

COUNCIL ON DEVELOPMENT FINANCE

February 25, 2013

PUBLIC HEARING 392

THOSE PRESENT:

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

Mrs. Rachael Mears
Mr. Stephen Bach
Ms. Cassie Robbins
Mrs. Lee Porter
Mrs. Bernice Whaley
Mrs. Barb DeHaven
Mr. Tim McLaughlin
Mr. Peter Bothum

ALSO PRESENT: **Delaware Diamond Knives, Inc. and Applied Diamond, Inc.** – Mr. Joe Tabeling; **Elcriton, Inc.** – Dr. Bryan Tracey; **Santora CPA Group** – Ms. Stacey Wynne and Mr. John D’Agostino; Ms. Courtney Stewart, Controller General’s Office; and Mr. Adam Damin, OMB;

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 Chairman Lubin, on Monday, February 25, 2013.

OLD BUSINESS:

Mr. Sears made a motion that the minutes of the January 28, 2013 Council on Development Finance meeting be approved as presented. Mrs. Vible seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Delaware Diamond Knives, Inc. (“Delaware Diamond” or the “Applicant”) - The Applicant is requesting a matching grant from the Delaware Strategic Fund under the Delaware Technical Innovation Program in the amount of \$50,000. Delaware Diamond will use the funds as an SBIR Phase II transition grant to fund the development of its

crystal diamond refractive x-ray lenses at its existing facility located on Lancaster Pike in Wilmington, Delaware (“Project”).

Mrs. DeHaven presented this request to the Council. She stated that Diamond Knives was started in 1986 and has expanded its products throughout the years.

Mr. Tableing stated that the company has been wanting to get into the “next generation opportunities.” Mr. Tableing passed out a photo handout illustrating the “mechanics” of Delaware Diamond and Applied Diamond. He stated that the company is trying to develop a focusing lens made of diamond for use in high energy x-ray beams. This process requires more intense beams which causes a higher heat load and causes deformities. He stated that Delaware Diamond’s lens has been very successful in quality and in its ability to handle the heat which lessens deformation.

Mr. Tabeling stated that Delaware Diamond is known for the high quality of surfaces that they can put on a diamond - sharp point and sharp edges. He stated that their tools are used in various applications such as semiconductors and that they have also done some work with scalpels that are used for eye surgery. He added that they have a large number of customers.

Mr. Tabeling stated that a growing part of their business is making a single piece crystal diamond used in quantitative compounding which uses light instead of electrons. He added that this technology will be used to test transitions that materials will undergo in nuclear fusion which is a technology that will eventually replace nuclear fission.

Mr. Tabeling stated that this technology makes optics out of diamonds. He stated that he believes that switching from silicon to diamond is the way of the future and that this is important to Delaware Diamond because it has been expanding dramatically. He stated that last year the company exported products internationally to Germany, France, Switzerland, Italy, Croatia, Spain, Brazil, Canada, and Taiwan.

Mr. Sears asked about the market for Delaware Diamond’s base product and if the price was holding. Mr. Tabeling stated that there was pricing volatility two years ago where there was a large spike in the price for certain sizes and shapes which went up over fifty percent over night. He stated that currently prices in the market are fairly stable.

Representative Scott asked about Delaware Diamond’s competitors. Mr. Tabeling stated that DeBeers is its main competitor. Chairman Lubin asked if their product was used in microscopes. Mr. Tableing stated that there was a limited use for their product in microscopes.

Chairman 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, Mr. Sears made a motion that the Council recommend to Mr. Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program ("DTIP"), to be used for the Project, contingent upon the approval remaining in effect through and including February 24, 2014. Representative Scott seconded the motion, which was then adopted by unanimous vote.

Applied Diamond, Inc. ("Applied Diamond" or the "Applicant"): The Applicant is requesting a matching grant from the Delaware Strategic Fund under the Delaware Technical Innovation Program in the amount of \$50,000. Applied Diamond, Inc. will use the funds as an SBIR Phase II transition grant to fund the fabrication of a large active-area detector from thin-film diamond at its current location on Lancaster Pike in Wilmington, Delaware ("Project").

Mrs. DeHaven presented this request to the Council. She stated that Applied Diamond is a spin-off of Delaware Diamond Knives. She added that with both the Delaware Diamond Knives project and the Applied Diamond, Inc. project, they are still within the limit of four SBIR projects per applicant. Mrs. DeHaven stated that the growth opportunities are more significant for this Project than the previous Project presented, Delaware Diamond Knives.

Mr. Tabeling stated that in the past, diamonds were in wafer form about a millimeter thick which allows the opportunity to engineer the product that is made. It also lends itself best to making high quality materials.

Mr. Tabeling stated that most of the company's concentration has been in technical markets. He stated Applied Diamond can ground and polish the diamonds, and cut them by using lasers. He stated that Applied Diamond can customize the product to meet customer specifications. He stated that many of their existing customers have expanded from the research markets and are now expanding into commercial markets.

Mr. Tabeling stated that this Project is participating with the Department of Energy and others, in a high energy physics group interested in taking two atoms and smashing them together to create a high ion collision. He stated that it is essential to track particle positions and measure their time-off-flight on an event-by-event basis which was done in the Phase I portion of this Project. He further stated that when these electrons go through a diamond, they are trying to drive the purity level up and the defection level down. Mr. Tabeling stated that they have found that the size of the signal that they were able to contact was proportional to what their competitors could do with the thick diamonds.

Mr. Tabeling stated that Phase II is going to deal with the mass part of the equation. Applied Diamond will make a detector with stripes so that the particles can be measured as they come through. He further added that the goal of the project is to make a highly pure detector grade diamond. This product could be used in connection with homeland security, nuclear power and radiation.

Mr. Riddle asked if there were any employees. Mr. Tabeling stated that Applied Diamond does have employees but that it makes more sense to have them paid from Delaware Diamond Knives because of the insurance and health benefits. He stated that Applied Diamond only contracts to Delaware Diamond Knives and has its own proprietary rights.

Senator Cook asked for the total number of employees. Mr. Tabeling stated that combined, there are nineteen people today. He added however, that they expect to add more engineers and more production people to make the products. He stated Applied Diamond is a manufacturer and it intends to stay in Delaware.

Chairman 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, Mr. Biener 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, contingent upon the approval remaining in effect through and including February 24, 2014. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

Applicant: Elcriton, Inc. (“Elcriton” or the “Applicant”): The Applicant is requesting a matching grant from the Delaware Strategic Fund under the Delaware Technical Innovation Program in the amount of \$50,000. Elcriton, Inc. will use the funds as an SBIR Phase II transition grant to develop large-scale duckweed cultivation for various uses at its existing facility located on Reads Way in New Castle, Delaware (the “Project”).

Ms. Cannon presented this request to the Council. She stated that Elcriton is rare because it is a scientific company that “gets” business. It understands how to raise money and how to use that money. She stated that Elcriton deals with alternative fuel sources and currently plays a major role in that arena in Delaware.

Dr. Tracey stated that Elcriton has raised \$1,000,000 in capital three times in the past three years. He stated that they have developed a number of partnerships, one in particular with a company in Israel.

Dr. Tracey stated that Elcriton saw duckweed as a unique, new opportunity for bio mass with remediation capability. He stated that in Phase I, Elcriton wanted to show the ability to grow duckweed and actually worked with Perdue to remediate that waste. He added that they fermented that duckweed which was then used as an animal feed supplement. He stated that poultry is the biggest US consumer of protein. He stated Elcriton is in the process of getting organic certification to be considered organic.

Dr. Tracey stated that in Phase II of this Project, Elcriton is going to scale up work with three demonstration sites; two will be in Delaware and one will be in Maryland. He added that in order to scale up the production of duck weed, they are analyzing duck weed strains. It is Elcriton's hope to do a \$10,000,000 fund raiser in nine months and they are currently talking with the appropriate companies to accomplish this.

Mr. Riddle asked about the size of the bonds. Dr. Tracey stated that at least a hundred of acres of water surfacing are needed. However, instead of using ponds, they will use agricultural ditches. He stated that this factor is the key limitation for this Project.

Mr. Riddle asked why Perdue wasn't doing this if they have such a large need for this product. Dr. Tracey stated that Perdue is not going to take the risk of growing grain. He stated that Elcriton's best opportunity is for them to go to the small independent growers.

Dr. Tracey stated that in terms of converting the waste to grain, Elcriton currently has a MOU. He stated that if they could plant 4,000 acres of duck weed through the Chesapeake Bay, they could utilize twenty-five percent of the nutrients.

Chairman Lubin told Dr. Tracey that when the Technology Park lost Elcriton has a tenant; it was a loss but that they were glad for Elcriton's progress.

Chairman 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, Mr. Biener 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, contingent upon the approval remaining in effect

through and including February 24, 2014. Senator Cook seconded the motion, which was then adopted by unanimous vote.

The Limited Investment for Financial Traction Program (“LIFT”): Mrs. Mears discussed the upcoming “sunset” of this program. She stated that the intent of LIFT was to help existing businesses stay on line. She stated that for a time, it was a very active program. However, recently there have been two trends that are navigating away from the need for the LIFT program. Mrs. Mears explained that inactivity is really based upon the incentive of the lender who actually drives the program. She stated that companies are now having hard times making their interest payments.

Mrs. Mears stated that the LIFT program was scheduled to sunset in 2011 and that now it has been determined that it would be better served to move the remaining LIFT funds within the Delaware Strategic Fund to be allocated to the Delaware Access Program. Mrs. Mears stated that DEDO is recommending that the remaining funds of \$1,112,750 in the LIFT Fund be allocated to the Delaware Access Program Fund. This would allow the LIFT program to sunset.

Mrs. Vible asked if the current LIFT loans would have a natural repayment. Mrs. Mears stated that there were still some outstanding loans and that any company that is enrolled, will continue; the money has been set aside for that purpose.

Mrs. Whaley stated that DEDO’s administration fully supports this action. Mr. Sears asked about the success of repayment. Mrs. Mears stated she would bring the stats on repayment to the next meeting.

After discussion, Mr. Sears made a motion to approve the request from DEDO to sunset the LIFT program and reallocate the remaining LIFT funds to the Access Fund. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

Executive Session – Mr. Biener made a motion that the Council go into executive session pursuant to 29 Del. C. §10004(b) to conduct a strategy session for the purpose of obtaining legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation related to collection issues, which if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, and to discuss draft financial statements, which do not constitute public records within the meaning of 29 *Del. C.*, § 10002(1). The motion was seconded by Mr. Sears 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 Mrs. Vible which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 10:25 a.m.

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Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Cynthia Collins, DAG

The next CDF meeting is scheduled for Monday, March 25, 2013 at 9:00 A.M. at Buena Vista.