

**COUNCIL ON DEVELOPMENT FINANCE**  
**April 29, 2013**  
**PUBLIC HEARING 394**

**THOSE PRESENT:**

Mr. Andy Lubin, Chairperson  
Senator Brian Bushweller  
Cleon Cauley, Esquire  
Honorable Nancy Cook  
Mr. Jack Riddle  
Mr. Richard Rowland  
Representative Darryl Scott  
Mr. Fred Sears

Director Alan Levin  
Mrs. Rachael Mears  
Ms. Cassie Robbins  
Mrs. Lee Porter  
Mrs. Bernice Whaley  
Mr. Jeff Stone  
Mr. Tim McLaughlin  
Mrs. Shannon Clark  
Mr. Peter Bothum  
Ms. Patty Cannon

**ALSO PRESENT:** **Sussex Academy Foundation and/or Sussex Academy of the Arts and Sciences** – Emilie Ninan, Esquire, serving as Bond Counsel and Mr. Allen Stafford; **All Metals Fabricators** – Mr. Kevin Denny; **Advanced Materials Technology** – Mr. Tim Langolis; Ms. Courtney Stewart, Controller General’s Office; Mr. Adam Damin and Mr. Brian Maxwell with OMB; and Mr. Randall Chase,

**LOCATION:** Haslett Armory, 122 William Penn Street, Dover, Delaware

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

**CALL TO ORDER**

The meeting was called to order at 9:00 A.M. by Chairman Lubin, on Monday, April 29, 2013.

**OLD BUSINESS:**

Mr. Sears made a motion that the minutes of the March 25, 2013 Council on Development Finance meeting be approved as presented. Mr. Riddle seconded the motion which was then adopted by unanimous vote.

**NEW BUSINESS:**

Secretary Levin introduced and welcomed Cleon Cauley, Esquire and Mr. Richard Rowland as new members of the Council on Development Finance. Mr. Cauley is an attorney with the law firm of Morris James. Mr. Rowland is a CPA with the firm of Rowland and Johnson.

**Sussex Academy Foundation and/or Sussex Academy of the Arts and Sciences, a**

**not-for-profit Delaware corporation (“Sussex Academy” or the “Applicant”)**. The Applicant is requesting the issuance of industrial revenue bonds in an amount not to exceed at any time outstanding \$7,000,000. The proceeds of the revenue bonds (the “Series 2013 Bonds”) 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 42 acres of land and a approximately 122,000 square foot facility thereon, (ii) improvements to such facility in order to accommodate a new middle school and high school serving grades 6-12 (collectively, the “Project”); (b) paying capitalized interest on the Series 2013 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, for its facility located at 21150 Airport Road in Georgetown, Delaware (the “Project”). The Project will be owned by the Applicant.

Mrs. Mears presented this request to the Council. She stated that this school is located in Georgetown and serves 325 students in grades six through eight. She stated that the funds requested today would be used to purchase a building where the school would expand to include grades nine through twelve.

Mrs. Ninan stated that there is no obligation for repayment from the State or DEDA on these bonds and the bonds do not affect the volume cap. She added that the Academy Foundation is going to own the building and that the school is going to lease it.

Mr. Riddle asked about trading schools and if Delmarva Christian School was owned by the Academy Foundation. Mr. Stafford stated that Delmarva Christian is a private school on the other side of Georgetown which originally anticipated having 750 students. He further explained that it only has 200 students. He stated that Sussex Academy was planning to build a second building on its current site and Delmarva Christian School approached Sussex Academy about swapping buildings. Mr. Stafford stated that Sussex Academy’s building is worth \$5,000,000 and the Delmarva Christian School is worth approximately \$15,000,000. He stated that Delmarva Christian will receive \$10 million in addition to the smaller building. Mr. Stafford stated that the new entity owns the new school. He added that they won’t be dealing with the current Foundation at all.

Senator Bushweller asked how things were going with the charter school. Mr. Stafford stated that academically, it is the number one middle school in the State.

Chairman Lubin stated that the Application reflects \$4,000,000 in pledges and asked where the school would get the \$4.7 million in additional funds needed. Mr. Stafford stated that remaining funds will be made into two payments to the school in June 2014 and June 2015. It was stated that Sussex Academy does have an official letter of intent from PNC.

Senator Cook asked if the school had authorization from the State Board to expand. Mr. Stafford stated that the school received that approval last April and that they have been through charter renewal and that everything is good for five more years.

Mr. Sears asked how the school was keeping and/or attracting new teachers. Mr. Stafford stated that they are doing great as they actually advertised for five teacher positions and received 110 applications. He added that those five teachers have already been hired. He stated they do not have any problems with retention and that their pay scale mirrors Indian River's school district.

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

**Motion Made By:** Mr. Riddle  
**Motion Seconded By:** Senator Bushweller  
**Motion Passed:** Unanimously

**Motion:** 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, and to recommend to Mr. Alan B. Levin, Chairperson of The Delaware Economic Development Authority, approval of an amount not to exceed Seven Million Dollars (\$7,000,000.00), 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 April 28, 2014.

**All Metals Fabricators, Inc. ("All Metals" or the "Applicant")** – The Applicant is requesting a grant from the Delaware Strategic Fund in the amount of \$78,818.98. The Applicant proposes to use the funds to purchase new machinery and equipment for its facility located at 619 Lambson Lane, New Castle, Delaware (the "Project").

Mrs. Clark presented this request to the Council. She stated that All Metals is requesting a grant for capital expenditures. Mr. Denneny stated that All Metals expanded its facilities and relocated from Hadco Road to Lambson Lane. He stated that the company was in Elsmere for forty years and felt it had outgrown its space so it found a new building on Lambson Lane and for the past fourteen – fifteen months, they have been converting the warehouse space to building and upgrades. Mr. Denneny stated that the owners have invested over \$1,000,000 in this new facility and will be investing more in capital improvements over the next two years. Mr. Denneny stated the company will continue to keep and add people. He added that there are two new employees starting this month; one being a Director of New Business Development. He stated that they now have the capacity for more and larger work orders. He stated that All Metals wants to keep its legacy customers happy and also wants to diversify business. He added that the

company is growing, has been in Delaware a long time, and they have a plan in place to continue sustained growth.

Mr. Rowland stated that the Application evaluation refers to audited but that they are actually reviewed. Representative Scott stated there was a dramatic change in the growth margin. Mr. Denny stated that with the change in ownership that started in 2008, the company brought in a team that introduced lean manufacturing. He continued by saying that the prior ownership was not on that path but in the relocation process, the utilization of people was more efficient. He stated that efficiency became a major focus.

Chairman Lubin asked if the “good-will” had been on the books for long. Mr. Denny stated that it had been on the books since the new ownership.

Senator Cook asked about the performance grant which All Metals requested and received approval for in February 27, 2012. Mrs. Mears stated that All Metals was comfortable with the capital expenditures grant instead of the job performance grant. She stated however, that All Metals still has to create four new jobs. She also added that there is no performance grant included in the updated offer.

Mr. Sears asked about the client base – if there were one or two companies that they did a lot of business with. Mr. Denny stated that in 2008, there were two major companies that were All Metals’ main business. He stated that the new ownership recognized this risk and the goal now is to have no company being more than twenty percent of the business and no market being more than forty-five percent.

Mr. Cauley asked if All Metals was using private financing. Mr. Denny stated the financing had been secured.

Director Levin asked the dollar basis of inventory being carried by All Metals. Mr. Denny stated that the inventory is for raw product; they buy, consume and ship – no inventory. Director Levin asked if that was the case in 2011. Mr. Denny stated that that was correct. Mrs. Mears stated that the 2012 financial statements were audited; 2011 were not.

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

**Motion Made By: Representative Scott**  
**Motion Seconded By: Mr. Sears**  
**Motion Passed: Unanimously**

**MOTION: To recommend a grant from the Delaware Strategic Fund in the amount of \$78,818.98; such funds being used to purchase new machinery and equipment for its facility located at 619 Lambson Lane, New Castle, Delaware.**

**Advanced Materials Technology, Inc. (“AMT” or the “Applicant”)** - The Applicant

is requesting a grant from the Delaware Strategic Fund in the amount of \$57,713.00, The Applicant proposes to use the funds to support expansion of its current facility located in Wilmington, Delaware (the "Project").

Mrs. Clark presented this request to the Council. She stated that AMT is requesting a \$15,300 Capital Expenditures Grant and a \$42,413 Performance Grant.

Mr. Langlois stated that AMT was formed in 2005 and has been in business for eight years. AMT makes High Performance Liquid Chromatography columns which are used in pharmaceutical, biotechnology, food and beverage and chemical industries. AMT's products are sold throughout the world using strategic relationships and a world-wide, network of distributors. He stated that AMT currently has 20 permanent employees and plans on adding additional jobs. He added that AMT has eight PhD scientists who are creating new ideas to expand the business.

Mr. Langlois stated that AMT's product has been around and now they believe it is the time for expanding. He stated AMT is currently making some modifications to the existing space and expanding by over 4,000 square feet. This Project will allow them to continue to grow the company.

Mr. Lubin asked about new employees. Mr. Langlois stated that AMT expects to add three positions this year, three in 2014 and four in 2015. He stated that the positions would include chemists, a marketing manager and research and development people. Mr. Langlois stated that AMT's client base includes a main customer that is a Fortune 500 company, but they also have a large customer base.

Mr. Cauley asked if the nine new projected employees would be full time. Mr. Langlois stated that they would be full time. Mrs. Mears stated that the grant is structured where there is a full time job definition which AMT will have to meet before funds are disbursed.

Mr. Lubin asked for an explanation of the net income differential between 2011 and 2012. Mr. Langolis stated that AMT had a deal where the company gave AMT \$1,000,000 up front and AMT gave them a million dollars of product. He added that 2011 was a great year. He stated that when you get into early drug discovery, as it is developed, there is a good cash flow.

Mr. Sears asked if AMT ran into any trouble such as what AstraZeneca is experiencing currently. Mr. Langolis stated that AMT doesn't have payment issues as it has distributors. AMT sells through strategic people.

Director Levin recommended to Mr. Langlois that when AMT starts hiring, hopefully it could consider the employees leaving AstraZeneca, keeping them in Delaware.

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

**Motion Made By:** Mr. Rowland  
**Seconded By:** Mr. Sears  
**Motion Passed:** Unanimously

**MOTION: Recommend a performance grant in an amount not to exceed \$42,413 and a capital expenditure matching grant in an amount not to exceed \$15,300 from the Delaware Strategic Fund, such funds being used the expansion of its current facility located in Wilmington, Delaware facility.**

**Sparrow Holdings, LLC (“Sparrow Holdings” or the “Applicant”)** – Sparrow Holdings, LLC and WSFS Bank are requesting an extension of the interest-only payments on its previously awarded SSBCI participation loan through July of 2013 (the “Request”).

Mrs. Mears presented this request to the Council. Mrs. Mears stated that when any changes are made to any agreement previously reviewed by the Council, it comes back before the Council for further review.

Mr. Skipper stated that Sparrow Holdings received original approval for a participation loan in February 2012 with the expectation that the loan would close in December 2012. However, Midi-Atlantic Business Finance Company experienced high staff turnover which caused a delay. In December 2012, the CDF granted an extension through March 31, 2013. He stated that now both WSFS and Mid-Atlantic believe this funding will be complete in early June 2013.

Mr. Skipper stated that there have been several factors delaying the closing such as WSFS having a difficult time with the SBA, MidAtlantic having several staff changes, and missing the May deadline for the funding, so closing is currently scheduled for the second week of June. He explained that the Bank funds 90 percent of the loan up front and then the SBA comes in and takes 40 percent.

Mr. Skipper stated that the site is up and running and the company is beating its projections. He stated he is before the Council today to request extending the interest-only payments through July of 2013 to allow the SBA 504 debenture to be sold and the DEDO participation to be funded out.

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

**Motion Made By:** Mr. Sears  
**Seconded By:** Senator Cook  
**Motion Passed:** Unanimously

**MOTION: Recommend an extension of the interest-only payments on Sparrow Holdings, LLC's previously awarded SSBCI participation loan through July of 2013.**

**Delaware Economic Development Office ("DEDO")** - In February 2010, DEDO received approval for \$100,000 from the Delaware Strategic Fund Brownfields program to be used for the remediation of potential contamination within the existing structures at 785 Dawson Drive in Newark, Delaware which was formerly known as the Syntech property. This will help enable the reuse of the site for a job creating industrial user. Today, DEDO is requesting reauthorization of this approval.

Mr. Stone presented this request to the Council. He stated that in February 2010, the Council approved \$100,000 in funding through the Brownfields fund for the remediation of potential contamination with the existing structures on the site.

Mr. Stone stated that Foxfire Printing had expressed an interest in purchasing the site but that did not take place. He stated that DEDO still has the site which continues to deteriorate. He further stated that DNREC has recommended that the buildings be demolished. Mr. Stone stated that DNREC has spent \$1.7 million in HISCUS funds already. He stated that a slab of concrete needs to be removed to determine further contamination and if so, treat it and then redevelop the site. Mr. Stone stated that today's request is to reauthorize the original approval of \$100,000 that was previously authorized. Mr. Stone stated that it is DEDO's hope that it can recover the funds spent once the site is redeveloped.

Mr. Riddle asked who owns the property. DEDA is the owner; it was originally funded through a general obligation bond which has long been paid. He stated that there are no claims or liens and that DEDA is the responsible owner.

Director Levin stated that the best thing for the State is to clean it up and sell it. Mr. Cauley asked the size of the site. Mr. Stone stated it is approximately 3.5 acres. He also asked if DEDO felt \$100,000 would be enough to do what needed to be done. Mr. Stone stated that DNREC is overseeing the project and its figure is \$87,000 not. Representative Bushweller asked if that cost included raising the building and removing the concrete slab and Mr. Stone stated it would be.

It was asked if there was an idea of the worth of the site once the property is environmentally remediated. Mr. Stone stated that not really because the property is going to be limited because DNREC has to continue to maintain monitoring the wells and will continue to need to have access to the property. He added that the storm water has to be captured and carefully fed back through a special infiltration pond and all of this will take away from the site.

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

**Motion Made By:** Senator Cook  
**Seconded By:** Mr. Cauley  
**Motion Passed:** Unanimously

**MOTION: Recommend reauthorization of original approval for \$100,000 from the Delaware Strategic Fund Brownfields program to be used for the remediation of potential contamination within the existing structures at 785 Dawson Drive in Newark, Delaware which was formerly known as the Syntech property.**

Adesis – Mr. Andrew Cottone came before the Council to express his gratitude for the funds received from DEDO. He stated that the company is doing well now.

ACCESS Program – Mrs. Mears updated the Council on the Access Program. She stated that it is a risk mitigation program stating that it is steadily growing. Director Levin stated the program is very successful. Mrs. Mears stated this program helps small businesses in all three counties. Senator Cook asked about DEDO's obligation. Mrs. Mears stated that DEDO's obligation is limited to the amount in each bank's fund.

DRIP – Mrs. Mears explained that DRIP is a financing program available to Delaware farmers to help fund irrigation systems. She stated that so far \$526,000 has been disbursed in loans which will fund the irrigation of 1200 acres. She added that there are eleven loans in the pipeline which will cover an additional 800 acres. She stated that DEDO works closely with the Department of Agriculture which is the lead and DEDO is the back end.

Mr. Riddle asked how DEDO determined the amount of funding. Mrs. Mears stated that DEDO funds 25% of the cost but not to exceed \$25,000. Director Levin mentioned the Co-op Program which assists with the electricity needed for the irrigation systems.

### ADJOURNMENT

The meeting adjourned at 10:15 A.M.

Respectfully submitted,

Lee Porter, Secretary

Cc: Members of the Council on Development Finance  
Director Alan Levin  
Cynthia Collins, Esquire

The next CDF meeting is scheduled for Wednesday, May 29, 2013 at 9:00 A.M. at Buena Vista.