

**COUNCIL ON DEVELOPMENT FINANCE**

**June 24, 2013**

**PUBLIC HEARING 396**

**THOSE PRESENT:**

Mr. Andy Lubin, Chairperson  
Senator Brian Bushweller  
Cleon Cauley, Esquire  
Senator Nancy Cook  
Mr. Richard Rowland  
Representative Darryl Scott  
Mr. Fred Sears  
Mrs. Richelle Vible

Director Alan Levin  
Mrs. Rachael Mears  
Ms. Cassie Robbins  
Mrs. Lee Porter  
Mr. Jimmy Pennewell  
Mrs. Bernice Whaley  
Mrs. Barb DeHaven  
Mr. Tim McLaughlin  
Mr. Peter Bothum  
Larry Lewis, DAG

**ALSO PRESENT:** **Sun Edge, LLC** – Mr. David Argentar; Mr. Adam Damin, OMB; Ms. Courtney Stewart, Controller Generals Office, Mr. Victor Clark, Office of the Governor, Secretary Ed Kee, and Mr. Austin Short, Department of Agriculture; and Mr. Brian Maxwell, 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, June 24, 2013.

**OLD BUSINESS:**

Mr. Sears made a motion that the minutes of the May 29, 2013 Council on Development Finance meeting be approved as presented. Mr. Rowland seconded the motion which was then adopted by unanimous vote.

**NEW BUSINESS:**

**Delaware Rural Irrigation Program (“DRIP”):** DEDO is requesting \$500,000 from the Delaware Strategic Fund to recapitalize the DRIP program for the 2014 fiscal year.

Mrs. Mears presented this request to the Council. She reminded the Council that DEDO and the Delaware Department of Agriculture entered a loan program partnership in May 2011 known as DRIP. She added that the fund provides financial assistance to Delaware farmers to add new irrigation systems to their farms. The fund was originally capitalized with a \$1 Million allocation from the Delaware Strategic Fund. She added that these loans are interest free. She stated that this loan program is similar to a participation lending program. She stated that the program has been very successful and all of the previous allocation has been utilized except for \$90,000. She stated there are pending projects for those funds. Therefore, she stated that DEDO is requesting additional funds.

Mrs. Mears stated the goal of this program is to add irrigation to 3,000 acres of currently non-irrigated crop land annually in the State of Delaware.

Mrs. Mears stated that the staff has internally approved approximately \$899,332.11 in funding for 38 Delaware farmers. She stated that this will provide irrigation to 1,350 acres which previously did not have irrigation. Mrs. Mears stated that the average loan size for each farmer was approximately \$19,500. There are currently 11 farmers pending application approval for an additional 795 acres.

Secretary Kee introduced Mr. Short who manages this program for the Department of Agriculture. Secretary Kee stressed the importance of irrigation for economic return for farmers. He stated as an example that irrigation can improve yields from 90 to 250 bushels an acre. He also stated that it helps the farmers' customers such as the poultry industry. Secretary Kee stated that there is a strong environmental incentive because irrigated ground makes environmental efforts more efficient; avoids run off going into streams. He added that this industry has consistent suppliers.

Mr. Sears asked about the pay back terms. Mrs. Mears stated that there is a two year period with no payments; then there is a five year repayment schedule with no interest, principal payments only. The first principal repayment of these loans will start in December.

Director Levin stated that this program is basically the LIFT loan program tailored for farmers. Mrs. Vible asked what fund the repayments would go back into. Mrs. Mears stated that DEDO has a mechanism in place for this to be a revolving loan program and the ability to separate the DRIP funds.

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

**Motion Made By: Mr. Rowland**

**Seconded By: Mr. Sears**

**TO:** Approve DEDO's request to transfer \$500,000 from the Delaware Strategic Fund to the DRIP fund for the purpose of recapitalizing the DRIP program for the 2014 fiscal year.

**Approved by Vote of 8 to 0.**

**Sun Edge, LLC. (“Sun Edge” or the “Applicant”):** The Applicant is requesting a modification to its Fifty Thousand Dollars (\$50,000) Economic Development Administration (EDA) Revolving Loan Fund loan previously approved at the July 2011 Council on Development Finance meeting (“Modification”).

Mrs. DeHaven presented this request to the Council. She introduced David Argentar as the founder of the company. She stated that Sun Edge is involved in a device that will enhance solar production.

Mr. Argentar stated that getting the business up and running was a lot more work than they had anticipated. He stated that he has been dealing with the patent office and the review they have gotten back has been positive. He added that they did receive two objections which Sun Edge believes they can overcome. Mr. Argentar stated that it took a little longer than they anticipated to find the “right” engineering firm which they have now lined up. The firm is Accudyne. He stated the design has started. Mr. Argentar stated that the key thing that has happened since Sun Edge received the funding is that they have located a potential first customer. He stated that the customer is hoping to put a solar array on its horse farm in Denver. He stated that the customer is interested in becoming a test site. Mr. Argentar stated that the prototype is coming along. He stated that Sun Edge is asking for this slight modification so that Sun Edge’s original investment in revenue gets rolling.

Representative Scott asked about the value of the “first sale”. Mr. Argentar stated that the project is about 100,000 Kilowatts and it usually costs \$1.00 per kilowatt. He stated that the initial purchase would be approximately \$100,000. He stated that Sun Edge will be aiming for larger projects. He stated that the marketing aspect is that you approach a company, tell them what the system would cost them and determine how long it will take for the system to pay for itself by comparing the cost to the existing electricity bills.

Director Levin asked if the \$100,000 cost included the installation of the system. Mr. Argentar stated that it did and that Sun Edge would get a fraction of that amount.

Mr. Rowland asked if Sun Edge had identified a certain customer base. Mr. Argentar stated that they are working with another firm which has shown interest in Sun Edge’s product. He added that they have spoken to other firms that are interested but that those companies want to see the hard data regarding price savings.

Mr. Rowland questioned the sentence “We are not independent with respect to Sun Edge, LLC” which was in the Accountant’s Compilation Report for Sun Edge’s December 31, 2011 and 2012 financial statements prepared by Nagy & Associates, P.A. Mr. Rowland asked what that meant. Mr. Argentar stated that he did not know; he just had a business relationship with Nagy & Associates.

Mr. Sears asked if Mr. Argentar was aware of other people pushing for patents in this product area. Mr. Argentar stated that he has contacts in Maryland that informed him that Sun Edge apparently spooked another company, so Mr. Argentar stated that he knows this is a hot area. He stated that there are similar companies with a similar product but it is his understanding that they have not been able to reach the price point.

Mr. Cauley asked if the investor contributions were lower than expected. Mr. Argentar stated that one of the most important things for getting an initial investor is having a prototype. He added that as long as the “key fits” he believes they will have a number of investors. He stated that he believed there would be plenty of interest once they make the price point.

Mr. Argentar stated that in the fall, Sun Edge will be starting live tests in Kennett Square. He stated that the investors will then see legitimate technology and that will take the risk factor out for the investors.

Mrs. Vible asked Mr. Argentar to comment on equity. Mr. Argentar stated that they have spent a lot of money on legal fees; the need for a patent happened a little faster than expected and they have been borrowing to pay for the research and that has reduced their equity.

Mr. Cauley asked about Sun Edge’s payment record. It was stated that Sun Edge is current on its loan payments with DEDO.

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

**Motion Made By: Mr. Rowland**

**Seconded By: Mr. Sears**

**TO: Modify Sun Edge’s Fifty Thousand Dollars (\$50,000) Economic Development Administration (EDA) Revolving Loan Fund loan previously approved at the July 2011 Council on Development Finance meeting to reflect a six month interest only payment option which will commence July 1, 2013 and be effective through December 1, 2013.**

**Approved by Vote of 8 to 0.**

**Collections Marketing Center, Inc. (“CMC” or the “Applicant”)**: CMC is a technology company that helps its clients collect more money at a lower cost by making better decisions about, and communicating more effectively with, its customers across the credit life cycle. CMC was founded in 2006 by Vytas Kisielius and Dawn Willey and is headquartered in Wilmington, Delaware.

Mrs. Mears updated the Council on CMC: 1) DEDA has invested \$580,000 since April of 2009, 2) DEDA waived its preemptive rights during a B preferred round that took place in the summer of 2010, 3) DEDA's share as of March 2013 was approximately 3.595%, and 4) CMC has grown from 14 employees in 2008 to 34 employees as of 2013.

Mrs. Mears explained that a Series C Round was prompted in January 2013 by a third party investor's decision to contribute \$8MM in equity. DEDA's initial investment was made in an effort to leverage additional private investors. DEDA was faced with the decision to hold on to the shares or to sell back its shares. DEDA looked at its options and elected to engage in a repurchase agreement with CMC. DEDA received \$725,000 for its 580,000 shares, earning a twenty-five percent return on its investment.

**Deputy Attorney General:** Director Levin introduced Larry Lewis to the Council as DEDO's new Deputy Attorney General. He stated that Mr. Lewis was very qualified and would be bringing a lot of experience and expertise to DEDO.

Mr. Lubin excused himself from the meeting and Mr. Sears became the Acting Chairman.

**Executive Session:** Mr. Sears 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, which do not constitute public records within the meaning of 29 Del. C., § 10002(1). The motion was seconded by Mr. Cauley which was then adopted by unanimous vote.

Representative Scott made a motion that the Council go out of executive session. The motion was seconded by Mr. Rowland which was then adopted by unanimous vote.

## **ADJOURNMENT**

The meeting adjourned at 10:05 a.m.

Respectfully submitted,

Lee Porter, Secretary

*LKP*

cc: Members of the Council on Development Finance  
Director Alan Levin

The next CDF meeting is scheduled for Monday, July 22, 2013 at 9:00 A.M. at Buena Vista in New Castle, Delaware.