

COUNCIL ON DEVELOPMENT FINANCE

January 28, 2013

PUBLIC HEARING 391

THOSE PRESENT:

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

Director Alan Levin
Mrs. Rachael Mears
Mr. Stephen Bach
Ms. Cassie Robbins
Mrs. Lee Porter
Ann Marie Johnson, DAG
Cynthia Collins, DAG
Mr. Joe Zilcosky
Mr. Tim McLaughlin
Mr. Peter Bothum

ALSO PRESENT: **New ILC Dover, Inc.** – Mr. Brad Walters and Mr. Bill Wallach;
Mr. Adam Damin, OMB; Ms. Melinda McGuigan, EDiS; Mr. Joseph Farina, DASEF;
Mr. Randall Chase, *Associated Press* and Mr. Paul Sample

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, January 28, 2013.

OLD BUSINESS:

Mr. Sears made a motion that the minutes of the December 17, 2012 Council on Development Finance meeting be approved as presented. Mrs. Vible seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

New ILC Dover, Inc. (“ILC Dover” or the “Applicant”) - The Applicant is requesting a grant from the Delaware Strategic Fund program in the amount of \$552,360. The Applicant proposes to use the funds to relocate its new manufacturing operation in the State of Delaware (the “Project”).

Mr. Zilcosky presented this request to the Council. He stated that ILC Dover was founded in 1947 and provides products for the Department of Defense, NASA and commercial and pharmaceutical industries. He stated that ILC Dover is known for its space suits and other products associated with the space industry involving the Hubble Space Telescope, the Mars Pathfinder and Mars Rover. ILC Dover also manufactures flexible containment products for the pharmaceutical industry.

Mr. Zilcosky stated that ILC Dover recently purchased Grayling Industries and is moving the operations to Seaford, Delaware. He stated that they anticipate having all the necessary employees hired by the end of 2013. He added that Mr. Wallach served as the President of ILC Dover from 2000-2012 and is currently serving as the CEO.

Mr. Wallach stated that ILC Dover has been looking at the Grayling operations for several years. He added that ILC Dover has been predominantly a government aerospace company provider. However, about fifteen years ago, ILC Dover diversified and developed a line of containment products for the pharmaceutical industries. He added that as they were looking into expanding their product line, the discussions of acquiring a company began. As the Grayling operation is located in Juarez, Mexico, it was decided that it would be more feasible to bring the jobs to the States, specifically to Delaware.

Mrs. Vible asked what was involved in relocating any of the current Juarez employees to Delaware. Mr. Wallach stated that there are three or four employees that work in Juarez but actually live in El Paso, Texas, who will come to the Seaford facility. He added that he is not sure if they will stay in Seaford; but they will be here through the transition period. He also stated that these people are already U.S. citizens. Therefore, there are no concerns regarding VISAs, etc.

Mr. Riddle asked for clarification on the capital expenditures. Mr. Walters stated that ninety percent is for equipment and upgrades.

Mr. Biener asked about the structure of the deal with Grayling. Mr. Wallach stated that ILC Dover was owned by a private equity firm, Vermet Capital. He added that a few years ago, ILC Dover spun off and now it is a standalone company and has purchased Grayling as a standalone subsidiary. To further clarify, the Seaford operation will be a Grayling facility owned by ILC Dover.

Mr. Sears asked about Grayling having operations in Georgia and if they could also be moved to Delaware. Mr. Wallach stated that the Atlanta operation consists of twenty-four people of which five are associated with a warehouse. He added that the warehouse operation will be moved to Seaford. However, the sales and administration offices have been in Ephrata, Georgia from the beginning. Therefore, ILC Dover has decided not to disturb the current Grayling customers at this time. He added that he believes that part of the operation will ultimately be moved to Delaware.

Director Levin stated that in looking at the cost of doing business in Mexico, it was determined that those operations could be done more efficiently and if not at the same price or less, they could be done cheaper in Delaware. He stated that this was the same situation for Kraft Foods who brought their people back to Delaware.

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 Sixty-Four Thousand Five Hundred Dollars (\$364,500) as a performance grant and One Hundred Eighty-Seven Thousand Eight Hundred Sixty Dollars (\$187,860) as a capital expenditures grant, to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including January 27, 2014. Mr. Riddle seconded the motion, which was then adopted by unanimous.

ADJOURNMENT

The meeting adjourned at 9:15 A.M.

Respectfully submitted,

Lee Porter, Secretary
LKP

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

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

