Mr. Thompson stated that the Company's distribution gives them a lot of advantage. Mr. Sears asked what made Johnson Controls decide to do this Project in Delaware. Mr. Thompson stated it was because of Delaware's workforce and DEDO's incentive package. He stated that the company looked at Pennsylvania and Maryland but wanted to retain its workforce here in Delaware.

Mr. Lubin stated that the claw back provisions were fairly extensive and asked if the Applicant fully understood. Mr. Thompson stated Johnson Controls was fully aware of the claw back provisions.

Director Levin stated that as syndicated in the weekend newspaper, the town of Middletown is ecstatic with Johnson Controls' expansion. He also stated that in the future there could possibly be a connection with Johnson Controls and Fisker which is another Delaware company.

Mr. Lubin asked if there were any public comments. Mr. Gravell stated the Trades Council is very supportive of this Project. He stated that approximately \$4,000,000 (2.5 million shares) has been invested in Johnson Controls' through the Pension Funds Union and it is important to the Trades Council that where the funds are invested, the company remains.

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 Two Million Four Hundred Forty-Five Thousand Six Hundred Sixty-Eight Dollars (\$2,445,668.00) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including February 27, 2012. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

**Pioneer Hi-Bred International, Inc. ("Pioneer" or the "Applicant")** - The Applicant is requesting a grant from the Delaware Strategic Fund program in an amount of \$1,500,000. The Applicant, located in Newark and Wilmington, Delaware, proposes to use the funds to assist in a multiyear, multifaceted expansion plan to build a new, world class, global Biotech R&D center (the "Project").

Mrs. DeHaven presented this request to the Council. She stated this is an exciting new expansion project. She stated Pioneer is a wholly owned subsidiary of E.I. du Pont de Nemours and Company. She stated that Pioneer is the world's leading developer and supplier of advanced plant genetics to farmers worldwide. Mrs. DeHaven stated there will be a significant amount of capital expenditures and job creation with this Project.

Mr. Bonine stated that Secretary Kee of the Department of Agriculture has stated that Pioneer is a leader in agricultural biotech and is expanding the global footprint in this area. Mr. Bonine stated that this will be a multi-year spend out plan proposed for Delaware. He stated Pioneer which has been in Delaware for a number of years, is very excited. He stated Pioneer appreciates the tentative incentive offer and it was a significant influencer for the company selecting Delaware.

Mr. Sears asked how long DuPont has had this department. Mr. Bonine stated it was started in 1999. He stated they have been in Delaware for many years but this is the first big official project here.

Mr. Kinney stated there will be significant renovations to the Experimental Station in Wilmington and the Stine Haskell Research Center in Newark. The facilities include laboratories and greenhouses.

Mrs. DeHaven stated this is a significant investment in infrastructure. She stated that Pioneer anticipates that this is just the beginning; Pioneer has been doing extremely well. She stated Pioneer uses soybeans, corn and will now focus mainly on soybeans.

Mr. Gilligan asked what influenced Pioneer's decision to do this Project in Delaware. Mr. Kinney stated that it was a strategic decision. He stated Pioneer felt it had enough mass in India, California and in the other projects outside of Delaware, so they felt Delaware was a good place. He also stated that the decision was made for strategic reasons, specifically that they wanted to diversify and that the technical expertise and DuPont influence in Delaware were important factors.

Mr. Biener asked how important was Delaware's incentive to their decision. Mr. Bonine stated the incentive was significant to the decision making.

Director Levin stated that DEDO's offer was joined by a grant offer from the Department of Agriculture. He stated that Secretary Kee realized the value of what this Project could mean to the agricultural community in southern Delaware. Director Levin stated this Project shows State departments working together.

Mr. Lubin asked if there were any public comments. Mr. Samples encouraged Pioneer to "go for it".

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 One Million Five Hundred Thousand Dollars (\$1,500,000.00) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including February 27, 2012. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

**Sanosil International, LLC ("Sanosil" or the "Applicant")** – In 2009, the Applicant received a loan in the amount of \$750,000 from the Delaware Strategic Fund program.

The proceeds were used to hire additional staff, expand marketing and sales activities and fund core operations for its patented ecological disinfectants at its facility located in New Castle, Delaware. Today, the Applicant is requesting a modification to its existing loan documents with The Delaware Economic Development Authority for its December 11, 2009 Delaware Strategic Fund loan in the amount of \$750,000, allowing for twelve months of interest-only payments in the amount of \$1,208.86 to begin on March 1, 2011 with final maturity on December 1, 2013 (the "Request").

Mr. Bach presented this request to the Council. At this time Sanosil is requesting that the payment terms be modified to reflect a twelve month interest only period. Mr. Bach stated this would free up approximately \$21,000 a month. These funds would in turn be reinvested in its product. He stated that this company has thus far had an excellent repayment history.

Mr. Ungermann stated that in general terms, the company has been tracking its goals but there has been a delay in things coming to fruition. He stated that due to the state of the economy, some clients are reluctant. He stated there has also been an issue with the "fogging". However, he stated Sanosil has regrouped, restaffed, and hired several new people that are driving the infectious disease control part of the business. He stated they have restructured their marketing efforts to find strategic partners and which efforts have paid off immensely (an advertisement in the Wall Street Journal was specifically cited). Mr. Ungermann stated that Sanosil is working with a multi-national company that is absolutely amazed with Sanosil's product. He stated there is also another world-wide known company that is eager to work with Sanosil and that they now have a backlog of orders waiting to be filled.

Mr. Ungermann stated that currently Sanosil is working with the second part of their business which is water treatment. He stated since the last meeting with the CDF, Sanosil has sold approximately \$1.5 million of its product and it is about to double that for this year. They have closed a deal in Mexico and are now working on getting licensed in the US. He stated the cold winter has also caused another delay whereby some of the hotels were shut down because of the cold weather. Mr. Ungermann stated the reason for this request is that it will give Sanosil a little breathing room so it can focus and proceed with its products. He stated the principal owners have actually provided some funds of our own. Many investments have converted to equity.

Mr. Riddle asked what specifically the original \$750,000 was used for. Mr. Ungermann stated it was used to hire people, complete EPA registrations, for working capital, to finalize the development of this product and to set up manufacturing and develop business. He stated that in terms of the employment, Sanosil is behind the original projections. He stated however, they have maintained and upgraded their mix and job descriptions. He stated that as they are filing these orders, they find they need more staff to provide better customer service and product management.

Mrs. Vible asked in regards to the one year extension request, does that indicate that Sanosil is one year behind in its time line? Mr. Ungermann stated that they believe they are at the eight to ten month projection level. He stated realistically, they are eight to ten months behind.

Mrs. Vible asked if there was any room in their cash flow and if they could have a 24 month extension with payment of principal. Mr. Ungermann stated that the immediate need is for the next six months. He stated that the impact of having this interest deferred for a year is substantial. He stated that he believes the revenue will catch up in 10 months.

Mr. Lubin asked if he felt the 12 month reprieve would be adequate or if he thought Sanosil may need to come back after twelve months. Mr. Ungermann stated he felt the twelve months would be adequate.

Mr. Sears verified that Sanosil sells foggers to hospitals and doctors' offices. Mr. Ungermann stated that the healthcare market is very lucrative but hard to penetrate. He stated that there are 5,000 hospitals in the United States that are able to utilize several of these units. Currently hospitals service out and Sanosil is trying to work with those individuals directly. He stated that currently these hospitals are working with Syntex so Sanosil has to deal with Syntex directly. Sanosil is currently working with Children's Hospital. Mr. Sears asked if it was a case where Sanosil would offer a company a machine if the company would buy Sanosil's solution. Mr. Ungermann stated that the machines are manufactured in Boothwynn, Pennsylvania. He stated Sanosil is not in the fogger business but there is a 50% margin to be made on these machines. But, Mr. Ungermann stated that the desired result is the use of Sanosil's product.

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 the Request, contingent upon the approval remaining in effect through and including February 27, 2012. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

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

**Fisker Automotive, Inc. ("Fisker")** – Mrs. Johnson stated that Fisker had contacted the Authority to ask for permission to obtain its gas from Hess instead of Delmarva Power & Light Company ("DP&L"). DP&L has stated it has no objection. Therefore, the Grant Agreement was modified to change the gas supplier from DP&L to Hess. Mrs. Johnson

stated that this modification requires a motion to ratify this change in the Grant Agreement.

Mr. Sears made a motion that the Council ratifies the modification to the Fisker Automotive Grant Agreement dated December 10, 2010 between The Delaware Economic Development Authority and Fisker Automotive, to allow Fisker Automotive, Inc. to purchase its gas from Hess instead of Delmarva Power & Light Company. The motion was seconded by Mr. Riddle which was then adopted by unanimous vote.

**ADJOURNMENT**

The meeting adjourned at 10:10 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, March 28, at 9:00 A.M. at the Smyrna Rest Area.