

# THE PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY

## CHAIRMAN'S BRIEFING

December 3, 2014

The Chairman's Briefing of The Pennsylvania Industrial Development Authority (PIDA) was held on December 3, 2014, in the PUC Hearing Room #1, Commonwealth Keystone Building, 400 North Street, 2<sup>nd</sup> Floor, Harrisburg, Pennsylvania. The meeting was called to order by Carolyn Boser Newhouse, who chaired the meeting for the Honorable C. Alan Walker, at approximately 12:45 p.m. The following members were present: the Honorable Glenn E. Moyer, James J. Black, III, Jacqueline Martinez, Charles McGroarty, David Nasatir, Roy A. Powell, Guy Ciarrocchi and B. Michael Schaul and the following 2 members via telephone: Jared Grissinger for the Honorable George E. Greig and Nick A. Rodriguez-Cayro. Also present were PIDA Staff: Scott Dunkelberger, Kevin Rowland, Jared Lucas, Laurie Henry, Nicholas Horting, Frank Tokarz, Lori Beamer, Christopher Houston and Tim Anstine, legal counsel; and James Bowman, financial consultant to the Authority. Ms. Newhouse reviewed new loan applications and special requests with the Board. The meeting was adjourned.

## THE PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY

December 3, 2014

The regular meeting of The Pennsylvania Industrial Development Authority (PIDA) was held after proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"), on December 3, 2014, in PUC Hearing Room #1, Commonwealth Keystone Building, 2<sup>nd</sup> Floor, Harrisburg, Pennsylvania. The meeting was called to order by Carolyn Boser Newhouse, who chaired the meeting for the Honorable C. Alan Walker, at approximately 1:00 p.m. The following members were present: the Honorable Glenn E. Moyer, James J. Black, III, Jacqueline Martinez, Charles McGroarty, David Nasatir, Roy A. Powell and B. Michael Schaul and the following 3 members via telephone: Jared Grissinger for the Honorable George E. Greig, Guy Ciarrocchi and Nick A. Rodriguez-Cayro. Also present were PIDA Staff: Scott Dunkelberger, Kevin Rowland, Jared Lucas, Laurie Henry, Nicholas Horting, Frank Tokarz, Lori Beamer, Christopher Houston and Tim Anstine, legal counsel; and James Bowman, financial consultant to the Authority. The following persons were also present: Jason Brehouse, Staff of Senator Ward. The following persons participated via teleconference: Chris Witmer, Greater Berks Development Fund. The Board approved the minutes of the November 5, 2014 PIDA Board Meeting and the bills received during the previous month (see following page).

## Bills December 3, 2014 PIDA Board Meeting

### Reinsel Kuntz Lesher, LLP

#### **PIDA Financial Consultant**

Services rendered October 27, 2014 through November 22, 2014	\$9,302.50	
		<b>\$9,302.50</b>

### General Gov't. Appropriation

October wage allocation: Exec, Legal, Admin	\$61,945.15	
		<b>\$61,945.15</b>

### LECS Comptroller's Office

Services rendered 07/01/14-09/30/14	\$27,286.32	
		<b>\$27,286.32</b>

### Ballard Spahr LLP

Professional Services- PIDA legislation bond counsel	\$20,881.00	
		<b>\$20,881.00</b>

<b>GRAND TOTAL:</b>		<b>\$119,414.97</b>
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### NEW LOAN APPLICATIONS

The following applications were voted on and unanimously approved unless otherwise indicated below. Confidential financial information reviewed by the Board has been omitted.

Dave Nasatir abstained from voting on SBF loan #214-2286-01.

**THE PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY  
SUMMARY LOAN APPLICATION**

SBF #214-2280-01

DATE: December 3, 2014

APPLICANT (Industrial Development Agency): Bucks County Economic Development Corporation

ADDRESS: 2 East Court Street, Doylestown, PA 18901

PERSON TO CONTACT: Jim Pawlikowski

TELEPHONE NUMBER: 215-348-9031

COMPANY (If this company (or affiliate) has ever had a PIDA loan, please check box)

Occupant: Griff and Associates, L.P.

Beneficial Owner:

PRESIDENT: Alex J. Phinn

MAILING ADDRESS: 275 Lower Morrisville Road, Fallsington PA 19054

TELEPHONE NUMBER: 215-428-1075

PRODUCT: Paper and film products

NAICS # 4241

PERSON TO CONTACT AND TITLE: Becky Miller, Controller

TELEPHONE NUMBER: 215-428-1075

TYPE OF ENTERPRISE:

Manufacturing  Regional or National Headquarters  Research & Development  Agri-Business  
 Warehouse & Terminal  Industrial  Computer or Clerical Operation Center

TOTAL EXISTING EMPLOYMENT (Include parent, subsidiaries & affiliates)

Check box if SMALL BUSINESS

Pennsylvania 64 Worldwide, Include Pa. 77

(Less than 100 existing employees)

EMPLOYMENT THIS SITE ONLY:	TOTAL	PAYROLL (Annually)	AVERAGE WAGE (Annually)	AVERAGE HRS. WORKED (Weekly)	ADD % BENEFITS
Existing Employment (Include jobs transferred to this site)	64	\$1,725,302	\$26,958	40	52.6%
New Employment in Three Years (Do Not Include Existing Employment)	22	\$593,098	\$26,959	40	52.6%

SIZE OF PROJECT (Sq. Ft.) 44,611	SIZE OF SITE (Acres) 4.07	LOCATION OF PLANT (Include Municipality & Mailing Address): 9 Headley Place Fallsington, Pennsylvania 19054	Fallsington Industrial Park Falls Township	COUNTY: Bucks
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POUSE OF PROJECT (Please check appropriate box(es))

To construct new building  To purchase machinery and equipment  
 To expand existing building  To relocate/expand existing plant from \_\_\_\_\_ (Name of State)  
 To acquire existing building  To acquire and renovate existing building

Other:

SBF LOAN REQUESTED \$200,000	TOTAL PROJECT COST \$638,778	COST PER SQ. FT. (Building Costs Only) N/A	COST PER JOB TOTAL PROJECT \$7,427.65	COST PER JOB-SBF \$2,325.58
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**METHOD OF FINANCING**

1. EQUITY 68.7 % Participation  
 a. Amount \$438,778  
 b. Name of Mortgage N/A  
 c. Interest Rate N/A  
 d. Term \_\_\_\_\_  
 e. Person to contact \_\_\_\_\_  
 Telephone number \_\_\_\_\_

2. SBF FIRST LIEN 31.3 % Participation  
 a. Amount \$200,000  
 b. Interest Rate 1.75%  
 c. Term 7 Years

3. OTHER PARTICIPATION \_\_\_\_\_ % Participation  
 a. Amount \_\_\_\_\_  
 b. Interest Rate \_\_\_\_\_  
 c. Term \_\_\_\_\_  
 d. By Whom \_\_\_\_\_

4. OTHER PARTICIPATION \_\_\_\_\_ % Participation  
 a. Amount \_\_\_\_\_  
 b. Interest Rate \_\_\_\_\_  
 c. Term \_\_\_\_\_  
 d. By Whom \_\_\_\_\_

**PIDA USE ONLY**

<input checked="" type="checkbox"/> State or Federal Enterprise Zone	<input type="checkbox"/> Brownfield Site	<input type="checkbox"/> Financially Distressed (Act 47)	<input type="checkbox"/> Advanced Technology	<input type="checkbox"/> GAT Project	<input type="checkbox"/> KOZ	<input type="checkbox"/> KOEZ
VICINAL ECONOMIC AREA Bucks County	UNEMPLOYMENT RATE 5-10 Years 12 Mo.	PIDA PARTICIPATION 50 %	GENERAL FUNDS	BOND FUNDS		

Company Background: Griff & Associates, LP was founded in 1977.

Product: Manufactures specialty papers and film. Products include copper and aluminum laminates, UV coatings and metallization (vapor deposited aluminum).

Ownership: 25% Alex J. Phinn, Sr.  
 25% Robert J. Phinn  
 25% John W. Phinn  
 25% Todd D. Phinn  
 100%

Market/Customers: Geographic market is worldwide

More than 2500 customers including:  
 Mactac 5%  
 General Formulations 4%  
 Adhesive Films 4%

Other Data: This project involves the purchase of the following equipment as part of the company's expansion to improve capacity and performance so they can obtain higher end jobs from their customers.

Deacro Slitter/Rewinder, Lever Single Knife Cutter and a Film Extrusion Line

Griff & Associates, LP is currently operating ½ mile away in two buildings totaling 149,370 square feet, which were financed by prior PIDA loans.

In September 2014, PIDA approved a \$600,000 loan for the acquisition and renovation of a 44,611 square foot building on 4 acres located in an Enterprise Zone. This was formerly the location of Ace Worldwide Moving and Storage

Non-Prejudicial:  
 5/13/2014

<u>Previous DCED Loans</u>	<u>Closed Date</u>	<u>Original Amount</u>	<u>Current Balance</u>	<u>Jobs Projected/ Created</u>
PIDA# 8724	6/27/2003	\$780,000	\$243,356	Retain 49
PIDA# 9096	4/28/2006	\$902,000	\$465,494	Retain 49 / Create 29

<b>THE PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY</b> <b>SUMMARY LOAN APPLICATION</b>	SBF # 214-2286-01  DATE: December 3, 2014
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APPLICANT (Economic Development Corporation): Greater Berks Development Fund

ADDRESS: 201 Penn Street, P.O. Box 8621, Reading, PA 19603-8621

PERSON TO CONTACT: Christopher S. Witmer TELEPHONE NUMBER: 610-376-6739

COMPANY (If this company (or affiliate) has ever had a PIDA loan, please check box)

Occupant: Appeeling Fruit, Inc. Beneficial Owner:

PRESIDENT: Stephen H. Cygan TELEPHONE NUMBER: 610-926-6601

MAILING ADDRESS: 1149 Railroad Rd, Dauberville, PA 19533

PRODUCT: Fresh Apple Slices TELEPHONE NUMBER: 610-926-6601

NAICS # 3314 PERSON TO CONTACT AND TITLE: Claire Dempsey, Controller

TYPE OF ENTERPRISE:

<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Regional or National Headquarters	<input type="checkbox"/> Research & Development	<input checked="" type="checkbox"/> Agri-Business
<input type="checkbox"/> Warehouse & Terminal	<input type="checkbox"/> Industrial	<input type="checkbox"/> Computer or Clerical Operation Center	

TOTAL EXISTING EMPLOYMENT (Include parent, subsidiaries & affiliates)

Pennsylvania 45 Worldwide, Include Pa. 45 Check box if SMALL BUSINESS (Less than 100 existing employees)

EMPLOYMENT THIS SITE ONLY:	TOTAL	PAYROLL (Annually)	AVERAGE WAGE (Annually)	AVERAGE HRS. WORKED (Weekly)	ADD % BENEFITS
Existing Employment (Include jobs transferred to this site)	45				
New Employment in Three Years (Do Not Include Existing Employment)	16				

SIZE OF PROJECT (Sq. Ft.)	SIZE OF SITE (Acres)	LOCATION OF PLANT (Include Municipality & Mailing Address): 1149 Railroad Rd Dauberville, Pennsylvania 19533 (Centre Township)	COUNTY: Berks
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PURPOSE OF PROJECT (Please check appropriate box(es))

<input type="checkbox"/> To construct new building	<input checked="" type="checkbox"/>	To purchase machinery and equipment
<input type="checkbox"/> To expand existing building	<input type="checkbox"/>	To relocate/expand existing plant from _____ (Name of State)
<input type="checkbox"/> To acquire existing building	<input type="checkbox"/>	To acquire and renovate existing building

Other:

SBF LOAN REQUESTED	TOTAL PROJECT COST	COST PER SQ. FT. (Building Costs Only)	COST PER JOB TOTAL PROJECT	COST PER JOB-PIDA
\$301,176	\$752,940	N/A	\$12,343.27	\$4,937.31

**METHOD OF FINANCING**

<p>1. FIRST LIEN SECURITY <u>50</u> % Participation</p> <p>a. Amount <u>\$376,470</u></p> <p>b. Name of Mortgagee <u>Customers Bank</u></p> <p>c. Interest Rate <u>3.25%</u></p> <p>d. Term <u>6 Year Term</u></p> <p>e. Person to contact <u>Keith L. Phillips, Senior VP</u> Telephone number <u>484-334-4180</u></p> <p><b>SHARED FIRST</b></p> <p>2. SBF SECURITY <u>40</u> % Participation</p> <p>a. Amount <u>\$301,176</u></p> <p>b. Interest Rate <u>1.75%</u></p> <p>c. Term <u>7 Year Term</u></p>	<p>3. OTHER PARTICIPATION <u>10</u> % Participation</p> <p>a. Amount <u>\$75,294</u></p> <p>b. Interest Rate <u>NA</u></p> <p>c. Term <u>NA</u></p> <p>d. By Whom <u>Appeeling Fruit, Inc.</u></p> <p>4. OTHER PARTICIPATION _____ % Participation</p> <p>a. Amount _____</p> <p>b. Interest Rate _____</p> <p>c. Term _____</p> <p>d. By Whom _____</p>
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**PIDA USE ONLY**

<input type="checkbox"/> State or Federal Enterprise Zone	<input type="checkbox"/> Brownfield Site	<input type="checkbox"/> Financially Distressed (Act 47)	<input type="checkbox"/> Advanced Technology	<input type="checkbox"/> GAT Project	<input type="checkbox"/> KOZ	<input type="checkbox"/> KOEZ
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CRITICAL ECONOMIC AREA	UNEMPLOYMENT RATE	PIDA PARTICIPATION	GENERAL FUNDS	BOND FUNDS
Berks County	____% <input type="checkbox"/> 5-10 Years <input type="checkbox"/> 12 Mo.	____% <u>50</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Greater Berks Development Fund  
 Appeeling Fruit, Inc.  
 SBF #214-2286-01

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Company Background: Appeeling Fruit, Inc. was founded in 1991 by Stephen H. and Beth Ann Cygan.

Product: Appeeling Fruit, Inc. is a fresh apple producer. The company cleans, slices and packages ready-to-eat apple slices in individual or group serving packages. The sliced apple product is bathed in Vitamin C to prevent from browning.

Ownership: Appeeling Fruit, Inc.  
 50% - Stephen H. Cygan  
 50% - Beth Ann Cygan  
 100%

Markets/Customers: Primary market area is School Districts and Retail Supermarkets. 40 customers including:

Keany Produce – 12.6%  
 Wegmans Markets – 10.2%  
 Feesers – 8.2%

Other data:

This project is for the purchase of three new vertical fill packaging machines along with baggers and scales for each machine. The total project cost is \$752,940. SBF funding of \$301,176 is being requested to be used toward the purchase of the equipment. A matching loan in the amount of \$376,470 will be provided by Customers Bank and the company will provide \$75,294 in private equity. The company will be retaining forty-five (45) existing employees and creating sixteen (16) full time jobs within three years. This loan shall be secured by a first lien security interest in the equipment to be purchased and owned by Appeeling Fruit, Inc., shared pro-rata with Customers Bank in the original loan amount of \$376,470.

<u>Previous DCED Loans</u>	<u>Approval Date</u>	<u>Original Amount</u>	<u>Current Balance</u>	<u>Jobs Projected/ Created</u>
PIDA# 9345	4/1/2009	\$716,436	\$530,576	Retain 14 / Create 11
SBF# 27-1794-01	11/7/2007	\$175,000	Paid Off	Retain 11 / Create 3
SBF# 28-1971-01	6/23/2009	\$160,000	Paid Off	Retain 14 / Create 11

RESOLVED, THAT EACH OF THE LOANS HERETOFORE APPROVED IS SUBJECT TO THE FOLLOWING CONDITIONS:

1. In the event that the Premises to be mortgaged has been or at any time during the term of the loan is identified as being in a Flood Hazard Area by the United States Federal Emergency Management Agency, the Industrial Occupant shall obtain flood insurance as provided by the National Flood Insurance Act of 1968, as amended.
2. The Beneficial Owner and/or the Industrial Occupant shall be obligated to and do hereby agree to promptly provide whatever information relating to the project is required and requested by this Authority. Upon failing to do so the Authority may, at its discretion, declare that a material default has occurred and take such action as it deems appropriate.
3. All contracts for the construction, renovation, expansion or improvement of the Authority project shall include the Commonwealth's Standard Non-Discrimination Clause, which is attached hereto and incorporated herein as Exhibit "A".
4. There shall be no material adverse change in the financial condition of the above captioned company, or the guarantors, if any, from that disclosed by the financial statements delivered to this Authority as a part of the Application.
5. Prior to the closing, the Industrial Agency shall provide this Authority with satisfactory evidence on behalf of said Company and its affiliates, that all taxes and other monies due and owing to the Commonwealth of Pennsylvania are paid current as of the closing date, unless any of said taxes or other payments are being contested, in which case this Authority will require that funds be escrowed to pay said taxes or other payments in the event of any adverse decision.



## EXHIBIT "A"

### NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE

During the term of the contract, Contractor agrees as follows:

1. In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the contract or any subcontract, the Contractor, subcontractor, or any person acting on behalf of the Contractor or subcontractor shall not, by reason of gender, race, creed, or color, discriminate against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.
2. Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the contract on account of gender, race, creed, or color.
3. Contractors and subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.
4. Contractors shall not discriminate by reason of gender, race, creed, or color against any subcontractor or supplier who is qualified to perform the work to which the contracts relate.
5. The Contractor and each subcontractor shall furnish all necessary employment documents and records to and permit access to their books, records, and accounts by the contracting agency and the Bureau of Contract Administration and Business Development, for purposes of investigation, to ascertain compliance with provisions of this Nondiscrimination/Sexual Harassment Clause. If the Contractor or any subcontractor does not possess documents or records reflecting the necessary information requested, the Contractor or subcontractor shall furnish such information on reporting forms supplied by the contracting agency or the Bureau of Contract Administration and Business Development.
6. The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that such provisions will be binding upon each subcontractor.
7. The Commonwealth may cancel or terminate the contract, and all money due or to become due under the contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.

OTHER LOAN MATTERS:

A.) SPECIAL REQUESTS – BOARD ACTION REQUIRED

PIDA

#9491	
Regional Industrial Development Corporation	Closed 11-9-12
TruFood Mfg., Inc.	\$1,560,000
(Allegheny County)	Bal. \$1,409,335

MELF

#12-9-1090	
TruFood Mfg., Inc.	Closed 1-17-14
(Allegheny County)	\$3,250,000
	Bal. \$2,934,189

Request: 1.) Release the guarantees of Belmont Confections, Inc., with respect to both the PIDA and MELF loans, and release the additional collateral given by the guarantor to secure the MELF guarantee (equipment). 2.) Release the guarantees of Penhurst Realty, LLC, with respect to both the PIDA and MELF loans, and release the additional collateral given by the guarantor to secure the MELF guarantee (Ohio real estate). 3.) Approve the subordination of the security interest securing the MELF loan to an aggregate of \$15 million in senior bank financing, which will refinance the existing \$9 million of senior debt and also provide an additional \$6 million for equipment purchases.

Staff Recommendation: At the time of the approval of the existing PIDA loan of \$1,560,000 (which has been paid down to a balance of \$1,409,335) the bank first mortgage and other bank equipment and working capital credit facilities all required the guarantee of Tsudis Chocolate Company, and the Pennsylvania real estate holding company, Penhurst Realty II, LP. In addition, the Bank required the cross guarantees of Belmont Confections, Inc. (an Ohio operating company) and Penhurst Realty, LLC (an Ohio real estate holding company). The financial statements provided to PIDA at that time reflected the combined accounts and operations of these two entities, and both PIDA and MELF followed the lead of the bank and required the two entities' cross guarantees. In addition, the MELF loan of \$3,250,000 (which has been paid down to a balance of \$2,934,189) required a subordinate lien on the equipment of Belmont Confections, Inc. and a second mortgage on the commercial real estate owned by Penhurst Realty, LLC. The Ohio real estate had a fair market value of just slightly more than \$1,000,000 and an existing bank first mortgage of \$843,000. Consequently, this collateral second mortgage represented approximately \$150,000 of collateral security.

The company has provided updated audited financial statements of TruFood Mfg., Inc. and Belmont Confections, Inc. for the year ending 2013 and an internal interim operating statement through September of 2014. The separate balance sheet of TruFood, Mfg., Inc., at December 31, 2013, reflected a significant improvement in its total equity from \$4,702,773 at December 31, 2011 to \$8,348,974 at December 31, 2013. Due to very large bank working capital credit facilities, the company's total leverage ratio remains at about 4.9 to 1. The large working capital loan is required

to support the significant growth in the company's sales from \$49.3 million in 2011 to \$93.5 million in 2013. Net income before Subchapter S income taxes of TruFood Mfg., Inc. has similarly improved from \$243,000 in 2011 to \$3,091,000 in 2013. In connection with new bank credit facilities related to this request, the line of credit for working capital of TruFood Mfg., Inc. is being increased to \$31.0 million, in addition to proposed equipment term loans totaling up to \$15.0 million. The company's primary banking relationship is supportive of the company's impressive growth in operations and its continuing expansion of that growth. Based on the 2013 audited results, the cash flow before debt service of TruFood Mfg., Inc. totaled \$5,379,455, which compares favorably to its current total debt service of \$4,077,000 and supports the pro forma projected total debt service with the new equipment debt aggregating approximately \$5,298,277. The interim nine month operating statement of the company, through September 30, 2014, reflected a net profit of \$3,679,000 on gross sales of \$127.8 million, both of which already exceed the levels for the full year 2013. It is this significant growth that is driving the new equipment loans and the increase in the working capital line of credit.

Based on the above factors, the PIDA staff is recommending approval of the company's request to release the Ohio Company guarantees (Belmont Confections, Inc. and Penhurst Realty, LLC) of both the PIDA and MELF loans and for MELF to release the collateral liens it presently has on the equipment and real estate it holds on the Ohio company assets. This recommendation is subject to the following conditions with respect to each request:

For PIDA Approval:

1. Subject to evidence that the Bank first mortgage holder on the PIDA project site has also released the guarantees of Belmont Confections, Inc. and Penhurst Realty, LLC.
2. Subject to evidence that the new FNB Bank credit facilities aggregating \$46.0 million have closed and that those loans do not require the cross guarantees or pledge of any collateral from the affiliated companies in Ohio (Belmont Confections, Inc. and Penhurst Realty, LLC.)
3. Subject to evidence that Belmont Confections, Inc. have closed on new Bank credit facilities to refinance all of its existing Bank debt and evidencing that those loans do not require any cross guarantees or pledge of assets of TruFoods Mfg., Inc. or Penhurst realty II, LP
4. Subject to evidence that the senior bank group has released the personal guarantees of Peter Tsudis and George Tsudis.
5. Subject to TruFoods Mfg., Inc. agreeing to maintain the same financial covenants as required by FNB Bank loan facilities. The borrower shall provide the final executed covenants agreed to with FNB Bank for inclusion as a condition to the PIDA closing on the release of the guarantees of Belmont Confections, Inc. and Penhurst Realty, LLC.

For MELF Approval:

1. Subject to conditions 1-5 above required for the PIDA approval being satisfied.
2. Subject to a Bank letter of credit for \$750,000 pledged as additional security for the MELF

loan. So long as there is no default in the payment terms on this MELF loan as currently structured or any other uncured technical defaults, this Bank letter of credit shall be reduced to \$500,000 on April 1, 2016 (when the MELF loan is reduced to a balance of \$2,292,992), it shall be reduced to \$250,000 on April 1, 2017 (when the MELF balance will be reduced to \$1,832,113) and it shall be eliminated entirely on April 1, 2018 (when the MELF balance is reduced to \$1,364,273).

**PIDA**

#9545

Greater Berks Development Fund  
Reitnouer, Inc.  
(Berks County)

AA 8-7-13  
\$1,500,000

Request: Approve the Industrial Occupant, Reitnouer, Inc. as a guarantor of the PIDA loan, rather than a co-borrower, in order to satisfy requirements of its bank lender.

Staff Recommendation: Approve

**SBF**

#212-2166-01

Southern Alleghenies Planning and Development Commission  
Kenneth D. Stanton  
(Bedford County)

Closed 10-1-13  
\$100,000  
Bal. \$95,265

Request: Approve the subordination of SBF's existing blanket third lien security interest on all business assets, to the Farm Service Agency's refinancing of the existing senior debt for equipment in the amount of \$40,000 and provide \$60,000 in new financing for farm renovations.

Staff Recommendation: The primary operation of the farm is dairy production. An SBF loan was approved in 2012 to assist in the construction of a new barn with a milking parlor. The SBF loan is current and has been reduced to a balance of \$95,265. Since 2012 the farm has doubled the size of its milking herd, which has caused overcrowding and a decrease in milk production. To ease this problem, the borrower is seeking \$60,000 in financing through the Farm Service Agency to convert the loose bedding barn into a free stall barn. This construction will remedy the problem of overcrowding and result in an increase in milk production.

In 2013, the farm generated revenue of \$254,000 and broke even for the fiscal year. A cash flow analysis, adding back depreciation and interest of \$41,000 and factoring an annual debt service of \$20,000, results in available cash of \$21,000 and a cash coverage ratio of 2.05. A proforma cash flow analysis including the proposed new annual debt service of \$12,000, results in excess cash of \$13,000 and a revised cash coverage ratio of 1.46. The improvements are expected to increase production, with a conservative estimate of an extra \$3.00 per cow increase in milk production,

which will add an extra \$15,768 in annual revenue. Expenses are also anticipated to be reduced by approximately \$10,000, annually, as a result of the improvements and ease of overcrowding.

The SBF loan will continue to be secured by a second mortgage on the project real estate, subordinate to a first mortgage held by Hometown Bank, with a current balance of \$94,875. The project property has an appraised value of \$255,000, as of June, 2014. A loan to value, calculating the value of the real estate only, is 75%. SBF's blanket third lien position on all business assets will be elevated to a second lien position, with the refinancing of the existing debt by the Farm Service Agency.

Considering the satisfactory financial performance of the farm and positive cash flow, the favorable collateral securing this SBF loan and the satisfactory repayment history of the borrower and the anticipated revenue increases resulting from the proposed improvements, the PIDA staff recommends approval of the subordination of SBF's existing third lien security interest on all business assets, to the Farm Service Agency for the refinance of the existing senior debt for equipment in the amount of \$40,000 and to provide \$60,000 in new financing for farm renovations.

The approval is subject to the following conditions:

1. The SBF loan shall continue to be secured by a second mortgage on the real estate located at 595 Menchtown Road, Everett, Bedford County, Pennsylvania, subject to a first mortgage in favor of Hometown Bank in the original filing amount of \$100,000 (current balance - \$94,875).
2. The SBF loan shall be secured by a blanket second lien security interest on all business assets (equipment and cow herd) owned now or hereafter acquired by the borrower, wherever located, subject to a first lien in favor of Farm Service Agency in the original amount of \$100,000.
3. The full and personal guarantees of Robert D. Stanton and Beverly E. Stanton.

#212-2202-01

Greater Berks Development Fund  
Isolator Fitness, Inc.  
(Berks County)

Closed 7-12-13  
\$170,000  
Bal. \$128,650

Request: 1.) Approve the subordination of the SBF pro-rata shared first lien with the Community First Fund (CFF), on accounts receivable and inventories of Isolator Fitness, Inc., in favor of a First National Bank \$550,000 loan refinancing Metro Bank's existing \$400,000 term loan (current balance \$343,000) and a \$200,000 Federal Home Loan Bank loan. 2.) Approve the subordination of the SBF pro-rata shared first lien with CFF, on accounts receivable and inventories of Isolator Fitness, Inc., in favor of a First National Bank \$600,000 line of credit, which includes the refinancing of the existing Metro Bank \$300,000 line of credit as well as an additional \$300,000 increase to the credit line. 3.) Approve the subordination of the SBF loan to future equipment purchases that the First National Bank plans to finance and secure via purchase money security liens.

Staff Recommendation: The company began operations in December 2012 and has grown significantly in a short time. Revenue for 2013 was \$1.5 million dollars and the company posted a small loss of (\$320,000). An in house interim statement through September 30, 2014, shows revenue of \$2,678,000, with a pre-tax profit of \$272,000. Revenues at the end of 2014 are projected to reach \$3.6 million. The company's strong performance is driving the need for additional equipment and working capital to support the company's growth.

In addition to the shared pro-rata first lien with CFF on all company assets, the SBF loan is secured by two collateral mortgages on real estate owned by the company's principals, David L. Vollmer and Paige R. Vollmer. The SBF loan is also guaranteed by the principals and two additional investors, Susan Perrotty and Kenneth Lakin. The guarantees of Ms. Perrotty and Mr. Lakin provide an additional \$17 million in equity support to the company. SBF and CFF will also have priority over First National Bank for enforcement of the personal guarantees.

Considering the positive trends in the performance of the company, the satisfactory collateral and the added equity support from the company's guarantors, the PIDA staff is recommending approval of the subordination of the SBF pro-rata shared first lien with the Community First Fund (CFF), on accounts receivable and inventories of Isolator Fitness, Inc., in favor of a First National Bank \$550,000 term loan and a \$600,000 line of credit, and the subordination of the SBF loan to future equipment purchases financed and secured via purchase money security liens.

B.) SPECIAL REQUESTS – STAFF APPROVED

PIDA

#9397

Johnstown Industrial Development Corporation  
Martin Baker America, Inc.  
(Cambria County)

AA 4-8-10  
\$2,000,000

Staff Action: Consented to a \$141,769 increase in the senior debt mortgage encumbering the collateral property at 303 Industrial Park Road, Richland Township, Cambria County (from \$1,415,000 to \$1,556,769), due to the fact that the senior bank mortgage encumbering the collateral property at 136 Jaycee Drive, Johnstown, Cambria County is \$161,540 lower than originally approved (\$1,403,000 rather than \$1,564,540), thus resulting in an overall improved collateral position. 2.) Approved an extension of the PIDA loan closing deadline until December 31, 2014.

#9486

Regional Industrial Development Corporation  
Multi Occupancy Building  
(Allegheny County)

AA 8-1-12  
\$2,100,000

Staff Action: Approved an extension of the loan closing deadline by two (2) years, from July 31, 2013 to July 31, 2015. The delay in the project is due to RIDC entering into discussions with the Urban Redevelopment Authority to sell the site to the URA. The deal to sell the property is not going to move forward, therefore, the construction of the multi occupancy building is commencing.

#9491

Regional Industrial Development Corporation  
TruFood Mfg., Inc. f/k/a Tsudis Chocolate Company  
(Allegheny County)

Closed 11-9-12  
\$1,560,000  
Bal. \$1,394,604

Staff Action: Acknowledged the change in the name of the Industrial Occupant, from Tsudis Chocolate Company to TruFood Mfg., Inc.

#9545

Greater Berks Development Fund  
Reitnouer, Inc.  
(Berks County)

AA 8-7-13  
\$1,500,000

Staff Action: Approved an extension of the PIDA loan closing deadline until February 28, 2015.

#9553

Bucks County Economic Development Corporation  
A&L Foods, Inc.  
(Bucks County)

AA 10-2-13  
\$945,000

Staff Action: Approved the placement of a subordinate mortgage in the amount of \$150,000 on the PIDA project site, in favor of M&T Bank.

#9579

Northampton County New Jobs Corp.  
The Bug Company of PA, LLC  
(Northampton County)

AA 8-6-14  
\$960,000

Staff Action: Approved a change in the project structure to allow the project to be purchased by the new Beneficial Owner, 2200 Wassergass, LLC. The approval is subject to the new Beneficial Owner, 2200 Wassergass, LLC being a general obligor on the PIDA loan.



MELF

#12-9-1048

Progressive Converting, Inc.  
(Luzerne County)

AA 5-9-13  
\$934,000

Staff Action: Approved an extension of the MELF loan closing deadline until December 31, 2014.

#13-9-1111

TCC Penwest, LLC  
(Butler County)

AA 9-3-14  
\$275,050

Staff Action: Approved an extension of the MELF loan closing deadline until March 31, 2016, due to delays in the construction of the company's new facility.

C.) SPECIAL REQUESTS – LOAN INCREASES

MELF

#12-9-1048

Progressive Converting, Inc.  
(Luzerne County)

\$137,570  
(Decrease)

AA 5-9-13

\$934,000

1.50%

7 Years

Staff Action: Approved the following changes in financing:

FROM

\$934,000

934,000

\$1,868,000

MELF

Company Equity

TO

\$796,430

\$796,430

\$1,592,860

D.) SPECIAL REQUESTS – LOAN RESCISSIONS

None.

## NEW BUSINESS

- 1) RESOLVED, that this Authority hereby adopts PIDA interest rate policy, as presented below, to be applied to any application received through January 1, 2015.
  - a) Real estate loans for eligible land and building costs, borrowers will have the following two interest rate options for new loan applications:
    1. Fixed interest rate for the full term of the loan (up to a 15 year period) - 3.5%
    2. Fixed interest rate for a seven (7) year period – 2.5%. After seven years, the rate would be reset to the 10-year treasury rate at that time. The reset rate would be limited to a 200 basis point increase/decrease\* from the original approval rate. The reset rate would be fixed for the remaining term of the loan.
  - b) Equipment loans – 3.5% fixed for the full term of the loan.
  - c) Working capital and accounts receivable lines of credit – 3.5% fixed.
  - d) Pollution prevention and energy efficiency loans – 2% fixed for the term of the loan.

*\*An interest rate floor of 2.25% applies to the rate resets on real estate loans.*

- 2) Resolved, that this Authority hereby approves contracting with the Bank of New York Mellon Trust Company (BNY Mellon) for custodial services under the same terms and conditions as the existing contract between DCED and BNY Mellon.
- 3) Resolved, that this Authority hereby adopts the following change to the loan loss sharing arrangement. This change will only impact new loans closed through PIDA going forward.

Certified Economic Development Organizations (CEDO) are financially responsible for the principal shortfall on traditional PIDA real estate loans in accordance with the following:

- a) Loan loss liability shall be capped at \$100,000 regardless of the timeframe of default.
- b) The first 24 months following loan closing, the CEDO shall be responsible for 50% of any principal shortfall.
  - In year three, the CEDO shall be responsible for 40% of any principal shortfall.
  - In year four, the CEDO shall be responsible for 30% of any principal shortfall
  - In year five, the CEDO shall be responsible for 20% of any principal shortfall.
  - In year six, the CEDO shall be responsible for 10% of any principal shortfall.
  - In year seven and thereafter, the CEDO shall have 0% liability.

\*The above timeframe is defined by the date of default.

\*\*The principal shortfall is determined after all collection efforts have been exhausted.

\*\*\*CEDO's may reduce any liability by out of pocket costs incurred during the collection process.

4) Resolved, the PIDA Board has determined that the following economic development organizations (EDOs) have satisfied the certification requirements and hereby certifies them to participate in the PIDA program through June 30, 2015:

- a) Greater Hazleton Community-Area New Development Organization, Inc. – Luzerne County
- b) Lehigh's Economic Advancement Project, Inc. – Lehigh County
- c) Northampton County New Jobs Corp. – Northampton County

There being no further business to bring before the Members at this time, the meeting was on motion duly adjourned at 1:07 p.m.

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Assistant Secretary