

COUNCIL ON DEVELOPMENT FINANCE

February 26, 2018

PUBLIC HEARING 437

THOSE PRESENT:

Mr. Jack Riddle, Acting
Chairman
Hon. Nancy Cook
Mr. Tarik Haskins
Hon. Joshua Martin
Hon. Edward Osienski
Mr. Richard Rowland

Ms. Linda Parkowski, Chairperson, DEDA
Ms. Patty Cannon
Mr. Michael Chesney
Mr. Gary Haber
Mr. Lawrence Lewis, DAG
Ms. Amber Mudri
Ms. Amy Reville
Ms. Jordan Schulties
Mr. Joe Zilcosky

ALSO PRESENT:

Adesis, Inc.

Dr. Andrew Cottone, President
Ms. Susi Baylis-Powell, Director of Operations

STF Technologies, Inc.

Dr. Richard Dombrowski, Founder
Dr. Norman Wagner, Co-Founder

TrafficCast International, Inc.

Mr. Al McGowan, CEO

Mr. John Riley, CEO (interim), Delaware Prosperity Partnership; Mr. Andrew Lubin, Delaware Prosperity Partnership; Mr. Art Jenkins, OCG; Mr. Andrew Dinsmore, Office of Senator Chris Coons

LOCATION:

Buena Vista Conference Center
661 S. DuPont Highway, 1st Floor
New Castle, DE 19720

TIME:

9: 00 a.m.

CALL TO ORDER:

The meeting was called to order 9:02 a.m. by Acting Council Chairman Jack Riddle, on Monday, February 26, 2018.

OLD BUSINESS:

Acting Chairman Riddle asked the Council if there were any comments, suggestions and/or recommendations regarding the January 22, 2018 minutes of the Council on Development

Finance meeting. Senator Nancy Cook made a motion to approve the minutes, Mr. Richard Rowland seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

Adesis, Inc. (“Adesis” or the “Applicant”) – The Applicant is requesting a Delaware Strategic Fund Grant in the amount of up to \$445,224 to expand its operations in Wilmington, Delaware.

Delaware Prosperity Partnership staff, Mr. Andrew Lubin, presented a brief review of the business and stated that it began in Delaware in 1991. He then gave an overview of the applicant’s background as a contract research organization. He went on to explain that Adesis was looking regionally for a new location due their recent growth. He stated that the company has 60 employees and has plans to double that amount. Additionally he stated that this was an opportunity to match Delaware’s talent in the scientific world to the new jobs. Adesis will assume space within the Delaware Innovation Space and a building adjacent to where the business currently resides.

Mr. Lubin introduced Dr. Andrew Cottone, President of Adesis. Dr. Cottone gave additional background information on Adesis and described OLED technology. He explained how Adesis is using the OLED technology now and stated that there could be new applications in the future. He went on to explain that the company will step up their specialty manufacturing and that the new construction will increase the company’s capacity by 60%.

In response to questions from Acting Chairman Riddle, Dr. Cottone stated that the parent company, Universal Display Corporation (UDC), is the world leader in OLED technology. Adesis’ control of a unique azole technology helps augment UDC’s physics and engineering. UDC is based just outside of Princeton. Adesis is the second largest location that UDC has in the United States.

Acting Chairman Riddle opened the floor to questions from the Council.

Dr. Cottone responded to a question from Mr. Joshua Martin, stating that the skillsets he will be looking for are PhD’s and highly skilled manufacturing.

In response to Mr. Rowland’s request for clarification on the number of jobs to be created which should be sixty two and not sixty one, Ms. Jordan Schulties, Business Finance Director, stated that necessary updates will be made.

Acting Chairman Riddle asked if there were any other questions from the Council.

Mr. Lubin asked to introduce Mr. John Riley, CEO (interim), Delaware Prosperity Partnership (DPP), to talk briefly about the DPP so that everyone has an understanding.

Mr. John Riley stated that not long after he joined the DPP he was contacted by Mr. Andrew Dinsmore from the Office of Senator Chris Coons regarding Adesis. Mr. Cottone, upon meeting with Mr. Riley, had only great things to say about the way Delaware assisted businesses. Mr. Riley explained that Dr. Cottone wanted help in sharing with UDC why Delaware was the best place for their company. He went on to state that the talent found in Delaware, especially after the DowDupont merger, and the support of the Delaware Innovation Space made all of the pieces fit together for Adesis. Mr. Riley discussed the support that the DPP has been given by members of

the Division of Small Business, Development and Tourism team while they get up and running.

Acting Chairman Riddle asked if there were any other questions from the Council.

In response to Rep. Ed Osienski's question, Dr. Cottone stated that the products are only manufactured here in Delaware.

In answer to a question from Sen. Cook, Mr. Riley stated that incentives would work very similarly to the way they have in the past. Requirements may be captured in writing so there is no confusion.

Ms. Linda Parkowski, Chairperson, DEDA, stated that the Division and the DPP are working to eliminate gray areas in the process to create clear lines so that each entity knows its responsibility.

Acting Chairman Riddle asked if there were any other questions or a recommendation from the Council.

Motion Made By: Mr. Richard Rowland
Seconded By: Senator Nancy Cook

Acting Chairman Riddle asked if there were any members of the public that would like to comment on this application; there were none.

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 \$10,000, 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 87A, Subchapter I 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 Ms. Linda Parkowski, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Two Hundred Sixty Five Thousand Two Hundred Twenty Four Dollars (\$265,224.00), and a capital expenditure grant in an amount not to exceed One Hundred Eighty Thousand Dollars (\$180,000.00), for a total not to exceed Four Hundred Forty Five Thousand Two Hundred Twenty Four Dollars (\$445,224.00), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 26, 2019.

Approved By Vote of 6 to 0

STF Technologies, Inc. (“STF” or the “Applicant”) – The Applicant is requesting \$50,000 from the Delaware Strategic Fund Delaware Technical Innovation Program for a Small Business Innovation Research (SBIR) grant. The business is located in Newark, Delaware.

DEDA staff, Ms. Patty Cannon, Development Director and Business Ombudsman, introduced Dr. Richard Dombrowski, Founder, STF Technologies and Dr. Norman Wagner, Co-Founder, STF Technologies. Ms. Cannon then presented a brief review of the DTIP requirements which include receiving Phase I funding, hitting all benchmarks and being invited to apply for Phase II funding. She advised that STF has met all of those requirements and is eligible for the transition grant.

Ms. Cannon turned the discussion over to Dr. Dombrowski and Dr. Wagner to explain their research. Dr. Dombrowski gave an overview of the product which is commonly referred to as liquid armor or STF armor. The product behaves as both a liquid and a solid. The company is currently working to put the materials of their product into composites. They are working with NASA to place the materials into space suits. In addition they are working on other commercial applications.

In response to a question from Acting Chairman Riddle, Dr. Dombrowski stated that the company’s work on a different project did not receive Phase II funding. They have since found alternative applications for that product.

In response to a subsequent question from Acting Chairman Riddle, Ms. Cannon confirmed that companies can request five DTIP grants on a rolling ten year time frame. She also confirmed that this was the second request from STF.

Acting Chairman Riddle asked if there were any questions or a recommendation from the Council.

Motion Made By: Hon. Joshua Martin
Seconded By: Mr. Richard Rowland

Acting Chairman Riddle asked if there were any members of the public that would like to comment on this application; there were none.

MOTION: After duly considering, inter alia, the nature of the business, that the Applicant is a “small business” within the meaning of 87A Del. C. §8735A(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, the Council shall recommend to Ms. Linda Parkowski, 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 26, 2019.

Approved By Vote of 6 to 0

TrafficCast International, Inc. (“TrafficCast” or the “Applicant”) – The Applicant is requesting a Delaware Strategic Fund Grant in the amount of up to \$171,600 to relocate its operations to Wilmington, Delaware.

DEDA staff, Mr. Joe Zilcosky, Development Deputy Director, introduced Al McGowan, CEO, TrafficCast and then presented a high level overview of the company and its three divisions. He stated that the company is impressed with Wilmington’s workforce and they are planning to move into workspace in The Mill. He went on to explain that staff has thoroughly vetted the project and recommends the approval of the grant.

Mr. Zilcosky introduced Mr. McGowan, CEO of TrafficCast. Mr McGowan stated that the company had been looking at locations in and around Philadelphia and in Wilmington. He stated that the company became convinced that Delaware, Wilmington in particular, was the best location for them and that the possibility of this grant was the tipping point. Mr. McGowan added that The Mill is an environment that can help businesses attract and retain high tech young people. He went on to explain that the company gathers real time traffic data and that they are becoming involved in the autonomous driving space and safe driving scoring systems so that people can monitor the way they or their family drives.

Acting Chairman Riddle opened the floor to questions from the Council.

Mr. McGowan responded to a question from Acting Chairman Riddle, stating that the company captures real time data via a patented data collection system. The BlueToad division has patented the hardware.

In response to a subsequent question from Acting Chairman Riddle, Mr. McGowan stated that those employed at the new location would be network operations center employees and software developers.

In response to a question from Mr. Tarik Haskins, Mr. McGowan stated that the network operations enter positions will be entry level, but with training employees will be able to move into new and different positions.

Mr. Rowland asked if it would be appropriate to go into executive session to discuss TrafficCast’s financials. Ms. Schulties responded that it would be appropriate.

Acting Chairman Riddle asked if there were any members of the public that would like to comment on this application; there were none.

Mr. Larry Lewis, DAG, explained the criteria that makes executive session appropriate.

EXECUTIVE SESSION:

Mr. Rowland made a motion that the Council go into Executive Session pursuant to 29 Del. C. §10004(b)(6) to discuss commercial and financial information excluded from the definition of public record in 29 Del. C. §10002(1)(2) and to conduct a strategy session for the purpose of obtaining legal advice (discussion of personnel matters) 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., § 10004(b)(4). The motion was seconded by Rep. Osienski which was then adopted by unanimous vote.

Mr. Martin made a motion that the Council go out of executive session. The motion was seconded by Mr. Haskins, which was then adopted by unanimous vote.

Mr. Zilcosky read into the record that TrafficCast is a vendor of DelDOT.

Acting Chairman Riddle asked if there were any other questions or a recommendation from the Council.

Motion Made By: Mr. Richard Rowland
Seconded By: Representative Edward Osienski

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 \$10,000, 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 87A, Subchapter I 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 Ms. Linda Parkowski, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed One Hundred Seventy-One Thousand Six Hundred Dollars (\$171,600.00) to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 26, 2019.

Approved By Vote of 6 to 0

Discussion of Fiscal Year 2017 Council on Development Finance Summary – Ms. Schulties explained that this is the same report that is presented to the legislators and covers each of the Division's programs. She went on to briefly cover the programs that do not come before the Council such as the Delaware Capital Access Program (DCAP) and the Delaware Rural Irrigation Program (DRIP) and the State Small Business Credit Initiative (SSBCI).

In response to a question from Acting Chairman Riddle, Ms. Schulties stated that she had not presented the report, but would be happy to do it.

Acting Chairman Riddle went on to request that banks involved in the DCAP be reported upon.

Ms. Schulties responded to a question from Mr. Haskins, stating we do not report to the legislators on the performance of the portfolio.

Acting Chairman Riddle asked if there were any questions on this report.

Ms. Cannon discussed the flexibility of the Division in calculating incentives. She went on to discuss the Department of Agriculture's desire to sunset the DRIP program and initiate a new program. She stated that the Division may bring two new programs before the council for approval next month involving legacy companies and farmers in business for at least ten years.

In response to a question from Mr. Rowland, Ms. Cannon stated that there are different technologies that farmers may need instead of irrigation.

Ms. Parkowski explained that these new programs are still in draft form and won't be finalized until we know how the DPP will be functioning.

Mr. Lewis discussed delinquency reporting. He stated that the Division follows up on cure issues and if the company doesn't follow the cure provisions a filing is done within the collections unit of the Department of Justice.

Acting Chairman Riddle stated that it would be nice for the Chairman to be aware of any cures or delinquencies as they happen.

ADJOURNMENT:

Motion Made By: Mr. Richard Rowland
Seconded By: Mr. Tarik Haskins

The meeting adjourned at 10:17 a.m.

Respectfully submitted,

Amber Mudri, Portfolio Manager
AM

cc: Members of the Council on Development Finance
Linda Parkowski, Chairperson, The Delaware Economic Development Authority
Jordan Schulties, Business Finance Director, Delaware Division of Small Business,
Development and Tourism
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, March 26, 2018, at 9:00 a.m. at the Buena Vista Conference Center in New Castle, Delaware.