



Commonwealth Financing Authority
Harrisburg PA, 17120

Board Meeting Minutes

November 3, 2011

The Commonwealth Financing Authority (CFA) board meeting was held on November 3, 2011. Proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held in PUC Hearing Room #1, Commonwealth Keystone Building; 400 North Street, Harrisburg, Pennsylvania.

In addition to Chairman Walker, the following Board members were present: Austin Burke, Gerald Pappert, The Honorable Glenn Moyer and Peter Tartline, designee of The Honorable Charles Zogby. The following Board members participated via telephone: Barbara McNees and Michael Karp.

DCED staff members present were: Mandy Book, Sheri Collins, Scott Dunkelberger, Brian Eckert, Ryan Emerson, Laurie Henry, Matthew Karnell, Steven Kratz, Michael O'Rourke, Tom Palisin, Anthony Pugliese, Lynne Ruby, Kara Ruby, Tigh Savercool, David Zellers and Deputy Chief Counsel Jill Busch.

Members of the public in attendance were: Bob Adelson, Randy Albright, Dave Atkinson, Kristine Augustine, Christine Batchelor, John Callahan, Emily Carton, Asa Davis, Mark Fennell, Chelsea Guzowski, Nate Lentz, Greg Mahon, Peggy Montgomery, Tim Rodrigo, Kim Stark, Chris Stets, Robert Swift, Lisa Taglang, Corey Troutman, Vijay Teru, and Cathy Washburn.

Chairman Walker called the meeting to order at 10:36 A.M.

Chairman Walker acknowledged the presence of a quorum of the Board and welcomed the guests.

On a motion by Mr. Burke and seconded by Mr. Moyer, the Board unanimously approved the September 13, 2011 minutes.

On a motion by Mr. Burke and seconded by Ms. McNees, the Board unanimously approved payment of CFA expenses in the amount of \$468,023.33.

Fiscal Year 2010-2011 Audit

Corey Troutman, Director at Zelenkofske Axelrod LLC, presented briefly on the Fiscal Year 2010-2011 Audit. Mr. Pappert stated he was unclear on certain aspects and would like follow up meetings with the Treasury Department. Mr. Dunkelberger stated that he would happy to arrange those meetings. On a motion by Mr. Moyer and seconded by Mr. Tartline, the Board unanimously approved the Fiscal Year 2010-2011 Audit.

Mr. Dunkelberger presented the following for the Board's consideration:

Venture Capital Investment Program:

Due Diligence Recommendations

Sheri Collins spoke briefly on the Venture Capital Investment Program proposal regarding Osage Venture Partners, III. She mentioned receiving a report from the Glenmede Trust Company which supported the staff's decision to invest \$4,000,000 in Osage Venture Partners, III. She requested approval to move forward with the investment in the fund.

On a motion by Ms. McNees and seconded by Mr. Tartline, the Board unanimously approved the request.

Second Stage Loan Guarantee Payment

Mr. Dunkelberger explained that on March 29, 2011, Union Community Bank notified the Commonwealth Financing Authority that a claim would be filed on the guarantee and that 3T Security, LLC had filed for bankruptcy. He stated that the total outstanding balance is currently \$295,000, with the CFA share of \$73,875. Staff recommended the Board's approval to make the payment. Mr. Karp asked if there would be any future reclamation of the funds. Mr. Dunkelberger added that the borrower and the bank are in negotiations a further settlement agreement which would include the possibility of the CFA recouping approximately \$13,000.

On a motion by Ms. McNees and seconded by Mr. Tartline, the Board unanimously approved the payment of \$73,875 to Union Community Bank to pay their claim on the Second Stage Guarantee.

Ratifications of Loans, Guaranteed, Enrollments and Special Requests:

On a motion by Mr. Pappert and seconded by Mr. Burke, the following special requests and First Industries loans were ratified:

First Industries

Small Business First Loan

Applicant
Greater Berks Development Fund

Project
Michael W. and Vanita Martin

Loan
\$200,000

Special Requests

Three special requests for the following entities (details attached):

Applicant

David H. and Janelle E. Breckbill
Fulton Industrial Development Association
Tallman Family Farms, LLC

Program

FIF/SBF Agriculture
Business in Our Sites
FIF/SBF Agriculture

Luzerne County Local Share Proposal:

Mr. Dunkelberger briefly outlined the request from Plymouth Township, Luzerne County to allocate \$4,000,000 of Luzerne County Local Share Account funds to create a Small Business Loan Fund. He explained that the fund would be exclusively for Luzerne County businesses affected by flooding due to Tropical Storm Lee and Hurricane Irene; after flood-affected businesses are addressed in the first 12 months, the recovery program would evolve into a permanent revolving loan fund designed to assist growth and sustainability of all Luzerne County businesses. He introduced Kristine Augustine, Vice President of MetroAction.

Mr. Karp arrived to the Commonwealth Keystone Building, PUC Hearing Room #1 at 10:50 a.m. and was present from that point on.

Ms. Augustine outlined the background of the proposal and the history of MetroAction. Mr. Karp requested financial statements from the organization. Mr. Karp questioned whether the organization was equipped to go from administering \$300,000 in loans to \$4,000,000. Ms. Augustine explained that MetroAction is the only organization in that area that is a certified Small Business Administration (SBA) micro-lender, Community Development Financial Institution (CDFI), and also a certified USDA lender. Ms. McNees stated that she is not prepared to cast a vote today. She requested another two weeks to more thoroughly review MetroAction. Mr. Albright respectfully requested the matter be voted on within a week, due the nature of the situation.

Chairman Walker suggested the proposal be revisited by the Board during a special meeting to be held the following week. He emphasized the immediate goal of the proposal was to aid businesses affected by the flooding and that it is a time sensitive issue. Mr. Dunkelberger explained that MetroAction was a good choice due to being the only micro-lender in the proposed region. Mr. Karp requested additional information prior to the special meeting, including a list of other lenders in the area. Chairman Walker stated there would be additional information provided and a vote would take place no later than November 10, 2011.

Renewable Energy Program:

Wind Energy Generation Project

On a motion by Mr. Burke and seconded by Ms. McNees, the Board unanimously approved a grant in the amount of \$3,200,000 to Patton Wind Farm, LLC for the purchase and installation of fifteen 2 MW wind turbines in Elder, West Carroll and East Carroll Townships, Cambria County.

Geothermal Projects

On a motion by Mr. Pappert and seconded by Mr. Tartline, the following projects were unanimously approved:

<u>Applicant</u>	<u>Project</u>	<u>Loan Amount</u>
Chambersburg Memorial YMCA	Coldbrook Elementary School Reuse Project	\$36,000
Donna and John Powell	Geothermal for 1332 Monk Road	\$27,970
Eric S. Poe	Poe PA House	\$56,425
Lawrence Street Partners, LP	Lawrence Street Partners Geothermal	\$292,320

Alternative and Clean Energy Program:

Energy Production Projects

On a motion by Mr. Karp and seconded by Mr. Moyer, the Board unanimously approved a loan in the amount of \$450,000 to Clarion Laminates LLC for the purchase and installation of a pelletizer at their manufacturing facility in Shippenville Borough, Clarion County.

On a motion by Ms. McNees and seconded by Mr. Pappert, the Board unanimously approved a grant in the amount of \$746,192 to Northern Bedford County School District for the purchase and installation of a central biomass system to heat three buildings location in South Woodbury Township, Bedford County.

Mr. Dunkelberger stated the Lancaster Resort Limited Partnership's grant application for the purchase and installation of a fuel cell system would be discussed later in the meeting, after a presentation on the operation of fuel cells.

Energy Efficiency Project

On a motion by Mr. Pappert and seconded by Mr. Tartline, the Board unanimously approved a loan in the amount of \$197,736 to Altoona Regional Health System for the purchase and installation of energy efficiency upgrades at the Altoona Regional Main Hospital Campus in Altoona City, Blair County.

Mr. Dunkelberger introduced Asa Davis, Director of Eastern Sales, from Bloom Energy. Mr. Davis gave a brief presentation to educate the Board members on the operation and maintenance of fuel cells. Mr. Karp asked questions pertaining to replacement of parts, price of units, warranties and life of the unit. He also questioned the length of financing terms. Mr. Davis was not able to give definitive answers on question pertaining to financing due to his expertise regarding the engineering and technical aspects of Bloom Energy's products. He offered to provide Mr. Karp with additional financial information and stated that Bloom Energy uses a third party to handle to financial aspect of their projects.

Secretary Walker stated the Lancaster Resort Limited Partnership's grant application in the amount of \$1,360,000 for the purchase and installation of a fuel cell system would be deferred until the January 25, 2012 Board meeting.

Secretary Walker reminded Board members to make every effort to be available for a vote on the Luzerne County Local Share Account Proposal at a special meeting to be held on November 10, 2011. He stated details would be sent via email to the Board.

There being no further business to come before the Board, the meeting was adjourned at 11:54 A.M.

DATE: August 29, 2011
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared A. Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

David H. and Janelle E. Breckbill
Lancaster County

Approved: 7/21/2008
\$200,000 (Loan)
\$179,000 (Current Balance)

Requested Change:

On July 21, 2008, the CFA Board approved a First Industries Agriculture SBF loan to David H. and Janelle E. Breckbill for the construction of a new cage-free layer house in Willow Street, Lancaster County. The layer house was constructed on a farm owned by Janelle's parents, Charles and Alta Shultz. Financing for the construction of the layer house included the \$200,000 First Industries SBF loan, which is secured by a second mortgage on the subject property as well as a \$292,000 loan from PNC Bank that is secured by a first mortgage and has a current balance of \$277,000. The borrowers have the opportunity to purchase the farm from Janelle's parents for a purchase price of \$400,000. PNC Bank has agreed to lend \$150,000 toward the acquisition and the sellers will finance the remaining \$250,000. PNC Bank has requested that the SBF First Industries Agriculture loan subordinate to the new \$150,000 loan and move from a second to a third mortgage position on the subject property. The new loan to value after subordination will be 52%, and the parents, Charles and Alta, will remain as guarantors for the loan.

Previous Collateral:

A second mortgage on the real estate located at 331 Walnut Run Road, Willow Street, Lancaster County, Pennsylvania, subject to a first mortgage in favor of PNC Bank in an amount not to exceed \$292,000. [Appraised value = \$1,160,000 as of June 4, 2008]

Proposed Collateral:

A third mortgage on the real estate located at 331 Walnut Run Road, Willow Street, Lancaster County, Pennsylvania, subject to a first mortgage in favor of PNC Bank in an amount not to exceed \$277,000 (current balance) and a second mortgage in favor of PNC Bank in an amount not to exceed \$150,000. [Appraised value = \$1,159,000 as of July 18, 2011]

Staff Recommendation:

Approve subordination request

DATE: August 25, 2011
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director
FROM: Matthew Karnell
Director, CFA Programs Division

SPECIAL REQUEST – BOARD ACTION REQUIRED

Fulton Industrial Development Association
Fulton County Business Park
(Fulton County)

Approved: 3/15/2006
Approved Amount: \$3,213,063 (Loan)
\$1,582,553 (Grant)

Requested Change:

On March 15, 2006 the CFA Board approved a BOS grant and loan to Fulton Industrial Development Association (FIDA) to assist with the expansion and development of the Fulton County Business Park located off U.S. Route 522 in Ayr Township, Fulton County. BOS funds were used for acquisition and engineering.

The original intent of the BOS funds was to purchase additional land adjacent to the Fulton County Business Park, develop the majority of the additional acreage for JLG Industries and develop the remaining lots for future businesses. Unfortunately, JLG was sold to Oshkosh prior to the start of the development and Oshkosh did not want to pursue the research and development facility in the business park. As a result, FIDA returned \$2,670,119 of the loan funds and \$1,559,482 of the grant funds. FIDA did manage to sell one lot totaling 3.9 acres before the latest economic downturn. The proceeds of this sale were applied to the BOS loan bringing the outstanding loan balance to \$542,944.

Economic conditions over the last couple of years have also negatively affected all aspects of FIDA's operations. They have been operating at a negative cash flow and without an executive director. All work is currently being done by volunteers from their Board of Directors. FIDA has also successfully worked with their financial lender to modify loan terms to make payments more reasonable so that there are funds left to apply to operational costs. Another sale of 5 acres is pending and the developer hopes to have the funding in place by September 2011.

As a result, FIDA is requesting a deferral of principal and interest on the BOS loan until the next land sale and for each land sale thereafter.

Collateral: Second mortgage lien in favor of PIDA (\$750,770)

Collateral Value: \$3,250,000

Staff Recommendation: Approval of the following modifications to the loan agreement:

1. Deferral of principal and interest until the next sale. At which time proceeds will be applied first to accrued interest and the remaining towards principal.
2. Interest will continue to accrue thereafter on the remaining balance and will be due upon each subsequent sale.
3. Borrower to provide quarterly updates on activity with the secure portion of Fulton County Business Park.

DATE: August 30, 2011
SUBJECT: Special Request – CFA Board Meeting
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared A. Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Tallman Family Farms, LLC
Schuylkill County

Approved: 10/19/07
\$200,000 (Loan #555070225)
\$140,808 (Current Balance)
Approved: 8/25/2009
\$200,000 (Loan #555090476)
\$185,749 (Current Balance)

Requested Change:

On October 19, 2007, the CFA Board approved a First Industries Agriculture SBF loan to Tallman Family Farms, LLC for the renovation of an existing potato wash line, to install a third packaging line, to build a finished product cooler and add loading docks to the production building at 31 Schwalm Road, Tower City, Schuylkill County. On August 25, 2009, the CFA Board approved another First Industries Agriculture loan to construct an 11,700 square foot potato storage facility on an adjacent parcel of land at 31 Schwalm Road, Tower City, Schuylkill County. It is being requested by Nathan W. Tallman that the CFA grant approval for the other four principal owners to buy out his ownership interest of Tallman Family Farms, LLC and it is being requested that the CFA grant approval for the interest of William R. Tallman in the real property located at 31 Schwalm Road, Tower City, Schuylkill County be purchased by the four remaining owners "individually and collectively" as per the equity purchase agreement attached and dated May 11, 2011. Additionally, it is being requested that Nathan W. and William R. Tallman be released from all personal guarantees associated with the First Industries SBF loans. Nathan is no longer actively employed with the farm and William recently passed away in a farming accident. All sale proceeds due to William will transfer to his estate.

As a result of the proposed changes, the remaining principals listed below will co-own the real estate property "individually and collectively" and the ownership structure of the operating entity, Tallman Family Farms, LLC will be as follows:

George E Tallman – 25%
Joseph P. Tallman – 25%
Richard E. Tallman – 25%
Virginia L. Morton – 25%

No additional changes in the collateral will occur as a result of the sale. The loans will remain personally guaranteed by George E. Tallman, Joseph P. Tallman, Richard B. Tallman and Virginia L. Morton.

Project Collateral:

Loan 555070225 Collateral:

- Secured by a second mortgage on the real estate located at 31 Schwalm Road (Parcel 22-6-31.2), Tower City, Schuylkill County, Pennsylvania, shared pro rata with Northeastern Pennsylvania Alliance EDC in an amount not to exceed \$100,000 (Current Balance \$71,254), subject to a first mortgage in favor of Mid-Penn Bank in an amount not to exceed \$669,000 (Approximate Balance \$530,000). (Appraised Value \$1,000,000 as of October 2009)
- Secured by a second lien security interest in the machinery and equipment, accounts receivable and inventory located at 31 Schwalm Road, Tower City, Schuylkill County, Pennsylvania, shared pro rata with Northeastern Pennsylvania Alliance EDC in an amount not to exceed \$100,000 (Current Balance \$71,254), subject to a first lien security interest in favor of Mid-Penn Bank in an amount not to exceed \$669,000 (Approximate Balance \$530,000).

Loan 555090476 Collateral:

- Secured by a second mortgage on the real estate located at 31 Schwalm Road (Parcel 22-6-31.1), Tower City, Schuylkill County, Pennsylvania, subject to a first mortgage in favor of Mid Atlantic Farm Credit in an amount not to exceed \$530,260 (Approximate Balance \$515,000). (Appraised Value \$1,300,000 as of October 2009)

Staff Recommendation:

Approve the ownership buyout of Nathan W. Tallman and sale of real estate interest of William R. Tallman to the remaining four owners as per the May 11, 2011 equity purchase agreement and approve the release of William R. Tallman and Nathan W. Tallman from all personal guarantees associated with the First Industries SBF loans.