



**Commonwealth Financing Authority**  
Harrisburg PA, 17120

**Board Meeting Minutes**

**January 25, 2012**

The Commonwealth Financing Authority (CFA) board meeting was held on January 25, 2012. Proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held in Conference Room A/B, Dixon University Center, 2986 North Second Street, Harrisburg, Pennsylvania.

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

DCED staff members present were: Deputy Secretary Carolyn Newhouse, Mandy Book, Jonathan Brett, Scott Dunkelberger, Brian Eckert, Ryan Emerson, Steven Fishman, Laurie Henry, Lisa Hughes, Matthew Karnell, Steven Kratz, Michael O'Rourke, Anthony Pugliese, Kara Ruby, Lynne Ruby, and Acting Chief Counsel Jill Busch.

Members of the public in attendance were: Randy Albright, Dave Atkinson, Douglas Berry, Albert Boscov, Vanessa Brubaker, John Callahan, Emily Carton, Shelly Corwell, Dennis Davin, John Elliott, Bud Fascone, Mark Fennell, Nathan Garman, Chelsea Guzowski, John Paul Jones, Ron Jumper, Jay Katarincic, Dana Kendrick, Tim Knapp, Dave Kramer, Chuck Leonard, Leslie Smallwood Lewis, Betsy Maholick, Greg Mahon, Zach Malone, Vito Manzione, Deb Millnan, Peggy Montgomery, Wayne Rosengrant, Phillip Sanchez, John Sider, Mayor Vaughn Spencer, Kim Stark, Chris Stets, Tony Stramara, Edward Swoyer, Lisa Taglang, Matthew Thompson, Cathy Washburn and Dave Washburn.

Chairman Walker called the meeting to order at 10:45 A.M.

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

On a motion by Mr. Moyer and seconded by Mr. Burke, the Board unanimously approved the November 3, 2011 Board meeting minutes.

On a motion by Mr. Tartline and seconded by Mr. Burke, the Board unanimously approved the November 10, 2011 special meeting minutes.

On a motion by Mr. Moyer and seconded by Mr. Pappert, the Board unanimously approved payment of CFA expenses in the amount of \$513,610.40.

**Bond Resolution**

Mr. Dunkelberger briefly outlined the need to secure funding to complete reimbursement requests. He requested the Board’s approval to issue \$123,000,000 for the Alternative Energy Development Program and 207,000,000 for the H2O PA Act Program in taxable and tax-exempt bonds. Mr. Karp stated he feels that it is a waste of taxpayer funds to pay the various underwriters’ fees. He added that he would like the process to be altered to include a single issuer.

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

**Mr. Dunkelberger presented the following for the Board’s consideration:**

**Venture Capital Investment Program:**

**Due Diligence Recommendations**

On a motion by Ms. McNees and seconded by Mr. Moyer, the Board unanimously approved the request to begin due diligence on the following two projects:

<u>Applicant</u>	<u>Fund Location</u>	<u>Amount</u>
Draper Triangle Partners III, LLC	Pittsburgh, PA	\$4,000,000
Penn Venture Partners, LP	Harrisburg, PA	\$3,000,000

**Allegheny County Gaming Economic Development & Tourism Fund:**

On a motion by Ms. McNees and seconded by Mr. Burke, the following projects were unanimously approved:

<u>Applicant</u>	<u>Sub-grantee</u>	<u>Funds</u>
Redevelopment Authority of Allegheny County	Lower Hill Infrastructure Design Project - Phase 1 of 2	\$500,000
Redevelopment Authority of Allegheny County	Newbury Development Associates, LP	\$500,000
Redevelopment Authority of Allegheny County	RIDC Southwestern PA Growth Fund	\$500,000
Redevelopment Authority of Allegheny County	Allegheny Valley North Council of Governments	\$500,000
Redevelopment Authority of Allegheny County	Chatham University	\$500,000
Redevelopment Authority of Allegheny County	Urban Redevelopment Authority of Pittsburgh	\$500,000
Redevelopment Authority of Allegheny County	Lower Hill Infrastructure Design Project - Phase 1 of 2	\$500,000

**H20 PA Flood Control Program:**

Mr. Pappert opened a discussion on the Upper Dublin project in regards to the engineering fees incurred as a part of the application process. Mr. Dunkelberger gave a brief background on the issue. The Board agreed to approve flood control projects with the understanding that engineering fees, including those incurred prior to the approval of CFA funding, could be included as eligible costs under the grant.

On a motion by Mr. Moyer and seconded by Ms. McNees, the following projects were unanimously approved:

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Borough of Irvona	C17:01-102.1- Irvona Rehabilitation Project	\$860,890
PA Department of Conservation and Natural Resources	George B. Stevenson Dam Flood Control Project	\$18,000,000
Athens Borough	Chemung Levee	\$452,466
Borough Of Danville	Danville Dike Closure Project	\$3,154,361
Upper Dublin Township	Upper Dublin Township Upper Dublin Flood Project	\$11,808,913

**Local Share Account Program:**

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

**Monroe County**

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
MCIDA	Buck Hill Redevelopment Project	\$100,000
MCIDA	Pocono Mountain Public Library	\$236,025
MCIDA	Route 611 Corridor Gas Line Project	\$1,200,000
MCIDA	Waste Not Technologies	\$500,000
MCIDA	Pine Hill Road Improvements	\$450,000
MCIDA	Mount Pocono Municipal Authority	\$900,000
Pocono Township	Frantz Hill Road Culvert Replacement	\$194,800
Stroud Township	Pocono Creek Pedestrian Bridge	\$100,000
Delaware Water Gap Borough	Delaware Water Gap Borough Manganese Removal System	\$165,634

**Counties Contiguous to Monroe County**

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Dingman Township	Dingman Township Park Phase 1-B	\$506,555
Wayne County Redevelopment Authority	Silk Mill Renovation Project	\$250,000
Milford Borough	Downtown Milford Revitalization	\$500,000
Weatherly Borough	Municipal Office-Police Department	\$194,147
Old Forge Borough	Old Forge Recreation Park Project	\$100,000
Northampton County	RLF Program: Bangor Trust Building Renovations	\$500,000
Easton Redevelopment Authority	W.E.S.T./ A&D Tile Project	\$300,000
Lackawanna County	JCPenney Building/ Stericycle, Inc.	\$337,900

Scranton City	Community Life Support New Building Project	\$350,000
Wayne Economic Development Corporation	Sterling Business Park - Shell Building Site Prep	\$400,000
Lackawanna County	Lackawanna County Wireless Infrastructure Initiative	\$100,000
Carbon County	Carbon County Narrowband Conversion Project	\$907,453
Honesdale Borough	Blakes Creek Area Storm water Project	\$431,095
Scranton City	Cedar 500	\$435,200
Bangor Borough	Bangor Borough DEP Mandated Flooding Correction Project	\$100,000
Lehighton Borough	Lehighton Fire Station Construction Project	\$223,650
Pike County	Live In Program	\$200,000
Walnutport Borough	Walnutport Canal Locks 23 & 24 Restoration	\$200,000
Moscow Borough	Moscow Borough Main Street Project - 2011	\$150,000
Carbondale City	Carbondale NeighborWorks Week 2012	\$14,000

Mr. Burke recused himself on the votes pertaining to Lackawanna County projects.

**Business in Our Sites and PennWorks Programs:**

After a lengthy discussion regarding interest rates, upon motion by Ms. McNees and seconded by Mr. Pappert, the following projects were unanimously approved:

**Business in Our Sites**

<u>Applicant</u>	<u>Project</u>	<u>Loan Amount</u>
Almono, LP	LTV Hazelwood	\$2,000,000
Greenville Commercial Properties, LP	P&LE Railroad Project	\$3,139,500
Greater Erie Industrial Development Corp.	Erie Inland Port: Develop Rail Served Prop.	\$1,222,500
RIDC of Southwestern PA	Sony Plant	\$8,000,000
701 W. Lehigh Partners, LP	Edison Square	\$1,550,000
Fay-Penn Economic Development Council	Kendi Property Industrial Park Project	\$1,856,808
Meadows Landing Associates, LP	Meadows Landing Mixed Use Project	\$2,126,954
Armstrong County Industrial Development Authority	Northpointe Project	\$3,000,000
Greater Erie Industrial Development Corp.	Lord Corporation Expansion Initiative	\$1,833,000
Allegheny County Airport Authority Pittsburgh International Airport	Airside Business Park Expansion	\$750,000
Susquehanna Area Regional Airport Authority	HIA Property Redevelopment	\$1,966,548
Imperial Land Corporation	Westport Woods Business Park	\$4,800,000
RIDC of Southwestern PA	Keystone Commons Phase II	\$2,000,000
Berks County Industrial Development Authority	Berks Park 78	\$2,000,000

**PennWorks**

<u>Applicant</u>	<u>Project</u>	<u>Type</u>	<u>Amount</u>
City of Pittsburgh	LTV Hazelwood	Grant	\$3,000,000
McKees Rock Borough	P&LE Railroad Project	Grant	\$984,795
South Strabane Township Sanitary Authority	Meadows Landing Mix Use Development	Loan	\$745,062

**Building PA Program:**

After a brief presentation by Mr. Albert Boscov and Mayor Vaughn Spencer, upon motion by Mr. Moyer and seconded by Mr. Karp, the Board unanimously approved a loan in the amount of \$5,000,000 for the Reading Convention Center Hotel project on behalf of the Greater Berks Development Fund.

On a motion by Mr. Burke and seconded by Mr. Moyer, the Board unanimously approved an additional \$4,000,000 allocation to Greater Berks Development Fund to partial fund the Reading Hotel project and the remaining balance to be available for further projects in the City of Reading and Corridor.

**Renewable Energy Program:**

**Wind Energy Generation Project**

On a motion by Mr. Pappert and seconded by Mr. Moyer, the Board unanimously approved a grant to Big Savage LLC in the amount of \$12,651,000 for the purchase and installation of sixty-eight wind turbines in Northampton, Southampton, Larimer, and Greensville Townships, Somerset County.

**Geothermal Projects**

On a motion by Mr. Moyer and seconded by Ms. McNees, the Board unanimously approved the following two loans:

<u>Applicant</u>	<u>Project</u>	<u>Amount</u>
David B. Rodgers	Purchase and installation of a residential geothermal system	\$11,735
Craig Chicchi and Cristine Chicchi	Purchase and installation of a residential geothermal system	\$19,663

**Solar Energy Program:**

Mr. Dunkelberger stated the discussion and vote regarding the Solar Energy program's Production projects would be deferred until the end of the meeting.

**R & D Projects**

On a motion by Ms. McNees and seconded by Mr. Moyer, the Board unanimously approved a grant to Convertteam Naval Systems, Inc. in the amount of \$301,129 for their Outdoor Solar Inverter Research and Development projects located in Allegheny County.

**Solar Thermal Projects**

On a motion by Mr. Pappert and seconded by Mr. Burke, the Board unanimously approved a grant to the Young Men’s Christian Association of Chambersburg in the amount of \$9,375 for their Solar Thermal project located in Franklin County.

**Alternative and Clean Energy Program:**

**High Performance Building Projects**

On a motion by Ms. McNees and seconded by Mr. Moyer, the Board unanimously approved a grant to Chalfont Borough in the amount of \$135,729 for the construction of a high performance building for their Public Works and Police Departments in Bucks County.

**Manufacturing Projects**

After a lengthy discussion regarding job creation penalties, upon motion by Mr. Karp and seconded by Mr. Tartline, the Board unanimously approved a grant to McClarin Plastics, Inc. in the amount of \$200,000 for phase 2 of their manufacturing facility expansion in Conewago Township, Adams County.

**Ratifications of Loans, Guarantees, Enrollments and Special Requests:**

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

**First Industries**

**Small Business First Loan**

<u>Applicant</u>	<u>Project</u>	<u>Loan</u>
Lebanon Valley EDC	Dean and Miriam Patches	\$78,000
Southwestern PA Corporation	Mark’s Grille L.P.	\$200,000
Adams County EDC	Gettysburg Cupcake Café, LLC	\$100,000
The Progress Fund	Livingood LLC dba Dogwood Acres	\$220,000

**Special Requests**

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

<u>Applicant</u>	<u>Program</u>
Redevelopment Authority of Easton	Local Share Account
Weimer’s RV Sales and Rentals, Inc.	First Industries SBF
City of Wilkes-Barre	Local Share Account

Roots in the Cove, Inc.  
 PA Fish and Boat Commission  
 Sunnyside Dairy Farm  
 Sno Mountain, LP  
 Edwin M. Martin  
 Pittsburgh Life Sciences Greenhouse  
 Snowberger Enterprises LLC, Country Traditions LLC dba Traditions LLC  
 and Traditions Restaurant LLC

FIF Tourism SBF  
 H2O PA  
 FIF/SBF Agriculture  
 FIF/SBF Tourism  
 FIF/SBF Agriculture  
 New PA Venture Capital Program  
 FIF/SBF Tourism

**TIF Guarantee Program:**

On a motion by Mr. Burke and seconded by Mr. Pappert, the following TIF Guarantee Payments were unanimously approved:

A TIF Guarantee Payment to M&T Investment Group in the amount of \$259,913.97 for the City of Butler’s West-End Revitalization TIF project.

A TIF Guarantee Payment to M&T Investment Group in the amount of \$195,732.79 for the City of Lockhavens’s Painter Stadium TIF project.

A TIF Guarantee Payment to M&T Investment Group in the amount of \$229,853.52 for North Versailles’ Longvue Development TIF project.

**Solar Energy Program:**

**Solar Energy Production Projects**

Mr. Dunkelberger briefly outlined the projects which staff recommended for the Board’s approval. Mr. Karp asked detailed questions regarding calculation discrepancies on four specific projects and requested clarification. Lynne Ruby, Director of Grants Division and Ryan Emerson, Site Development Analyst fielded these questions. Mr. Karp recommended that staff go back to each applicant and question whether they would be able to move forward with their projects at .60 cents per watt rate. Mr. Pappert suggested that changing the Solar program guidelines was not something that could be accomplished at the current meeting and should be discussed in the future. Mr. Karp stated that he would not vote affirmatively on any of the projects that were above .60 cents per watt.

On a motion by Mr. Pappert and seconded by Mr. Tartline, the following grant requests were rejected on a vote of 6 to 1, with Mr. Karp casting the lone dissenting vote, and the supermajority requirement for approval having not be met:

<u>Applicant</u>	<u>Project</u>	<u>Grant Amount</u>
Liberty Interactive Corporation	Ground-mount Solar for Liberty Interactive- QVC Headquarters	\$500,000
Hanover Township, Lehigh County	Rooftop Solar for Hanover Township’s New Municipal Building	\$40,000
Dauphin County Industrial Development Auth.	Ground-mount Solar for Dauphin County IDA Phase II	\$1,000,000
RER PPA, LLC	Rooftop Solar for Aerzen USA Corporation	\$149,380

BySolar, LLC	Rooftop Solar for SK Realty's Denver Borough Warehouse	\$1,000,000
BySolar, LLC	Rooftop Solar SK Realty's Silver Spring Warehouse	\$1,000,000
BySolar, LLC	Rooftop Solar for SK Realty's Lower Swatara Warehouse	\$1,000,000
BySolar, LLC	Rooftop Solar for SK Realty's Upper Allen Warehouse	\$1,000,000
Carlisle Borough	Ground-mount Solar for Carlisle's WWTP	\$1,000,000
Twin Springs Fruit Farm, Inc.	Rooftop Solar for Twin Springs Fruit Farm, Inc.	\$54,144
SEC PVSD Solar One, LLC	Ground-mount Solar for Central PA Institute of Science & Tech.	\$711,110
Realty Leasing & Management Company	Canopy-mount Solar for Federal Communication Commission	\$600,000
Solar Innovations, Inc.	Rooftop solar for Solar Innovations	\$276,274
Panther Valley School District	Ground-mouth Solar for Panther Valley HS & MS	\$1,000,000
5100 Main Realty, LP	Rooftop Solar for Lancaster County Motors	\$730,900
Dardanell Properties	Rooftop Solar for Dardanell Properties Multi-Tenant Facility	\$20,000
SEC TMSD Solar One, LLC	Rooftop and ground-mount solar for Mack Trucks	\$1,153,014
SECGMSD Solar One, LLC	Ground-mount solar for New Oxford Municipal Authority WWTP	\$543,790
SEC SCSO Solar One, LLC	Ground-mount solar for Iron Mountain Information Management	\$1,111,298
SunEdison Origination 1, LLC	Rooftop Solar for the Plymouth Meeting Mall	\$660,000

Upon motion by Mr. Karp and seconded by Mr. Tartline, the Board unanimously approved a grant to Liberty Interactive Corporation in the amount of \$500,000 for their Ground-mount Solar for Liberty Interactive Corp, QVC Studio Headquarters project located in Chester County.

There being no further business to come before the Board, the meeting was adjourned at 1:35 P.M.

**DATE:** September 14, 2011  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
**FROM:** Mandy Book  
LSA Program Manager

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**SPECIAL REQUEST – BOARD ACTION REQUIRED**

**Redevelopment Authority of Easton  
Victory Square Brewpub Project  
(Northampton County)**

**Approved:** 04/14/2010  
\$450,000 (Grant)

**Requested Change:** On April 14, 2010, the CFA Board approved a \$450,000 Local Share Account – Monroe County Grant to the Redevelopment Authority of Easton. Funding was for a grant-to-loan to Beer Dogs, LLC, operating as “Victory Square Brewery” for building acquisition, renovations, legal fees, and professional services at the Weller Building in downtown Easton. Repaid loan funds will be used to establish a revolving loan fund targeted at supporting the efforts of the Greater Easton Development Partnership and its Main Street Initiative. The Weller Building project with Beer Dogs, LLC, has dissolved due to the illness and subsequent death of a principal investor. Another brewpub and brewery project has developed in downtown Easton with Two Rivers Brewing Company at the historic Mount Vernon Ale House. The Redevelopment Authority of Easton is requesting to change the scope of the project to renovation of the Mount Vernon Ale House. The funding will continue to be a grant-to-loan as approved. Approval of this request will allow the project to close on bank financing for the remainder of the project and move forward with the project immediately.

**Recommendation:** Approval.

**DATE:** September 16, 2011  
**SUBJECT:** Special Request – CFA Board Meeting  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Jared A. Lucas, Director  
Small Business First Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

**Weimer's RV Sales and Rentals, Inc.**  
**Blair County**

Approved: 5/1/2006  
\$200,000 (Loan)  
\$141,017.63 (Current Balance)

**Requested Change:**

On May 1, 2006, the CFA Board approved a First Industries Tourism SBF loan to Weimer's RV Sales & Rentals, Inc. for the purchase of a 14.667 acre campground located in Duncansville, Blair County. Along with operating the campground, the business sells, services and rents recreational vehicles, primarily campers. The project also consisted of constructing a 9,800 square foot sales / service building and renovating the campsites. Due to increased costs to complete the building as a result of weather damage and contractor malfeasance, the economic downturn and a leg fracture suffered by the owner, the business has experienced financial hardships. The borrower is requesting a twelve (12) month principal moratorium on the First Industries SBF loan, retroactive to March 1, 2011 and ending March 31, 2012. The loan is current up to March 2011. Additionally, the borrower requests a seasonal payment plan in which interest only payments will be made during the off season from December 1<sup>st</sup> through March 31<sup>st</sup> of each year, followed by eight (8) months of regular principal and interest payments from April 1<sup>st</sup> to November 30<sup>th</sup>, which will include the deferred principal from December through March. At this time, the owners do not draw any income from the company because they receive Social Security. Financials for the business and individuals are attached.

**Project Collateral:**

A second mortgage on the real estate located at 297 Spencer Creek Drive, Duncansville, Blair County, Pennsylvania, subject to a first mortgage in favor of First Commonwealth Bank in an amount not to exceed \$320,175.

Guarantees of David C. Weimer and Carol J. Weimer.

**Staff Recommendation:**

Approve interest only request and seasonal payment plan request.

**DATE:** November 4, 2011  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
**FROM:** Mandy Book  
LSA Program Manager

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**SPECIAL REQUEST – BOARD ACTION REQUIRED**

**City of Wilkes-Barre**  
**Hotel Sterling Property Stabilization Project**  
**(Luzerne County)**

**Approved:** 09/15/2010  
\$290,900 (Grant)

**Requested Change:** On September 15, 2010, the CFA Board approved a \$290,900 Local Share Account – Luzerne County Grant to the City of Wilkes-Barre. Funding was for a feasibility study and construction and engineering costs for the base restoration of the former Hotel Sterling building. The feasibility study is complete and the cost has been reimbursed. The study recommended several options including one alternative recommendation to demolish the building.

The structural integrity of the Hotel Sterling was severely compromised by the extreme weather from Tropical Storm Lee causing the city to take the following safety precautions for the property: condemnation notice, immediate parking closure along North River Street, lane closures along North River and Market Streets adjacent to the building, safety fencing installed 40 feet away from the rear of the building, and sidewalk closures. Two engineering firms inspected the Hotel Sterling on September 15, 2011, and have both recommended demolition due to additional structural failures as a result of flooding. The engineers consider the structure a serious and immediate danger to the general public.

The City of Wilkes-Barre is requesting to change the scope of the project from construction and engineering associated with stabilization to demolition costs.

When demolition of the building is complete, Luzerne County will own the property. The intent is to market the property to commercial, retail, or residential developers to facilitate greater economic development.

**Recommendation:** Approval.

**DATE:** October 26, 2011  
**SUBJECT:** Special Request – CFA Board Meeting  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Jared Lucas, Director  
Small Business First Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

Roots in the Cove, Inc.  
Blair County

Approved: 01/27/2006  
\$198,600 (Loan)  
\$145,238 (Principal Balance)

**Requested Change:**

On January 27, 2006, the CFA Board approved a \$198,600 First Industries Tourism SBF (FIF) loan to Roots in the Cove, Inc. with a fixed interest rate of 3.25% and a term of 180 months. Roots in the Cove, Inc. is a greenhouse operation and also specializes in landscaping products and services. The FIF funds were used to purchase a 4.43 acre commercial property located along Route 36, in Blair County, Pennsylvania. The project included the acquisition of the land, construction of a 2,000 square-foot main retail building, construction of two 2,400 square-foot greenhouses, the purchase of machinery and equipment, and working capital funding. The company is current with its monthly payments and is requesting the CFA to approve a change in the company's ownership structure, and to agree to subordinate its FIF loan to refinancing by Clearfield Bank and Trust with a slight increase in loan exposure. The CFA is being informed that George Erb (50% owner) and his wife are disgruntled about the business and want to be bought out, or, on the alternative, will force the company to liquidate. For this reason, George is requesting to sell his shares in Roots in the Cove, Inc. to the other 50% owner, Travis C. Russell for \$80,000. The sale will be financed through investments held by Mr. Russell's wife, who is not involved with the business. George Erb shall also transfer the partnership real estate to Mr. Russell and terminate the partnership. A new holding company known as RITC Real Estate Holdings, LLC is being formed to own the real estate and replace the former real estate holding company, Erb & Russell Real Estate Partnership. RITC Real Estate Holdings, LLC would also replace Erb & Russell Real Estate Partnership as a Co-Borrower for the FIF loan. Mr. Russell has identified a new partner for the business, Mark Fisher, and Mark would become a 40% owner in both Roots in the Cove, Inc. and RITC Real Estate Holdings, LLC. Travis Russell would own the remaining 60% of both entities. Also, Mark Fisher and his wife, Vicki Fischer would guarantee the FIF loan and the guarantee of George Erb would be released.

Additionally, Clearfield Bank and Trust has approved a \$290,000 loan facility to the business of which \$250,000 is a term loan to refinance the existing debt of AgChoice Farm Credit that is senior to the FIF loan; \$20,000 is an equipment loan to purchase a dump truck and skid loader; and \$20,000 is for a working capital line of credit. It is being requested that the CFA approve the \$250,000 replacement financing that will remain in a senior position on the commercial real estate and subordinate to the \$20,000 line of credit which would be secured by a blanket first lien on the business assets. The \$20,000 equipment loan would be secured by a first lien against the dump truck and skid loader only. The collateral real estate is currently valued at \$360,000 and

the business assets were recently valued at \$121,780, consisting primarily of inventory. Thus the total collateral value is \$481,780, against the proposed \$415,238 senior debt. Consequently, the FIF loan collateral LTV would be 86%. The LTV at the time of approval was 98%. If this deal fails to materialize, the company may collapse and the FIF funds may not be fully recovered.

**Collateral When Approved:**

1. A second mortgage on the real property (4.43 acres) located at Route # 36 RD, Roaring Spring, Blair County, Pennsylvania, subject only to a first mortgage in favor of AgChoice Farm Credit in an amount not to exceed \$288,553 (current balance \$250,000). The appraised value of the property as at the time of loan approval was \$365,000.
2. A blanket second lien security interest on all business assets of the company subject only to a first lien security interest in favor of AgChoice Farm Credit in an amount not to exceed \$288,553 (current balance \$250,000). The value of the company's business assets was \$131,553 as at the time of loan approval.
3. Guarantees of George J. Erb and Travis C. Russell.

**Proposed Collateral if Special Request is Approved:**

1. A second mortgage on the real property (4.43 acres) located at Route # 36 RD, Roaring Spring, Blair County, Pennsylvania, subject only to a first mortgage in favor of Clearfield Bank and Trust in an amount not to exceed \$250,000. The appraised value of the property as of September 2011 is \$360,000.
2. A blanket second lien security interest on all business assets of the company subject only to a first lien security interest in favor of Clearfield Bank and Trust in an amount not to exceed \$20,000 (line of credit) and subject to the lien in specific equipment (dump truck and skid loader to be purchased) in favor of Clearfield Bank and Trust in an amount not to exceed \$20,000. The value of the company's business assets as of October 2011 was \$121,780.
3. Guarantees of Mark Fisher, Vicki Fisher (Spouse), and Travis C. Russell

**Staff Recommendation:** Approve sale of ownership and approve subordination.

**DATE:** November 21, 2011  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
**FROM:** Brian D. Eokert  
Director, Site Development Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

Pennsylvania Fish & Boat Commission	Approved: July 9, 2009
Canonsburg Lake Dam Renovation Project	\$2,000,000
Dutch Fork Lake Dam Renovation Project	\$4,500,000
Washington County	

**Requested Change:** On July 9, 2009, the CFA Board approved two H2O PA grants to the Pennsylvania Fish & Boat Commission (PFBC) for the renovations at two dams, the Canonsburg Lake and Dutch Fork Lake High Hazard Dams. \$2,000,000 was to be used to renovate the Canonsburg Dam which impounds a 76-acre lake. Renovations at the Canonsburg Lake Dam include the installation of post-tensioned anchors through the dam into the bedrock foundation, which will correct major deficiencies including unsatisfactory factors of safety for stability of the concrete dam and a leaning concrete spillway training wall. These renovations will remove the dam from the DEP's Unsafe Dam List, and will bring the dam into compliance with DEP Dam Safety rules and regulations. \$4,500,000 was to be used to renovate the Dutch Fork Dam which impounds a 91-acre lake. These renovations include replacing the spillway and constructing the roller compacted concrete armorings/overtopping on the dam embankment, which will remove the dam from DEP's Unsafe Dam list and will bring the dam into compliance with DEP Dam Safety rules and regulations.

Both projects have been competitively bid and contracts have been awarded. The Canonsburg Dam project has a \$2,215,500 contract awarded, leaving it with a funding deficit in the amount of \$215,500. The Dutch Fork Dam project has a \$4,046,000 contract awarded, leaving it with a funding surplus. The PFBC is requesting surplus funds in the amount of \$215,500 from the Dutch Fork Dam project be transferred to the Canonsburg Dam project. The reallocation of funds between these two projects will allow PFBC to bring two high hazard dams into compliance with DEP's regulations.

**Staff Recommendation:** Staff recommends approval of the above request.

**DATE:** November 23, 2011  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Jared A. Lucas, Director  
Small Business First Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

**Sunnyside Dairy Farm**  
Berks County

Approved: 12/26/2006  
\$140,000 (Loan)  
\$91,138.87 (Principal Balance)

**Requested Change:**

On December 26, 2006, the CFA Board approved a First Industries Agriculture SBF loan in the amount of \$140,000, at a term of 120 months and with a fixed interest rate of 2.25% to Terry and Sue Kunkel d/b/a Sunnyside Dairy Farm, which is located in Kempton, Berks County. The primary operation of the business is to support and operate a dairy herd. The First Industries (FIF) loan funds were used to purchase 50 head of dairy cows and a new 5,000 gallon milk storage tank and the project also consisted of constructing an addition to the existing dairy barn to accommodate fifty free stalls and to upgrade the manure system. On April 20, 2011 a special request was approved for Terry and Sue Kunkel d/b/a Sunnyside Dairy Farm to re-amortize their delinquent loan payments over the remaining term of the SBF loan in order to bring the loan current. The loan became delinquent because the borrowers failed to make payments when the milk prices began to fall in March 2009. In January 2010 milk prices began to rise again, and the borrowers resumed making regularly scheduled payments. In addition, the Kunkels made a request to sell the development rights on one of the purport sections of their farm containing 44 acres in return for \$110,250 from the Berks County Agricultural Land Preservation Board through the execution of a conservation easement (CE). The CFA also approved this request.

The business is current up to November 1, 2011 with its FIF monthly payments. The Kunkels are seeking to sell the development rights on another one of the purport sections of their farm containing 89 acres and will obtain \$222,750 in return for the sale of the development rights. The funds will be used to pay down Fulton Bank's first mortgage. Statutory requirements of the second mortgage lien holder, Farm Service Agency require that all prepayments must be used to pay off mortgages in the order of their lien priority and consequently the funds from the sale of the development rights will be used to pay down Fulton Bank's first mortgage. In order to receive these funds, the Berks County Agricultural Land Preservation Board will require the execution of a conservation easement (CE) to be filed against the property and a corresponding subordination agreement that all mortgage lenders will need to sign as well. The ALO, Greater Berks Development Fund, is seeking approval to execute the necessary documents for the sale of the easement on behalf of the CFA. The project loan to value at the time of approval was 78%. An appraisal was completed on July 29, 2011 and valued the farm property at \$1,066,824, which is the post easement market value. If approved, the project loan to value would be 80% after the funds are applied to pay down the first mortgage. The 80% LTV calculation only takes into consideration the value of the real estate and does not consider the fair market value of the project equipment, including cattle which the CFA has a first lien position on.

**Project Collateral:**

- 1.) A first lien security interest in project equipment including cows.
- 2.) A third mortgage on the real estate located at 156 Kunkel Road, Kempton, Berks County, subject to a first mortgage in favor of Fulton Bank in an amount not to exceed \$995,000 (current balance after development proceeds are applied - \$642,024), and a second mortgage in favor of Farm Service Agency in an amount not to exceed \$170,000 (current balance - \$118,054).
- 3.) Guarantees of Terry E. Kunkel, Sue A. Kunkel, Ethan Kunkel, and Jennifer L. Kunkel.

**Staff Recommendation:**

Approve the sale of development rights through execution of a conservation easement, with proceeds being applied to the first mortgage holder, Fulton Bank.

DATE: November 22, 2011  
SUBJECT: Special Request  
TO: Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
FROM: Kevin M. Rowland  
Director – Loans Division

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**SPECIAL REQUEST**

<b>Sno Mountain, LP</b>	Approved: 6/6/2008
<b>MELF First Industries Tourism #222-050006</b> (Lackawanna County)	\$5,000,000 (Loan)

**Requested Change:** Sno Mountain, LP wishes to restructure the loan term as follows:

- 1) forgive \$2,000,000 of the \$4,443,000 principal balance
- 2) waive past due interest
- 3) extend the maturity date by 3 years to 10/1/17
- 4) grant a 12 month moratorium on principal and interest payments with interest to accrue, followed by 58 months of principal and interest payments with remaining principal due at maturity

**Background:** First Industries MELF funding assisted in the purchase and installation of equipment to establish an outdoor water park named Sno Cove Water Park at the Sno Mountain ski resort on Montage Mountain, Scranton.

The MELF loan closed in September 2007. At the time of approval, Sno Mountain projected to make profits before taxes of \$2.1 Million for the year ending 09/30/07, \$5.2 million in 2008 and 5.9 million in 2009. Cash flow was projected to be -\$114,000 for 2007,

\$1.7 million for 2008 and \$2.1 million for 2009. Due to significant construction delays, Sno Cove Water Park was not fully completed and operational until June 2010. As a result, the borrower has been unable to fully service debt.

The Authority is limited in its ability to enforce its rights (declare default, accelerate the note and seek payment from the guarantors) because the loan documents require consent from the senior lender, National Penn Bank and would be an event of default on the senior debt. National Penn Bank would like to promptly exit the credit and is considering foreclosing.

Peter Salvatori is a limited partner maintaining 16.86% ownership in Sno Mountain, LP through an entity known as WCP Snow Mountain. Mr. Salvatori is also a subordinated creditor of Sno Mountain, LP and over the past three years has provided multiple loans totaling in excess of \$4,000,000. In an attempt to restructure the existing debt, Montage Mountain Resorts, LP, owned 100% by Mr. Salvatori, has negotiated an \$11,000,000 Senior Secured Bridge Loan. The Sno Mountain Limited Partners have appointed Mr. Salvatori to the position of General Partner.

The uses of the bridge loan proceeds include but are not limited to the following: \$6,600,000 to refinance senior secured loans, \$870,000 to real estate taxes, \$375,000 will be escrowed for insurance, \$265,000 for payroll taxes owed, and \$350,000 for working capital purposes. National Penn Bank has agreed to accept a \$1,263,000 principal and accrued interest discount through this refinancing. The construction contractor is accepting a \$350,000 discount on payments owed. Other vendors will accept a \$300,000 discount on amounts owed.

With this restructuring, Sno Mountain is projected to achieve stabilized cash flow within the next 12-24 months and has the option to convert the bridge loan to a permanent term loan. Alternatively, the bridge loan could be refinanced through a conventional lending source of which a portion may include SBA financing.

The proposed financing will enable the company to continue to grow and to stabilize operating cash flow sufficient to service debt. However, the company's operating cash flow will be used primarily to service the proposed bridge loan debt during 2012.

Based on the projected level of operating cash flow and corresponding debt capacity the company must also simultaneously restructure the current MELF term loan.

### Summary of Financial Statements

	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>
WC	\$(2,155,884)	\$(2,102,061)	\$(9,707,565)
CR	0.1	0.06	0.0
QR	0.0	0.06	0.0
Tan. D/Eq	negative	negative	negative
TNW	\$(2,410,864)	\$(8,063,840)	\$(10,112,900)
Sales	\$4,137,281	\$3,086,436	\$3,821,946
Change in Sales		-25.4%	23.8%
Cost of Goods Sold	6.4%	0.9%	0.0%
PAT	\$(5,745,217)	\$(6,729,966)	\$(2,448,560)
+ depreciation	4,509,570	5,298,373	1,536,796
+ interest	64,567	314,715	760,693
Cash for D/S	\$(1,171,080)	\$(1,116,878)	\$( 151,071)
Debt service	814,567	1,248,295	9,196,501
Cash for Operations	\$(1,985,647)	\$(2,365,173)	\$(9,347,572)

The financial statements include Shareholder Loans in the amount of \$6,472,900 and liabilities Due to Related Parties in the amount of \$231,949 as of 12/31/10. If that debt was subordinated then deducting it from liabilities and adding it to equity the Tangible Net Worth at 12/31/10 would increase from \$(10,112,900) to \$(3,408,051).

Sno Mountain, LP provided an appraisal which places a market value of the ownership rights at \$24 million as of February 1, 2011. This value is based on the Income Approach and should not be considered an indication of the liquidation value of the real estate and equipment. Of the \$24 million \$10,800,000 is allocated to personal property.

### Liquidate Value Analysis

Asset Type	Value	Liquidation %	Liquidation Value
Developed Real Estate	\$11,950,000.00	50%	\$5,975,000.00
Excess Land	\$1,250,000.00	50%	\$625,000.00
Total Land and Buildings	\$13,200,000.00		\$6,600,000.00
Personal Property	\$10,800,000.00	25%	\$2,700,000.00
<b>TOTAL</b>	<u>\$24,000,000.00</u>		<u>\$9,300,000.00</u>

### Foreclosure Loss Scenario

Senior Secured Loans	<u>\$7,612,391.00</u>
Costs to Foreclose and Carry	
Mechanics Liens	\$800,000.00
Real Estate Taxes-currently owed	\$500,000.00
Real Estate Taxes-through liquidation	\$360,000.00
Legal Costs - foreclosure	\$100,000.00
Carrying Costs (maintenance & security)	\$75,000.00
Total Costs to Foreclose	<u>\$1,835,000.00</u>
Total Senior Debt + Foreclosure costs	<u>\$9,447,391.00</u>
Liquidation Value	\$9,300,000.00
Selling Costs	\$930,000.00
Transfer Taxes	\$186,000.00
Net Liquidation Proceeds	\$8,184,000.00
Loss exposure to Bank	<u><u>-\$1,263,391.00</u></u>
Proceeds available to MELF	<u><u>\$0.00</u></u>

**Existing Collateral:**

The collateral to secure this MELF loan is presently as follows:

- 1) second lien on the project machinery and equipment subordinate to a first lien in favor of National Penn Bank in an amount not to exceed \$9,500,000
- 2) blanket second lien security interest on all assets of Sno Mountain including a mortgage-lien on the real estate subject only to a first lien in favor of National Penn Bank in an amount not to exceed \$9,500,000.
- 3) Personal guarantees of Denis J. Carlson, Richard G. & Donna M. Ford, Edward J. Reitmeyer, Charles Hertzog & Kathleen Mullen, Adam David Meadows, and John L. Anderson.

**Recommendation:**

Staff recommends the loan be restructured as follows:

- 1) Maintain current principal balance
- 2) waive the past due interest
- 3) reset the interest rate to the current 3% rate
- 4) approve a 12 month moratorium on payments with interest to accrue and be added to the \$4,443,000 principal balance
- 5) amortize the balance over a new 10 year term
- 6) all collateral, including personal guarantees shall remain in place

**DATE:** December 5, 2011  
**SUBJECT:** Special Request – CFA Board Meeting  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Jared A. Lucas, Director  
Small Business First Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

Edwin M. Martin  
Union County

Approved: 1/28/2008  
\$112,000 (Loan)  
\$89,563 (Current Balance)

**Requested Change:**

On January 28, 2008, the CFA Board approved a \$112,000 First Industries Agriculture SBF loan, for a term of 144 months and with a fixed interest rate of 5% to Edwin M. Martin for the construction of a poultry breeder house in Millmont, Union County. The borrower is current up to July 2011 with the monthly FIF loan payments and is requesting a nine (9) month principal moratorium on their First Industries SBF loan, retroactive to July 1, 2011 and ending March 31, 2012. Edwin's wife, Erla, has suffered from health issues. She was diagnosed with a form of malaria and the required medication is expensive (around \$800 per month). Her condition has improved, but she will require medication for the next few months. Along with Erla's illness, the couple has also been experiencing additional financial difficulties with their dog breeding and goat milking business. Because of the circumstances, the lead lender for the poultry breeder house project, AgChoice Farm Credit, has granted the forbearance and believes it will allow the borrower to make the necessary changes to improve the financial position.

**Staff Recommendation:** Approve the 9 month principal moratorium request.

**DATE:** November 28, 2011  
**SUBJECT:** Special Request  
**TO:** Scott Dunkelberger  
Executive Director  
**FROM:** Sheri Collins, Program Manager  
Technology Investment Office

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### **SPECIAL REQUESTS – BOARD ACTION REQUIRED**

In May 2009, the CFA conditionally approved a \$2,000,000 commitment to the Pittsburgh Life Sciences Greenhouse Accelerator Fund (PLSGAF). The commitment was contingent upon the PLSGAF's ability to match the CFA commitment as follows:

“The CFA will be prepared to close on amounts at the following capital thresholds:

1. At least \$4.5 million of non-CFA capital raised will be eligible for \$500,000 of CFA funding.
2. At least \$5 million of non-CFA capital raised will be eligible for \$1 million of CFA funding.
3. At least \$6 million of non-CFA capital raised will be eligible for \$2 million of CFA funding.”

Through the suggestion and efforts of then DCED Secretary George Cornelius, in early 2010, the initial CFA funding was changed to \$1,000,000 after the first \$3,000,000 of non-CFA capital raised. Given the harsh fundraising environment, the PLSGAF was not successful in its attempt to secure the 3:1 match in the time-frame allocated by the CFA (February 28, 2010). In September 2010 – through a Special Request – staff sought and received the CFA's approval to lower the match requirement and, in December 2010, the CFA entered into a \$1,000,000 Participating Loan Agreement which was matched with at least \$3,000,000 non-CFA funds. The PLSGAF first close was at \$5,065,000, including the \$1M of CFA funds.

In recent weeks, PLSGAF has been successful in its fundraising efforts and has demonstrated to staff that it has secured a total of \$7,058,500 from its current investors and would like the CFA to consider the release of the \$1,000,000 not originally secured by the PLSGAF, bringing the total size of the fund to \$8,058,500.

Staff supports the request and seeks the CFA's approval to enter into a \$1,000,000 Participating Loan Agreement between now and December 30, 2011.

Staff Recommendation: Approval

**DATE:** December 5, 2011  
**SUBJECT:** Special Request – CFA Board Meeting  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Jared A. Lucas, Director  
Small Business First Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

Snowberger Enterprises, LLC,  
Country Traditions, LLC d/b/a Traditions, LLC, and  
Traditions Restaurant, LLC  
(Blair County)

Approved: 3/20/2007  
\$180,000 (Loan)  
\$151,182 (Current Balance)

**Requested Change:**

On March 20, 2007, the CFA Board approved a First Industries Tourism SBF loan in the amount of \$180,000 at a term of 180 months and a fixed interest rate of 5.0% to Snowberger Enterprises, LLC, Country Traditions, LLC d/b/a Traditions, LLC, and Traditions Restaurant, LLC, which is located in Martinsburg, Blair County. The primary operation of Country Traditions, LLC d/b/a Traditions, LLC is a retail gift store and the primary business of Traditions Restaurant, LLC is the operation of a full-service PA Dutch-style restaurant, including the operation of a bakery that offers a variety of home-style products. Snowberger Enterprises, LLC is the real estate holding company for both operations. The First Industries (PIF) loan funds were used for the construction of a 13,000 sq. ft. addition onto an existing 3,800 sq. ft. building to house a new restaurant and retail space. There are two businesses associated with this request; Snowberger Enterprises, LLC and Traditions Restaurant, LLC. It is being requested that the CFA approve a change in ownership structure for Snowberger Enterprises, LLC and Traditions Restaurant, LLC and it is also being requested that the guarantee of Jason R. Snowberger be released. Currently, Jason is a 33% owner of Snowberger Enterprises, LLC and 50% owner of Traditions Restaurant, LLC. As proposed, the existing owners will assume Jason's ownership for no monetary consideration due to a family disagreement. The proposed changes in ownership are outlined below:

1. Current ownership of Snowberger Enterprises, LLC

Jason R. Snowberger – 33%  
Marcus Zimmerman – 22%  
Clyde Zimmerman – 22%  
Kenneth Zimmerman – 22%

Proposed ownership: Marcus Zimmerman – 33.33%  
Clyde Zimmerman – 33.33%  
Kenneth Zimmerman – 33.33%