

## COUNCIL ON DEVELOPMENT FINANCE

April 27, 2009  
PUBLIC HEARING 352

### **THOSE PRESENT:**

Mr. Andy Lubin, Chairperson  
Honorable Nancy Cook  
Mr. Tom Gilligan  
Honorable Gregory Lavelle  
Mr. Fred Sears

Mr. Alan Levin  
Mr. Gary Smith  
Mrs. Lee Porter  
Mr. Steven Bach  
Ms. Patti Cannon  
Mrs. Sonia Aguilar  
Mrs. Bernice Whaley  
Mrs. Karen Smith  
Elio Battista, Jr., Esquire

**ALSO PRESENT:** Representing: **MIDI, Inc.** – Charles Carter; **Platinum Hanger, LLC** – George Borgushevsky and Laura Halstead; **Advanced Aerosol Technologies, Inc.** – R. J. Valentine, Jonathan Tower and Scott McCaig; **Delmarva Rubber & Gasket Co., Inc.** – Richard Phillips and Terry Johnson

**LOCATION:** Buena Vista, 661 South DuPont Highway in New Castle, Delaware 19720

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

### **CALL TO ORDER**

The meeting was called to order at 9:05 A.M. by Mr. Lubin, Chairperson, on Monday, April 27, 2009.

### **OLD BUSINESS:**

Representative Lavelle made a motion that the minutes of the March 23, 2009 Council on Development Finance meeting be approved as presented. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

### **NEW BUSINESS:**

**Policy Modification:** DEDO is recommending a modification to the existing policy that limits any company to four SBIR's without the recommendation of the DEDO Director to the CDF. This policy was due to AstroPower obtaining so many Strategic Fund SBIR Bridge Grant awards in a very short period of time. The current policy can be interpreted

arbitrarily for awards in excess of four SBIRs as it's at the discretion of the Director to make the recommendation to the CDF. This policy has for the most part, prevented companies which have received more than four awards to not be eligible for any additional awards. The federal government has implemented the Commercialization Achievement Index (CAI) as policy to help minimize companies that are just depending on SBIRs for research purposes only. Firms with a CAI at the 20<sup>th</sup> percentile or below may receive no more than half of the evaluation points available for commercial potential criteria. This provides a benchmark for organizations that never learn how to take any of their research through the tech-transfer process that will severely limit their ability to obtain future SBIR/STTR federal grants and provides some assurance to DEDA that a company that is successful on multiple SBIR/STTR applications is demonstrating a reasonable commercialization effort.

Mr. Lubin asked if DEDO tracked the commercialization of these projects. Ms. Cannon stated that the companies have to meet a twenty percent threshold to be able to continue with the program so they are actually monitored.

Mr. Gilligan asked if there was a federal limit on the number of projects. There is not a limit.

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

Mr. Gilligan made a motion that the Council recommend to Mr. Alan Levin, Chairperson, The Delaware Economic Development Authority, approval of modifying the current SBIR to be a rolling ten year time period with no firm receiving more than four SBIR/STTRs. Mr. Gilligan seconded the motion, which was then unanimously approved.

**MIDI, Inc. ("MIDI" and/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. The proceeds will be used as a bridge until MIDI receives federal funding on its SBIR Phase II project with the National Institutes of Health. MIDI, Inc. is located in the Sandy Brae Industrial Park in Newark, Delaware (the "Project").

Ms. Cannon introduced Mr. Carter to the Council. Mr. Carter stated he appreciated the policy changes which will benefit companies like his and that in turn; they can give back to the State.

Mr. Carter stated that MIDI has finished the Phase I on its SBIR grant named "Prevention of Clostridium difficile-associated disease (a hospital acquired infection)." This infection is the leading infection in hospitals causing death. Mr. Carter stated that MIDI believes it has found a way of treating this disease that will work. He stated the Phase I results show it is quite possible. He stated they are adding adjuvants (helper compounds) to

antibacterial compounds to kill the germs in the digestive tract which spreads like wildfire in hospitals.

Mr. Carter stated this is a new area for MIDI – therapeutic. It usually sells to pharmaceutical; now they sell to clinics, hospitals, State of Delaware, the lab in Smyrna, etc. He stated that Dr. Myron Sasser is CEO and the microbiologist behind all of this. He stated MIDI has asked for \$942,000 in grants over two years from the Federal Government. He stated the next step would be to license the product to a pharmaceutical company. He stated MIDI is beginning to experience the downturn in the economy. They are trying to keep the level of employment up as best as they can. They are looking for anything to help them maintain that level. Currently they have 23 employees including Dr. Sasser. The average salary, besides the office staff, is \$50,000 per person. He stated that over half of the employees make over \$48,000 a year. The employees work in labs, do R&D, do a little bit of manufacturing and there is tech support. He stated the average employee has been employed with them over 7 ½ years.

Mr. Carter stated that last year was a pretty good year; in September things looked great and they had \$3.4 million in sales with a profit of over \$100,000. He stated that in 2007, they had a loss of \$207,000 and yet 2006 was great. He stated that overall MIDI has been doing pretty good but recently the economy has caused them to cut back. They are trying not to cut salaries and employees but they have cut back on the officers' salaries and have stopped the 401K match.

Mr. Carter stated that forty percent of their sales are international. He stated that one of their customers in India decided they didn't have enough money to pay for the product after they had received and it cost MIDI \$32,000.

Mr. Carter stated that MIDI has had a pretty good success rate with the SBIRs. He stated that since 1999, they have had ten SBIRs and have had three of the Phase IIs being successful.

Mr. Sears asked what the timing was with getting the SBIR Phase II award from the federal government. Mr. Carter stated that MIDI has applied and at the earliest it would be this summer. He stated he suspects MIDI may have to make a reapplication and it would be November before they would receive it. Mr. Sears asked if the \$50,000 requested today would carry MIDI until November. Mr. Carter stated it would and that MIDI would still have its sales to count on. Mr. Sears stated that it seems like MIDI is hitting on the important issues but did Mr. Carter think the business is just undercapitalized. Mr. Carter stated that yes MIDI could use more capital to drive it but they have actually avoided going out to venture capitalists because they want to maintain control of the company.

Mr. 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, Representative Lavelle 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 April 27, 2010. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

**Platinum Hanger, LLC (“Platinum” or the “Applicant”)** - The Applicant, whose principal business is manufacturing wire garment hangers, is requesting a loan in the amount of \$470,490 from the Delaware Competitiveness Fund. The Applicant proposes to use the funds to finance the purchase of the hanger coating system to be used at its startup facility located in Newark, Delaware (the “Project”).

Mr. Smith presented this request to the Council. This Project will allow the U.S. to compete at a more viable level. There is a five year window where U.S. manufacturers are able to compete without having the Chinese enter the market. He stated these funds will be used to purchase machinery. DEDA will have a first lien position on the new piece of equipment, on all of the other pieces of equipment and on the accounts receivable.

Mr. Borgushevsky stated that the company expects to create twenty-five jobs in the first year. He stated they are in a very healthy working capital position. Mr. Borgushevsky stated that they are very pleased to start the business in this area. He stated some of the people they are hiring were doing this process prior to the jobs going overseas. He stated that Platinum is planning to perform the operations differently than how they are being done by their competitors or how they were being done before. He stated they will be contract buying wire. He stated they will be using paint with zero emissions. He stated they were a little nervous about this paint but this is a small piece of the operation, but an important piece.

Mr. Borgushevsky stated they need the loan to give them more freedom for wire purchases. Mr. Sears asked if China was going completely out of the business and are there other competitors? Mr. Borgushevsky stated that Platinum is not the only one in this business. He stated the Chinese are not out of business. It is just that the Chinese’s product is very expensive and is a specialty business for the Chinese. He stated Platinum does have competition but not much on the east coast. He stated most of the competition

is in Kentucky and California. Mr. Borgushevsky stated that the agreement is that Laidlaw will purchase everything Platinum makes for two years.

Senator Cook asked about the non compliance requests. Mr. Smith stated that at the time of the write up, all responses had not been received. He assured Senator Cook that no funds are disbursed until all responses are received and acceptable.

Representative Lavelle asked about the proposed tariff on the Chinese. Mr. Borgushevsky stated that is only for five years. He stated that hopefully by that time, Platinum will be in distribution and its distribution choices will make it more competitive. Representative Lavelle stated that he thought the profit margins of 37% were amazing. Mr. Borgushevsky stated that if you buy wire in the U.S. it will be a lot lower than if you buy wire overseas.

Mr. Levin stated that DEDO had spoken to Platinum about using the Port of Wilmington for its point of entry. Mr. Smith stated this is a unique opportunity. Mr. Smith also stated that DEDO has structured the loan so that the term is less than five years.

Mr. Lubin asked if that amount of steel can be provided – 600 metric tons a month. Mr. Borgushevsky stated that that should not be a problem. He stated that the deficit is such that to even buy the wire bending machine is a task.

Mr. Sears stated that it looked like Platinum would have to stay on top of the price all of the time. Mr. Sears asked if Platinum would have absentee management. Mr. Borgushevsky is moving to Delaware. Representative Lavelle asked where the facility was located. It is located at 230 Executive Drive in Pencader. They have a long time lease. He stated they expect to receive first stream of revenue on August 1st. The coating system has a startup time of July 1<sup>st</sup>. He stated the present hurdles are still with the Department of Natural Resources – need a water permit.

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 findings: (i) the Project will provide a matching grant to induce the Applicant to modernize its facility and preserve high-wage jobs, (ii) the Project will assist the Applicant in the transformation to updated processes that that will keep the facility in operation, (iii) the Project is feasible because the Applicant has the necessary financial and management resources to execute the Competitiveness Fund Project, (vi) the Applicant is at a disadvantage to national competitors who can operate with newer, more efficient technology and international competitors who compete on price through reduced labor costs, (vii) the Applicant is a profitable and growing going concern that is financially capable to make the proposed capital investment, (viii) the Applicant is current on State business taxes, (ix) the Grant

will effectuate the purposes of the Program and of subchapter IV of chapter 50 of title 29 of the Delaware Code (x) the Project will maintain or provide gainful employment for citizens of the State, (xi) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the citizens of the State, (xii) the Project will require a capital investment of at least Ten Thousand Dollars (\$10,000), which funds, including the Grant funds, will be available or already expended on the date of the first disbursement of the Grant, (xiii) the Applicant is not a chronic violator according to 7 Del. C., c. 7904, and (xiv) the Applicant is a financially responsible assisted person and has not been convicted of a major labor law violation or of 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 date of the Grant Agreement. Representative Lavelle made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in the amount of Four Hundred Seventy Thousand Four Hundred Ninety Dollars (\$470,490) to be disbursed from the Delaware Competitiveness Fund for the Project, contingent upon the approval remaining in effect through and including April 27, 2010. Mr. Sears seconded the motion, which was then unanimously approved.

**Advanced Aerosol Technologies, Inc. (“Advanced Aerosol” or the “Applicant”)** - The Applicant is requesting a loan in the amount of \$1,200,000 from the Delaware Competitiveness Fund. The Applicant proposes to use the funds for start-up working capital and to purchase new equipment to be used in an aerosol manufacturing facility located in Seaford, Delaware (the “Project”).

Mrs. DeHaven presented this request to the Council. The facility being used is located in the Seaford Industrial Park and was previously utilized by Rite Off. The first product was silly string. There has been a whole laundry list of owners. Mrs. DeHaven stated that the DEDO staff believes this company will be successful in this facility.

Mr. Bach stated that the Applicant plans to create 35 full-time positions one year after funding, 12 after two years and an additional 6 after year three for a total of 53 full-time positions. He stated that the Applicant anticipates generating approximately \$1,000,000 in revenue during the first year, according to the financial pro formas submitted. He believes there should be considerable cash to cover the debt.

Mr. Valentine thanked DEDO for their assistance. He stated this is a great opportunity. He stated he has been all over the world. He has turned a company around in Massachusetts that was losing \$2,000,000 in sales. Now he sees a group of people in Seaford and sees an opportunity to make it work. He stated the great thing is that they have the infrastructure in place for aerosol and liquid filling. He stated they have an extensive client base but they will also go back on bended knee to get the lost clients.

Mr. Tower, CEO of MBA Group, stated that when this opportunity came along, he called Mr. Valentine. He said he saw the company as mildly branded. He feels this company

has been mismanaged and has been absentee run. He believes Mr. Valentine is going to be spending a lot of time there. Mr. Valentine will be bringing press people and marketing people. He stated he surrounds himself with a team and they will create a big “wow”. He stated they already have the infrastructure, there isn’t anybody building an aerosol business and he thinks they can exceed expectations.

Mr. Valentine stated this company has over 500-700 formulas sitting in books that all have vertical markets. He stated it is a very, very exciting opportunity. He stated he has a commitment from one client to bring \$500-700,000 business back to them.

Representative Lavelle asked if DEDO had reached a comfort level with its concerns of this business. Mr. Smith stated DEDO is banking most of its comfort on the management team and its ability to perform. He stated they have put a certain amount of money into a reserve account and it could be used if the company should start to go in the wrong direction. He stated one concern was on the formulas but DEDO is not in the business of selling formulas so the value doesn’t add that much to the collateral. He stated it will add 50 jobs in a community that really, really needs it. Mrs. DeHaven stated that the Competitiveness Fund was designed to do just that.

Mr. Sears questioned why previous owner wouldn’t try to see if there was value in this company. Mr. Valentine stated that when they walked into the company, the CFO was playing pinochle, there was no management; there was absenteeism. He is very confident that Mr. McCaig will do whatever is needed to get this company up and running.

Mr. Tower stated he understood that there was some risk but that he remembers one thing that his dad told him which was to “keep yourself accountable.” He stated he would be happy to give monthly or weekly reports on their progress. Mr. Valentine stated that he saw Mr. McCaig watch a previous company hour by hour because he knew he had to give it that much attention.

Mr. Lubin asked about the \$2.9 million owed to Dutchess Capital. Mr. McCaig stated that the biggest mistake for this company was leaving the middle management team in there. He stated there was potential of bringing in bigger clients. Dutchess Capital realized that the debt was more than the worth of the company. He stated Dutchess is willing to take a lower interest rate and take a subordinate interest to the State. He stated the cost of shutting down this plant is high and the moral loss is even higher.

Mr. Battista asked if the formulas previously mentioned were proprietary in nature or did they have patents. Mr. Valentine stated he was not sure. He stated they do have some formulas that are different but a feasibility study has not been done. He stated there are “keys” to formulas and how well you develop these keys determines their success.

Mr. Valentine stated he has already directed another company that deals with rust to this company. He stated that almost anything is patentable, but you have to know how to market the product and you have to be quick.

Mr. Levin asked about the contingency fund that has been established. Mr. McCaig stated that he took an amount that is worth one year of the Note - \$4,000 and set it aside. He stated it would give the company a year to work something out. Mr. Levin asked if the formulas were owned by Advanced or by the manufacturer of the product. Mr. Valentine stated the 700 formulas are owned by Advanced.

Mr. Sears asked about the competition. Mr. Valentine stated it was about a \$3 billion market. He stated there is competition but not the way they are going to do their business. Advanced will have on time delivery, high quality and have the right price but they will also help the customer sell their product to the market. Mr. Valentine stated he wants people to be excited about coming into the Advance offices.

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 findings: (i) the Project will provide a matching grant to induce the Applicant to modernize its facility and preserve high-wage jobs, (ii) the Project will assist the Applicant in the transformation to updated processes that that will keep the facility in operation, (iii) the Project is feasible because the Applicant has the necessary financial and management resources to execute the Competitiveness Fund Project, (vi) the Applicant is at a disadvantage to national competitors who can operate with newer, more efficient technology and international competitors who compete on price through reduced labor costs, (vii) the Applicant is a profitable and growing going concern that is financially capable to make the proposed capital investment, (viii) the Applicant is current on State business taxes, (ix) the Grant will effectuate the purposes of the Program and of subchapter IV of chapter 50 of title 29 of the Delaware Code (x) the Project will maintain or provide gainful employment for citizens of the State, (xi) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the citizens of the State, (xii) the Project will require a capital investment of at least Ten Thousand Dollars (\$10,000), which funds, including the Grant funds, will be available or already expended on the date of the first disbursement of the Grant, (xiii) the Applicant is not a chronic violator according to 7 Del. C., c. 7904, and (xiv) the Applicant is a financially responsible assisted person and has not been convicted of a major labor law violation or of 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 date of the Grant Agreement. Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in the amount of One Million Two Hundred Thousand Dollars (\$1,200,000) to be disbursed

from the Delaware Competitiveness Fund for the Project, contingent upon the approval remaining in effect through and including April 27, 2010. Representative Lavelle seconded the motion, which was then unanimously approved.

Mr. Lubin told the Applicant that he believed this was a good project and the Council wants to see employment in a very much needed area and are aware that DEDO is the lender of last sorts but the Council must always be frugal.

**Delmarva Rubber & Gasket Co., Inc. (“Delmarva Rubber” or the “Applicant”)** - The Applicant is requesting a loan in the amount of \$50,000 from the Delaware Strategic Fund. The Applicant, a supplier of specialty hose and custom gaskets to suppliers and customers, proposes to use the funds for working capital for its existing facility in Milford, Delaware (“Project”).

Mr. Smith presented this request to the Council. He stated that Delmarva Rubber was successful until there were some personal problems which took Richard Phillips away from the business and which had a major impact on the stability of the company. Mr. Smith stated DEDO has had discussions with Wilmington Trust who is the primary lender to put a proposal together. He stated that based on the projections that Delmarva Rubber has submitted, it should be able to turn the corner but not without our loan.

Mr. Bach stated that the 07 and 08 financials had revealed that those years were not good years. He stated it was evident that when Mr. Phillips had to step away from the business, it really hurt the company. However, sales are now going through the roof. Mr. Bach stated that it appears that Mr. Phillips has done about everything he can to cut waste to get back profitability. He believes the company can service this additional debt even though it will be tight but the loan is critical. He believes Mr. Phillips should have enough revenue coming in to service this debt.

Mr. Levin stated that of all the applicants here today, he believes this is the company needing the money the most. He also stated he felt the most confident that this is the safest of the bets, and mainly because of the individual. Mr. Levin believes Mr. Phillips’ work ethics are outstanding.

Mr. Phillips stated that without Delmarva Rubber’s gaskets, there are a lot of plants that could not run. He stated that in 2006, his company first felt the pangs of this economic turn down. He stated that unfortunately he had a couple of things happen to him; his mom broke her hip, his sister became ill and in between taking care of both of them and travelling to the hospital in Baltimore, he was trying to look after the business. He stated his mother had a stroke three days before his sister died. He stated he feels he is very lucky, has a lot to be thankful for and there was nothing wrong with Delmarva Rubber - it was with him doing his business. He stated that once he got past those tragedies, it was evident that he had to get the business back on track.

He stated one of his biggest customers is Baltimore Aircoil and not just at the Milford location. Mr. Phillips stated that he has about forty percent of Baltimore Aircoil's California business, sixty percent of its Pakistan business, sixty percent of its Illinois business (which just closed) is coming to Milford and some business from the Belgium facility. He stated another good customer is LD Caulk which is also known as Dentsply in Milford. He stated Delmarva Rubber is a great little company, does all custom fabrication and a lot of companies could not sell their products without Delmarva Rubber.

Mr. Sears asked if there was any succession in management. Mr. Phillips stated that there is an individual who has been there and knows the business. Mr. Phillips stated he has always been an extremely hands on person and always controlled everything. He stated this particular gentleman has spent twenty years with the company and is only 38. He stated that quite frankly he has been trained and he could run the company as well as Mr. Phillips. Mr. Phillips stated he just needs to let this individual go with it.

Mr. Gilligan asked if Delmarva Rubber was still current with payroll taxes. Mr. Phillips stated that everything would be caught up within the year. Mr. Sears asked about the line of credit with Wilmington Trust. Mr. Phillips stated that Wilmington Trust would like to term out the line of credit for a ten year time period but that action depends on the vote by the CDF today.

Mr. Lubin asked if there was a possibility of a blend with the LIFT program for this company. Mr. Smith stated that the way Delmarva Rubber's loan is classified with Wilmington Trust, it would not qualify. Mr. Sears stated that with the way things have turned around, you would think that Wilmington Trust would be able to work something out themselves. Mr. Smith stated that it is affected by how fast you reevaluate. Mr. Lubin stated that from the FDIC standpoint, there is an advantage to the bank. Mr. Smith stated that right now, the loan is in the work out department and it is hoped that it will soon be moved out of that department.

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 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. Representative Lavelle made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including April 27, 2010. Senator Cook seconded the motion, which was then adopted by unanimous vote.

**Delaware Economic Development Office – Workforce Development (“DEDO WF Development or the “Applicant”)** – The Applicant is requesting a grant from the Delaware Strategic Fund in the amount of \$275,000. These funds will be transferred into Workforce Development's Blue Collar Grant Program. These funds will be used for companies requesting funds for the training of their employees (the “Project”).

Mr. Smith stated that the Delaware Economic Development Office receives Blue Collar Funds through the Unemployment Insurance fund. These funds are administered through DEDO's Workforce Development Unit. The Workforce Development Unit only receives 25% of the Unemployment Insurance funds collected; the Department of Labor receives the remaining 75%. As unemployment rates rise, funding for the Blue Collar Training Grant Program declines. As a result of some large training programs for both Barclays and Sallie Mae, the fund is projected to have a fiscal year shortfall of \$275,000. The Workforce Development Unit is expecting funding to be depleted by April 30, 2009.

Companies requesting training are focused on efficiencies and employee effectiveness in lieu of downsizing and increasing the unemployment rolls. The Workforce Development Unit continues to receive inquiries from private industry for training funds. To date, the Unit has received an additional seven inquiries for funding. Companies are looking to do more with less, increase efficiencies in their production processes, improve on time delivery, and reduce equipment downtime where ever possible.

Mr. Smith stated that the Blue Collar Training Fund is critical to the success of DEDO. The funds are used for both existing companies to retrain employees and also as an incentive tool to help companies to either relocate or expand within Delaware.

Mrs. Aguilar stated that there is \$379,000 currently in the fund and there is \$509,000 in the pipeline.

Mr. Sears asked if the Blue Collar funds always came from the Department of Labor (“DOL”). Mr. Smith stated that seventy-five percent of it comes from DOL. Mr. Gilligan stated that in the grand scheme, unemployment insurance is pretty well front end loaded during the first quarter.

Mrs. Aguilar stated that DEDO usually gets about \$500,000 with maximum in first quarter and the last quarter getting approximately \$125,000.

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 findings: (i) based solely on the information supplied by the Applicant and the representations that it has made, the Applicant is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and will use no portion of the Grant funds in an "unrelated trade or business," as defined in Section 513 of the Code; accordingly, the Applicant is an "exempt person" within the meaning of 29 Del. C. § 5052(7); (ii) the Grant and the Project will effectuate the financing of facilities and activities of an exempt person in order to contribute to the prosperity, health or general welfare of the citizens of the State. 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 Two Hundred Seventy-Five Thousand Dollars (\$275,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval for the grant remaining in effect through and including April 27, 2010. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

**LIFT Program** – Mr. Smith updated the Council on the LIFT program. He stated DEDO has received many calls from borrowers and banks. He stated that 10,776 businesses actually qualify. He stated that he is hearing that DEDO is really caring about small businesses. However, there is no direct lending to these companies. Senator Cook asked if it was being emphasized that these loans are to help retain employees. Mr. Smith stated that has been conveyed.

### **ADJOURNMENT**

The meeting adjourned at 10:45 a.m.

Respectfully submitted,

Lee Porter, Secretary

*LKP*

cc: Members of the Council on Development Finance  
Director Alan Levin  
Elio Battista, Jr., Esquire

The next CDF meeting is scheduled for June 15, 2009 at 9:00 A.M. in Dover, Delaware.