

COUNCIL ON DEVELOPMENT FINANCE
May 21, 2012

PUBLIC HEARING 383

THOSE PRESENT:

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

Director Alan Levin
Mrs. Rachael Mears
Mr. Stephen Bach
Mr. Gary Smith
Ms. Cassie Robbins
Mrs. Lee Porter
Ms. Beverly Ennis
Ann Marie Johnson, DAG
Mrs. Bernice Whaley
Mr. Tim McLaughlin
Mrs. Shannon Clark
Ms. Nikki Lavoie
Mr. Joe Zilcosky

ALSO PRESENT: Mr. Bryan Sullivan and Ms. Michelle Sloan – Office of Management and Budget; Jonathan Starkey and Cori Nutoli with the *News Journal*; Ms. Kim Rachiele and Mr. James F. Jones with DEMEP; **Newark Charter School** – Mr. Greg Meece, Mr. Steve Dressel, Mr. Austin A. Lobo, Ms. Joanna Schlosberg and Emilie Ninan, Esquire of Ballard Spahr, LLP, Jim Taylor, Esquire and Silvia Shin, Esquire of Saul Ewing; **HandyTube Corporation** – Mr. John Coates; **Sanosil International, LLC** – Mr. Chris Ungermann; **Acorn Books, Inc.** – Ms. Marie Shane and Ms. Ginny Jewell and Ms. Lynne Schaefer of Dover Federal Credit Union; **MCL Enterprises, LLC (Hartly Family Learning Center)** – Ms. Connie Richard and Mrs. Lynne Schaefer of Dover Federal Credit Union; **Data Management Internationale, Inc.** – Mr. William Swezey, Sr. and Mr. William Swezey, II and Ms. Janet Dougherty of Fulton Bank; **American Legion David C. Harrison Post #14, Inc.** – Ms. Jeanette Havel, Mr. Ed Ioe, Mr. Allan Post and Mr. Robert Lore with WSFS; **B. F. Rich** – Mr. Keith Fleury of Gunnip & Company; **Badger Electric** – Mr. Mark Auger and Ms. Janet Dougherty of Fulton Bank

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 Chairman Lubin, on Monday, May 21, 2012.

OLD BUSINESS:

Mr. Sears made a motion that the minutes of the April 23, 2012 Council on Development Finance meeting be approved as presented. Mr. Riddle seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Chairman Lubin expressed his sadness at the loss of Tom Gilligan, who passed away suddenly this month. Mr. Lubin said Mr. Gilligan was both a personal friend and a valued member of the CDF, and therefore a loss not only for himself but for the Council. He spoke of the dedication and knowledge that Mr. Gilligan brought to the Council. Mr. Sears commented on Mr. Gilligan's ability to interact with the companies that came before the Council, and his ability to always ask substantive and pertinent questions. Mr. Riddle spoke of Mr. Gilligan's extensive understanding of the numbers presented in financials, and his availability as an incredible resource. All members expressed their grief. Director Levin praised Mr. Gilligan's influence was apparent in the end result, as he was very instrumental in the success of DEDO's first financial statements. A formal tribute will be held for Mr. Gilligan at the next CDF meeting in June.

Newark Charter School, Inc. ("Newark Charter" or the "Applicant" – The Applicant is requesting an amount not to exceed \$18,500,000 in industrial revenue bonds. The proceeds will be applied to make a loan to the Applicant for one or more of the following purposes: (a) financing all or a portion of the costs of (i) acquisition of approximately 20.7 acres of land and a warehouse thereon, (ii) conversion of such warehouse into a new junior and senior high school facility serving grades 7-12 which will be comprised of a one story, approximately 122,268 square foot building with forty-two (42) classrooms plus special classrooms for drivers education, art, chorus, band and orchestra, three (3) tech labs, a media center, a cafetorium (combined cafeteria and auditorium) and gymnasium with locker rooms and (iii) construction of three (3) new athletic fields (collectively, the "Project"); (b) paying capitalized interest on the Series 2012 Bonds during construction of the Project; (c) funding any required reserve funds; and (d) financing various costs incidental to the financing, including costs of issuance (the "Project"). The Project will be owned by the Applicant.

Mrs. Mears presented this request to the Council. She explained that Newark Charter has approximately 1,340 students enrolled in grades K through 8. Newark Charter has recently received approval by the State Department of Education to expand the number of students to 2,500 and the number of grades to include K through 12. Mrs. Mears stated that the school currently has 2,000 students on its waiting list.

The school was established by parents and teachers committed to providing an educational alternative within the public school system. It has earned a "Superior" Delaware Department of Education School Rating for over ten consecutive years. Mrs. Mears explained the specific use of bond funds would be \$7,000,000 for acquisition of building, \$9,000,000 for rehabilitation expenditures for the building, \$700,000 for acquisition of new equipment, \$800,000 for bond issuance costs and \$2,980,000 for debt reserve and capitalized interest bringing the total costs to \$20,480,000. Mrs. Mears stated that the amount requested today is \$18,500,000 and that the difference in funds would be provided by equity and contributions.

Mrs. Ninan stated that Ballard Spahr was serving as Bond Counsel. She stated that the State, as Conduit Issuer, would not be subject to the State's full faith and credit, and the State would have no repayment obligation. She further stated that the bonds would be at a fixed rate. The underwriter will be Robert W. Baird & Co., Incorporated.

Mr. Biener asked how the additional grades levels would be added to the school. Mrs. Ninan stated that this year the school would phase in the new grades in each year, and that the plan was to add ninth grade this year, tenth grade in the following year, and in the following years, eleventh and twelfth grades would be added.

Senator Cook stated that she was aware of proposed legislation for funding and asked if getting this revenue bond financing would affect getting those proposed funds. Mr. Meece stated that the two requests were separate, and that the proposed legislation did not include funds raised through the bond financing.

Mr. Sears asked if Mr. Meece could elaborate on the recent approvals of this charter school. Mr. Meece stated that Newark Charter had gone through several approval processes. The City of Newark has approved zoning, and it has received approval from the County and the State Board of Education ("DOE") has approved with two conditions. The conditions are 1) to provide food service that is in place for next year and 2) Newark Charter has to submit a diversity outreach plan to DOE for approval.

Senator Bushweller stated that he is aware of the many discussions on this project and he believes that it is his assessment that Newark Charter has an outstanding reputation and has demonstrated what can be done with a charter school to improve educational opportunities for children and to set an example for other schools. He further added that he believes this is a great project.

Mr. Riddle asked if the Project was on schedule with its financing schedule. Mrs. Ninan stated that the school was right on schedule.

Director Levin informed the Project and the Council that he would be withholding final sign-off on bond execution pending final approval by the Secretary of Education of the food service and the diversity outreach program which was submitted on Thursday. He

stated that he is aware that the Department of Education is anxious to complete its process.

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. Biener 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 Eighteen Million Five Hundred Thousand Dollars (\$18,500,000.00), of revenue bonds, not guaranteed by the State, to be used for the Project; conditioned upon receipt of the approval from the Secretary of Education on the food service and the diversity outreach program and that such approval will remain in effect through and including May 20, 2013. Senator Bushweller seconded the motion, which was then adopted by unanimous vote.

HandyTube Corporation (“HandyTube” or the “Applicant”) – The Applicant is requesting a grant from the Delaware Strategic Fund program in an amount up to \$405,000. The Applicant proposes to use the funds in the expansion of its current operations located in Camden, Delaware (the “Project”).

Mr. Zilcosky presented this request to the Council. Mr. Zilcosky stated that HandyTube was previously Camdel Metals, has been in Camden over 30 years and has over 150 employees. He stated that because the company has been doing so well and has increased their employee numbers, they need to expand at its current location or move somewhere else. Mr. Zilcosky stated that the Applicant makes seamless tubing. He further elaborated that while most pipes have solder marks; HandyTube’s pipes are single unsoldered tubes and therefore they will not fail. He further stated that these tubes are used in machine guns. Mr. Zilcosky stated that there is only one other place which is in Canada that makes these pipes. He further stated that HandyTube exports its products to China.

Mr. Zilcosky stated that the Applicant is asking for \$405,000 to expand its building and move the loading docs. He stated that however, DEDO is recommending \$355,000. He further added that HandyTube will be adding 42 employees.

Mr. Coates stated that the company moved here from Pennsylvania. He stated that this year revenues should be approximately \$45,000,000. He hopes to expand the business by the acquisition of other companies. He stated that the increase for HandyTube started in 2006 which is the reason he has increased his employees to 45 and believes there is the need to increase by 40-45 more employees. Mr. Coates stated that its main competitor is Sanvic Company.

Mr. Zilcosky stated that these tubes are about the thickness of a human hair and stretch over a half of a mile.

Director Levin asked about the specific request. Mr. Zilcosky stated the \$355,000 in funds will be disbursed with \$105,000 in capital expenditure costs and \$250,000 for job performance which is a little less than the \$405,000 originally requested.

Mrs. Vible pointed out that the Grant would have a claw back requirement. Mr. Sears asked about the relationship with the parent company. He asked if the parent company should incur financial trouble, would that affect HandyTube's financial condition. Mr. Coates stated that HandyTube is a standalone company and is individually run but financially they are connected as a public company.

Senator Bushweller stated that he was very pleased with the projected employment increase and asked if Mr. Coates could comment on other aspects of doing business in Delaware. Mr. Coates stated that the company has had good luck, the facility is 31 years old and the product was developed in Pennsylvania. The town of Norristown told the company that there could not be any more expansion; the President of the company had a beach house in Delaware and that's how the company ended up in Delaware. He stated that the company was non union. He stated that about fifteen of their employees were retirees from the Dover Air Force Base. He further added that the company performs favorably against its main competitor, Canadian company and therefore it is important that they continue with their main initiatives. Mr. Coates stated that HandyTube has worked with DEMEP. DEMEP has shown HandyTube how it has to do more with less and doing this has been successful for the company.

Mr. Sears asked how many hours the company was in operation. Mr. Coates stated that the company runs three shifts, seven days a week. Mr. Zilcosky stated that this is why they need this additional furnace – to keep up with the increased workload.

Mr. Bach stated that the claw back is at the back end. He stated that the capital expenditures grant would be disbursed upon DEDO receiving qualified invoices detailing the approved expenditures.

Chairman 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 Three Hundred Fifty-Five Thousand Dollars (\$355,000) to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including May 20, 2013. Senator Cook seconded the motion, which was then adopted by unanimous vote.

Sanosil International, LLC (“Sanosil” or the “Applicant”) – The Applicant is requesting a modification to the terms of its current loan (the “Project”).

Mr. Bach presented this request to the Council. He stated that the Council recommended approval of a \$750,000 Delaware Strategic Fund grant on October 26, 2009. The loan proceeds were used to hire additional staff, supplement working capital and to mitigate costs incurred while expanding into new markets with its disinfectant and biological products. The terms of the loan were for it to fully mature in 36 months after the closing, carry an interest rate of 3.25%, and be secured by personal guarantees by Chris Ungermann and Chris Lundin, plus a first lien position on business assets. On March 17, 2011, the Applicant requested a modification to the loan terms which would modify the terms for interest-only payments for a period of twelve months beginning in April 2011. Mr. Bach stated that Sanosil has only been able to make interest payments for April and May. Mr. Bach stated that however, \$300,000 on the principal balance has been paid down.

Mr. Bach stated that today, Sanosil is requesting a modification of the loan terms to reflect a ten year amortization with monthly payments of \$4,000 a month for 12 months. Beginning on the 13 month, the balance of \$373,000 would be amortized over two years with monthly payment of \$16,077.

Mr. Bach stated that over the three years of the new amortization terms, there will be a significant cost savings that will help the company.

Mr. Ungermann stated he is not pleased to be here today to ask for an extension. He did state however, that there are a lot of elements that show a lot of progress has been made since a year ago. He stated that they are in the business of making disinfectants for water treatment and have developed a fogging device along with the necessary chemistry. Mr. Ungermann stated that in the meantime, Sanosil has made a major breakthrough in killing spores which is a pathogen that makes people very sick. He further stated that Sanosil is currently in discussion with the EPA. He added that no disinfectant today can make the claim that Sanosil has. He stated that Johnson and Johnson is using Sanosil's disinfectant

in their fogging machines. Mr. Ungermann also added that Sanosil is making progress on the international side, has cleaned up its balance sheet, and has been able to turn debt into equity. He also stated that Sanosil has been able to partner with entrepreneur that is working now as a consultant just to obtain Sanosil's stock and is putting more money into the Project.

Mr. Ungermann stated that Sanosil is in the business of trying to develop new technology. He stated that the company was never funded properly. He stated that time is what they need to get back on their feet.

Mr. Ungermann stated that Sanosil is built around the unique combination of two active ingredients to kill pathogens. He further stated their product is used in industrial water. He added that they have been involved in projects in Asia. He explained that Sanosil's products don't have negative byproducts and shows a better residual effect.

Mr. Riddle asked about the debt structure of the company other than the DEDO loan. He stated that he could see that there is more debt with someone as the interest expense is larger. He asked for an explanation of the \$50,000 of interest expense. Mr. Ungermann stated that the company converted debt to equity and that there is another loan from a private investor of \$200,000. He stated that the plan is to convert that into equity. Mr. Ungermann stated that today the company is owned 20% by Mr. Ungermann, 38% by Mr. Lunden and 30% is held by an investor and there are two small investors that own about eight percent.

Mr. Sears stated that when a bank normally does a refinancing, the banks usually get something in return such as a fee or a higher interest rate. Mr. Bach stated that DEDO did assess a \$500,000 loan application fee. He also stated that DEDO has about as much collateral as it can get. He also added that the interest rate is a little below market.

Mr. Biener asked if there had been any attempt to seek bank financing. Mr. Ungermann stated that Sanosil lost money last year and he doesn't believe that there is a bank available to them.

Mr. Biener asked if there were milestones in place to be achieved by certain dates. Mr. Ungermann stated that one milestone is to achieve EPA approval and that there are other milestones such as other trade partners to be signed on. Mr. Ungermann added that the revenue forecasts submitted were very conservative and are based on what he knows they can deliver. However, he believes that Sanosil can and will do a lot better.

Mr. Biener suggested the possibility of tying the approval of this request to a milestone. Chairman Lubin stated that they have built in a monetary default.

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

After consideration, Mrs. Vible made a motion that the Council recommend to Mr. Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of the Request to amend the terms of the current loan documents to reflect a ten-year amortization with monthly payments of \$4,000 a month for twelve months and beginning on the thirteenth month, amortize the balance of \$373,000 over two years with monthly payments of \$16,077 and with all other covenants remaining in place, contingent upon the approval remaining in effect through and including May 20, 2013. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

American Legion David C. Harrison Post #14 (“American Legion” or the “Applicant”) – The Applicant is requesting a loan in the amount of \$300,000 from the State Small Business Credit Initiative Loan Program in conjunction with Wilmington Savings Fund Society, FSB (“WSFS”). The Applicant proposes to use the proceeds to construct a new ambulance station located at 900 Smyrna-Clayton Boulevard in Smyrna, Delaware (the “Project”).

Mr. Zilcosky presented this request to the Council. He stated this ambulance service did 3,000 trips last year and this year it has already done 1600. He stated that the American Legion has outgrown its two-stall capacity. He further added that the American Legion would like to build a six-stall ambulance facility to better facilitate the area. He stated the Applicant will be getting \$1.5 million from WSFS.

Mrs. Vible asked about the funding sources and uses and if the \$300,000 requested today was equity. The reply was that it was not. Mr. Zilcosky stated that the land has already been purchased.

Mr. Host stated that this particular legion started in 1924 which was a small volunteer service ran by veterans. He stated there are currently 40,000 residents in the two districts which they serve. He also added that it is a growing business but is currently restricted by space limitation. He stated that this new facility will allow the American Legion to provide a better service. The American Legion is considering doing non-emergency transports for veterans in their area. He stated that they started out servicing the area from Summit Bridge down to Milford until the other fire companies stepped in. He further added that sometimes they do go across the State line for transport.

Senator Cook emphasized that there was no competition between this American Legion and the Smyrna or Clayton fire companies. She stated that it was her understanding that they all worked well together.

Mr. Biener asked how many paid employees they had; response was 18. Mr. Biener asked if growth was anticipated. Mr. Post stated that where the facility will be located, there will be better access to both communities. He stated that over 300 people require bariatric transports and there is nothing in Kent County at this time to address this need. He stated that the American Legion anticipates hiring more people to increase its service capabilities.

Mrs. Vible asked how the American Legion worked with hospitals and insurance companies. Mr. Post stated that the America Legion utilizes a billing service and does not do its own third party billings or collections. He stated that their pay rate is good and that they have two EMTs on their payroll. While they lost a little money in 2010, they were able to almost break even in 2011. He further commented that they do a number of fundraisers and have a revenue program where they do a direct mailing. He also added that at this point, the American Legion doesn't owe anyone any money.

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

After duly considering, Mr. Riddle made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of this Project under the State Small Business Credit Initiative Program. Senator Cook seconded the motion, which was then adopted by unanimous vote.

Acorn Books, Inc. ("Acorn" or the "Applicant") – The Applicant is requesting a participation loan in the amount of \$16,000 from the State Small Business Credit Initiative Loan Program in conjunction with the Dover Federal Credit Union ("DFCU"). The Applicant proposes to use the funds to purchase equipment and for working capital for start up costs associated with opening a book store which will be located in Dover, Delaware (the "Project").

Mr. Zilcosky presented this request to the Council. He stated that the DFCU will provide a \$40,000 line of credit and a \$24,000 term loan. He stated that there are no book stores within a fifty mile radius of Dover. Mr. Zilcosky that between the two principals, Marie Shane and Ginny Jewell, they have over 30 years of experience in the book store industry.

Ms. Shane stated that with their years of experience and the research they have done, they are confident they can succeed. They plan to service new areas. For instance, they intend to target the 8,000 plus inmates in correctional facilities in Delaware who can only get a book by purchasing from a store with a receipt, which Acorn will be able to accommodate. Another target market is the school market which places bulk orders, and the summer reading/out of school market and regular school programs and teachers. She believes the schools will be a good market.

Ms. Shane stated that this will fill a gap left when Atlantic Books closed as the market they served still exists. Ms. Shane stated that there was a lot of overhead at Atlantic Book Store. They plan to operate with much less overhead, but will build on the community relationship that Atlantic developed. She added that their business plan reflected only 40 percent of Atlantic Book Store's annual sales.

Mr. Sears asked how Walmart would affect their business. Ms Shane stated that Walmart only sells about 1/2 of the top ten list, doesn't carry book series and doesn't order books.

She further elaborated that Acorn will be connecting with their customers. She stated they have the email lists of Atlantic Book Store giving them their point of sales. They also have shelving, fixtures, spinner racks and point of sales so their inventory system is ready to go. She also added that they have 2,000 names of people who are interested in having a new book store come to this area.

Mrs. Mears stated that the capital needed is \$80,000; \$20,000 investment from Ms. Shane, \$40,000 line of credit from DFCU and a \$26,000 loan from DFCU.

Director Levin stated that after hearing the presentation, he believes they have minimized their risks the best they can. He did express to them that location is a very, very important factor in the success of a business.

Ms. Shane stated they are adding a coffee bar to meet clientele demand for a space to meet and linger. When asked about locating downtown, Ms. Shane stated that they looked at the downtown area, but the parking was very limited. Further, although she knows it is a central area, she doesn't feel downtown is the place to be. It was stated that the loan is contingent on the decision of a definite place. She stated that Captain Johns is their second option with a lease to own.

Mrs. Vible asked about the time line. Ms. Shane stated that they had hoped to open in June but are now shooting for July. She stated that they have the crews such as carpenters, suppliers, etc. ready to go.

Senator Bushweller also stated that the location will be very important. He stated that when he heard Atlantic Book Store was closing, he was concerned that there wasn't a book store in the area and therefore feels this is an exciting project. Director Levin cautioned again that access and egress is a most important part of a business' success. Senator Bushweller expressed his concern about the Captain Johns location as it related to issues of access.

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

After duly considering, Senator Cook made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of this Project under the State Small Business Credit Initiative Program. Senator Bushweller seconded the motion, which was then adopted by unanimous vote.

MCL Enterprises, LLC (“MCL” or the “Applicant”) – The Applicant is requesting a participation loan in the amount of \$186,000 from the State Small Business Credit Initiative Loan Program in conjunction with Dover Federal Credit Union. The Applicant proposes to use the funds to construct a new day care facility in Hartly, Delaware (the “Project”).

Mr. Zilcosky presented this request to the Council. He stated that the Hartly Learning Center has seventy children and has outgrown its facility. It is looking to build a new facility around the corner.

Ms. Richard stated that there is one full time employee and six part time employees. She stated that when they are fully operational, there will be eleven full time employees. She stated that they are currently operating out of two locations - Hartly Elementary School and Hartly Church. She stated that during the summer time, she has to run kids between both buildings. She stated they are very cramped for space.

Ms. Richard stated that she believes that with this new facility, they can be successful and can expand their services. They anticipate having learning classes teaching how to cook, prepare a budget, shop, etc. with the focus being on the whole family.

Mrs. Schaefer stated that the school district is very supportive.

Mr. Sears asked if after school daycare was provided at this facility. Ms. Richard stated that most people are looking at preschool in addition to daycare. She stated that they help with the children's homework and with recreational activities. She added that they take subsidiary programs, scholarship programs and also have paying clients. She stated that with this new facility, they will be able to target working parents.

Mr. Sears asked if funding would be affected because of going from non profit to profit and Ms. Richards indicated that it would not.

Ms. Richards stated that the total cost is \$618,000 and that she will have a \$466,000 loan. She stated that the gap is for construction fees. She added that she put in \$60,000 of her own money for the purchase of the land.

Senator Bushweller asked if there was an existing building; the response was no. Ms. Richards stated that she will be building a new building. It was asked if there would be any activities at the elementary school once the new building was built. Ms. Richard stated everything would be done at the new building. She stated that certain assets (such as tables, shelves, chairs and computers) will be transferred from Hartly Church. Council members asked if Ms. Richards would have to pay for those assets. She stated that that particular matter has not been discussed but it is her expectation that they will just come with the learning center. She stated that Hartly Early Learning Center owns those things now – chairs and tables, etc. She doesn't think it would be a significant amount of money. The equipment is from two to ten years old which includes a couple of computers and shelving. Mr. Lubin suggested to Ms. Richards that they develop a clear understanding with the Church about the transfer of the day care furniture and other assets. Ms. Richards did state that the lady at the Church was very encouraging of this Project.

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

After duly considering, Senator Cook made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of this Project under the State Small Business Credit Initiative Program. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

Data Management Internationale, Inc. (“DMI”) or the “Applicant” – The Applicant is requesting a participation loan in the amount of \$349,500 from the State Small Business Credit Initiative Loan Program in conjunction with Fulton Bank. The Applicant proposes to use the funds to assist Fulton Bank in refinancing the Applicant’s accounts payable and term debt for its existing facility located at 55 Lukens Drive in New Castle, Delaware (the “Project”).

Mr. Smith presented this request to the Council. DMI has 42 employees and hopes to increase to 45. He explained that DMI takes information from various ports and puts the information onto DVDs or scans information which is put into a digital format. One of DMI’s customers is the State of Delaware. He stated that DMI serves the mid-atlantic region.

Mr. Smith stated that DMI obtained approval for a \$250,000 loan in 2004 but the loan was not disbursed until 2006. In 2012, the documents were modified to reflect an extension of the terms until September 2013. He explained that what was being proposed today is the funds from Fulton Bank will pay down the \$250,000 Delaware Strategic Fund loan. On the participation loan, DEDO will have a second lien position on the building and a third lien position on the letter of credit. He added that all loans will be dependent on an appraisal. He stated that a recent appraisal that was done last year stated the value \$4.5 million.

Mr. Swezey Jr. stated that DMI is making strides with the “cloud” technology. He stated that that marketing has helped them tremendously.

Mr. Lubin asked if they would be leasing the facility. Mr. Swezey stated that they actually have that facility in place. He added that it was like the cell phone business; they are just adding customers and that the incremental cost to add a customer is almost nothing. He stated that they have added Crozier Chester, Burris Foods, etc. Mr. Swezey stated they have a commercial ad on Comcast. He stated it a sophisticated system but is easy to use.

Mr. Sears asked about DMI’s competition. Mr. Swezey stated that locally there really isn’t any but there are some national players such as Iron Mountain and Anacomp.

Mr. Swezey stated that DMI does have some clients that use webdoc and they use their own scanners. Mrs. Vible asked about security. Mr. Swezey stated they do use a service and that they are HIPPA compliant. He added that every action in their system is recorded.

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

After duly considering, Mr. Biener made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of this Project under the State Small Business Credit Initiative Program. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

M. Auger Enterprise Inc. (DBA) Badger Electric Inc. (“Badger” or the “Applicant”) - The Applicant is requesting a participation loan in the amount of \$50,000 from the State Small Business Credit Initiative Loan Program in conjunction with Fulton Bank. The Applicant proposes to use the funds to assist Fulton Bank in refinancing the Applicant’s accounts payable and term debt for its existing facility located at 55 Lukens Drive in New Castle, Delaware (the “Project”).

Mr. Auger stated that when he was very young he started this business. He stated that this would be the first time that Badger would have any loans. He stated that with this funding, the financials will be in a better position. He also stated that the company is on track with its projected sales.

Mr. Auger stated that Badger is a start up business. He stated that 99% of the employees are Delawareans. He added that Badger strives on being a “high quality” contractor not a “high quantity” contractor.

Mr. Sears asked what Mr. Auger credited the turn around in the business from last year. Mr. Auger stated it is from the sheer volume in multi family housing. He stated that people have lost their homes and that has driven the rental market back into business. The private builders are going with apartment buildings. He stated there is not much money in single family homes. He also added that he has started to see an increase on the commercial side.

Chairman 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 this Project under the State Small Business Credit Initiative Program. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

Future SSBCI Requests - Director Levin proposed to the Council that DEDO would like to present the Council with guidelines for future review of SSBCI participation loan applications. DEDO intends to propose loan amount and ratio thresholds below for categories of loan participations that would not require CDF approval, similar to programs already in place for the DRIP and LIFT programs. It was stated that there is approximately \$10.5 million in funds left in the SSBCI program. The Council agreed with this proposal.

B. F. Rich Co., Inc. (“B.F. Rich” or the “Applicant”) – Mrs. Clark presented this request to the Council. She stated that the Council recommended approval of a \$330,000 Delaware Strategic Fund loan at the Council’s April 23, 2012 meeting. However after conveying the approval to B. F. Rich, it was determined that there were some questions on the terms. DEDO wants to mirror the disbursements on what B. F. Rich actually needs. Mrs. Clark stated that B. F. Rich lost a significant customer which took about twenty percent of their sales. Now, the largest customer is about 6.8 percent of their business. She stated that DEDO analyzed the Applicant’s needs such as equipment need and salary expense. Mrs. Clark stated that the second lien position would be maintained. She further stated that the lending Bank had waived the technical defaults and approved a forbearance of payments for three months. Mrs. Clark believes the injection of cash from the Strategic Fund loan will help tremendously.

Today, DEDO is requesting approval for B. F. Rich Co., Inc. for a Delaware Strategic Fund Grant in the amount of \$330,000 and a Delaware Strategic Fund Loan in the amount of \$500,000. B. F. Rich will be eligible for three grant disbursements with a recapture period through 2019. The loan would have a seven year term with interest payments only until a \$360,443 balloon due in 2019.

Mr. Riddle clarified that the line of credit has been extended, not increased. There will be substantiated draws and claw backs. Director Levin stated that the Applicant learned that the systems were the biggest problem which will now give them more control. He stated that DEDO has made a special effort to put in controls.

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

After duly considering, Mrs. Vible made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of the Request. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

J. P. Morgan Chase – Director Levin discussed the recent news regarding Chase. He stated that he has contacted Chase and he has been informed that there will not be any change in Chase’s commitment to Delaware and the creation of 1200 jobs. He further stated that even though the funds are not going to be given to Chase all at one time, he feels confident with their assurances that they will move forward.

ADJOURNMENT

The meeting adjourned at 11:15 a.m.

Respectfully submitted,

Lee Porter, Secretary

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LKP

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

The next CDF meeting is scheduled for Monday, June 25, 2012 at 9:00 A.M. at Buena Vista in New Castle, Delaware.