

**COUNCIL ON DEVELOPMENT FINANCE**

**March 7, 2016**

**PUBLIC HEARING 420**

**THOSE PRESENT:**

Mr. Andrew Lubin, Chairperson  
Honorable Nancy Cook  
Rep. Bryon Short  
Sen. Nicole Poore  
Mr. Richard Rowland  
Mr. Tarik Haskins  
Mrs. Richelle Vible  
Director Bernice Whaley

Mr. Lawrence Lewis, DAG  
Mrs. Rachael Mears  
Mr. James Pennewell  
Ms. Kimberly Cruz  
Mrs. Jodie Green  
Mrs. Christina Dirksen  
Ms. Emily Baird

**ALSO PRESENT:** **DuPont** – Mr. Marc Doyle, Mr. Jim Collins, Mr. Gregg Schmidt, Mr. Jason Gonzalez, and Mr. Rob Tulnstun; Mr. James Nutter, Parkowski, Guerke & Swayze; Mr. Art Jenkins, Controller General; Ms. Erin Innes, Office of Management and Budget; Mr. Matthew Bittle, State News; Mr. Matthew Albright, News Journal; Mr. Nick Wasileski, Delaware Coalition for Open Government

**LOCATION:** Buena Vista

**TIME:** 11:00 A.M.

**CALL TO ORDER:**

The meeting was called to order at 11:00 A.M. by Chairperson Lubin, on Monday, March 7, 2016.

**NEW BUSINESS:**

**E.I. duPont de Nemours & Company (“DuPont” or the “Applicant”)** – The Applicant is requesting a Capital Expenditure Grant of 3% of total capital expenditures over five years in an amount not to exceed \$6,000,000, and a Job Retention Grant in an amount not to exceed \$3,600,000, for a total of \$9,600,000. The Applicant proposes to use the funds for the retention of 400 merger-associated jobs, in order to maintain a total of 1700 jobs related specifically to this project.

Director Whaley presented this request to the Council. She thanked the Council for its participation in this special session of the Council on Development Finance, and provided a brief overview of the history of the DuPont Company in Delaware, with its beginnings as a powder mill in 1802 to modern developments in material science. She stated that the project brought before the Council today is specifically related to the merger between DuPont and Dow which will result in three spin-off companies, with the intention to locate the world headquarters for both the Specialty Products Company and the Agriculture Company spin-offs in Delaware, and to maintain 1700 jobs in Delaware related to this project.

Mrs. Mears stated that during financial analysis, in which the most recent annual report for 2015 was reviewed, she found that profitability for DuPont was based in the performance materials, nutrition & health, and the industrial bioscience portfolios, but offset by decline in the agricultural electronics & communications portfolios. She added that the net income for 2015 was \$1.95 billion. Mrs. Mears stated that, looking forward, the Applicant expects to reduce costs by implementing a \$730 million savings plan during 2016, which may be offset by costs associated with the forthcoming merger. She stated that despite a downgraded credit rating following the announcement of the merger, the Applicant believes its ability to generate cash from operations and access to capital markets will be adequate to meet anticipated cash requirements. She added that DuPont expects significant non-recurring costs associated with the merger in 2016, but that the merger will ultimately result in greater earnings, growth, and long-term competitiveness.

Mr. Lubin asked if there were any questions from the Council regarding DuPont.

Mr. Rowland asked if the grants being proposed are specific to the Dow DuPont merger, and, if a different company were to replace Dow for a merger with DuPont, would the grants still be effective. Mrs. Whaley stated that the grants are specific to the intended Dow DuPont merger, the establishment of the two spin-off company headquarters in Delaware, and the retained 1700 jobs associated with said merger.

Rep. Short asked what revenue will come to Delaware from the employees maintained in the merger. Mrs. Mears stated that a conservative estimate over a three-year period would be approximately \$20 million in personal income tax. Rep. Short asked for confirmation that, over the lifetime of the grant, \$9.6 million would be distributed to DuPont and an estimated \$20 million in personal income tax would be recaptured. Mrs. Mears stated that is correct. Mrs. Whaley added that up to \$200 million in capital expenditures are expected to be spent by DuPont to update current facilities.

Mr. Rowland asked that the \$20 million expected to be recaptured by the retained employees personal income tax does not include expenditures. Mrs. Mears stated that is correct, and that an IMPLAN analysis measuring direct and indirect impact estimates the total to be roughly \$465 million effect on Delaware's gross domestic product. Mr. Lubin asked what is the timeframe for that amount. Mrs. Mears stated that it is the current value of the project. Mrs. Whaley added that the Council could consider the amount as a potential loss to GDP if those 1700 jobs are lost out of state.

Sen. Poore asked if the improvements to update the current facilities would be done with the intention of subletting the facilities.

Mrs. Whaley paused to introduce the DuPont representatives, as she stated that they would be better able to answer the posed question, and stated for the record that DEDO staff favorably recommends the total grants presented before the Council. Mrs. Whaley then introduced Mr. Jim Collins and Mr. Marc Doyle of DuPont.

Mr. Collins thanked the Council for reviewing and considering the application. He stated that the merger is expected to close within the second half of 2016, and is still subject to a number of regulatory and shareholder approvals. He added that once complete, the three separate companies that are expected to be created as a result of the merger will take form within the following eighteen to twenty-four months. Mr. Collins stated that the proposed structure will allow the companies to establish a strong foundation for the future, not only for the global employee base,

but also for Delaware. He stated that the decision to locate the agricultural company in Wilmington was a result of a competitive process between the other cities and states that were in consideration, and was a collaborative process between DuPont and Delaware. Mr. Collins stated that approval of the application will help bring to life the vision for the intended companies to be highly focused, stronger, more competitive, and better equipped to deliver growth long-term sustainable growth and value. He expressed thanks to Secretary Whaley, Governor Markell, members of the federal delegation, and local stakeholders that all worked with DuPont to land the decision to remain in Delaware. Mr. Collins stated that, with DuPont's long history in the state, the Applicant looks forward to continue to build on that history.

Mr. Doyle stated that he is also thankful to the Council for the consideration of the application.

Sen. Poore restated her previous question, asking if the improvements to update the current facilities would be done with the intention of subletting the facilities, or if the buildings would be exclusive to Dow DuPont tenants. Mr. Collins stated that some of the buildings would be refurbished as DuPont moves its footprint and begins the separation process for the three companies, and that looking forward there is a possibility for new facility needs, which would also require an investment. He stated that a majority of the allocation is for refurbishing facilities and collapsing the footprint into new facilities.

Sen. Poore stated that she commends DuPont for moving forward in the process to remain in Delaware, and that the effects of the merger have a trickle effect, for which it is important to stop the bleeding. She stated that an effort to preserve jobs and the possible resulting momentum is important.

Mr. Lewis stated that, for clarification, the grant will go to the existing DuPont Company, pending regulatory approval for the merger, and that because the grant covers the span of three years the life cycle of the grant will go to DuPont, but should be broad enough to cover Dow and the merger. Mr. Collins added that there are three individual spin-off companies proposed as a result of the merger, including materials, specialty products, and agriculture. Mrs. Mears added that the grant covers a five year period.

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

**Motion Made By:** Mr. Rowland  
**Seconded By:** Sen. Poore

**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 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 \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant 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, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a capital expenditure grant of 3% of total capital expenditures over five years in an amount not to exceed Six Million Dollars (\$6,000,000), and a job retention grant in an amount not to exceed Three Million Six Hundred Thousand Dollars (\$3,600,000), for a total not to exceed Nine Million Six Hundred Thousand Dollars (\$9,600,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including March 6, 2017.

**Approved By Vote of 7 to 0.**

**ADJOURNMENT**

The meeting adjourned at 11:30 a.m.

Respectfully submitted,

Emily Baird, Portfolio Administrator

*ESB*

cc: Members of the Council on Development Finance  
Director Bernice Whaley  
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, March 28, 2016 at 9:00 A.M. at the Haslett Armory in Dover, Delaware.