



Commonwealth Financing Authority
Harrisburg PA, 17120

Board Meeting Minutes

March 13, 2012

The Commonwealth Financing Authority (CFA) board meeting was held on March 13, 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, Barbara McNees, The Honorable Glenn Moyer, Gerald Pappert and Peter Tartline, designee of The Honorable Charles Zogby. Michael Karp participated via teleconference.

DCED staff members present were: Deputy Secretary Carolyn Newhouse, Mandy Book, Scott Dunkelberger, Brian Eckert, Theresa Elliott, Ryan Emerson, Steven Fishman, Laurie Henry, Rich Hudic, Lisa Hughes, Matthew Karnell, Michael O'Rourke, Lauren Ortenzio, Lynne Ruby, and Acting Chief Counsel Jill Busch.

Members of the public in attendance were: Randy Albright, Christine Batchelor, Latoya Winfield Bellamy, Vanessa Brubaker, Kathy Bruder, Mark Fennell, Josh Funk, Bob Graham, John Paul Jones, Dena Kline, Daniel Lopato, Rob Lougherty, Greg Mahon, Peggy Montgomery, John Nikolort, Kevin Reinhart, Stephen Russial, Chris Stets, Allison Swindell, Lisa Taglang, Bob Ventresea, and Cathy Washburn.

Chairman Walker called the meeting to order at 10:38 A.M.

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

On a motion by Mr. Pappert and seconded by Ms. McNees, the Board unanimously approved the January 25, 2012 Board meeting minutes.

On a motion by Mr. Pappert and seconded by Mr. Burke, the Board unanimously approved payment of CFA expenses in the amount of \$439,909.77. Mr. Karp requested a detailed breakdown of the expenses two weeks prior to the board meeting.

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

Alternative and Clean Energy Program:

Chairman Walker briefly outlined the Aquion Energy Inc. grant and loan request and discussed his recent visit to the location. Mr. Karp noted that the project sounded promising but suggested the Board focus on underwriting of the loan. Mr. Pappert requested the vote be tabled until more information was available to the Board.

Chairman Walker called a recess at 10:45 A.M. Upon resumption of the meeting at 11:09 A.M., Mr. Dunkelberger presented the following for the Board's consideration:

Production and Manufacturing Projects

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

<u>Applicant</u>	<u>Project</u>	<u>Loan</u>	<u>Grant</u>
BCRD LLC	Cover Area Regional Digester Project		\$519,414
Carlisle Area School District	Carlisle Area SD Combined Heat & Power System		\$666,000
The Borough of Lehighton	Beltzville Hydro		\$5,500,000
Coffee Run Heat Treating, LLC	CRT-Biomass (Corn Fodder) Boiler Install	\$110,586	
Omnova Solutions, Inc.	Omnova Auburn CHP		\$1,115,464
Borough of Chambersburg	Express Generator Feeder & Substation Install		\$900,000
Aquion Energy, Inc.	Aquion Manufacturing Facility	\$3,000,000	\$2,000,000

Biofuel Project

On a motion by Mr. Pappert and seconded by Ms. McNees, the Board unanimously approved a loan in the amount of \$258,153 to Green Resource Energy, LLC for the purchase and installation of machinery and equipment for its biofuel production facility in Falls Township, Bucks County.

Energy Efficiency Project

On a motion by Ms. McNees and seconded by Mr. Burke, the Board unanimously approved a loan in the amount of \$1,190,000 to Tunkhannock School District for the purchase and installation of the geothermal systems and energy efficiency upgrades at seven school buildings in Tunkhannock, Monroe and Falls Townships, Wyoming County.

High Performance Building Project

On a motion by Mr. Tartline and seconded by Ms. McNees, the Board unanimously approved a loan in the amount of \$700,000 to Sycamore Hill Farm Development, LP for the construction of a high performance building location in Bethlehem City, Northampton County.

Mr. Karp added that he will not approve any more ACE projects until there is a review of guidelines. He feels there needs to be many changes to match the payback period to the interest rate of the specific projects and other modifications to how projects are underwritten. Mr. Burke stated that concerns of this nature should be addressed prior to the Board meeting.

Venture Capital Investment Program:

Investment Recommendation

On a motion by Ms. McNees and seconded by Mr. Pappert, the Board unanimously approved an investment request in the amount of \$3,000,000 for Penn Venture Partners II, LP.

Due Diligence Recommendation

On a motion by Mr. Burke and seconded by Ms. McNees, the Board unanimously approved the request to begin due diligence:

<u>Applicant</u>	<u>Fund Location</u>	<u>Amount</u>
USRG-SUMMA Cleantech Innovation Fund I, LP	Pittsburgh, PA	\$7,000,000

Local Share Account Program:

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

Luzerne County

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Jenkins Township	Highway Improvements in Jenkins Township & Pittston Township	\$2,400,000
Plains Township	East Side Landfill Development	\$1,000,000
Lehman Township	BMCP Emergency Management Building and Supplies	\$975,000
Kingston Municipality	2012 Kingston Plaza/3rd Avenue Redevelopment Project	\$725,000
Wilkes-Barre City	Intermodal Transportation Camera Project	\$325,000
Duryea Borough	SCHOTT North America's Porous Glass Project - Phase I	\$100,000
Hazleton City	Hazleton Community Center	\$194,810
Avoca Borough	Municipal Building	\$450,000
Black Creek Township	Black Creek/Sugarloaf Recycling Center	\$200,000
Butler Township	Butler Township Road Improvements - St. John's Rd & Butler Dr.	\$150,000
Harveys Lake Borough	Municipal Building Relocation and Renovation	\$78,220
Hazleton City	Button Buck Combined Sewer Overflow Separation Project	\$342,300
Hazleton City	Municipal Equipment	\$128,745
Plymouth Borough	Plymouth Township Infrastructure Project	\$375,000
Sugar Notch Borough	Municipal and Police Vehicles	\$85,326
West Hazleton Borough	Annex Police Station	\$250,000
Wilkes-Barre City	Gateway Facade Improvements	\$225,000
Wilkes-Barre City	Single Stream Recycling Equipment	\$150,000

Building PA Program:

On a motion by Mr. Burke and seconded by Mr. Pappert, the Board unanimously approved a loan in the amount of \$850,000 for the 310 George Patterson Blvd. Revitalization project on behalf of the Keystone Redevelopment Group.

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>
Adams County EDC	Gettysburg Ghost Enterprises LLC	\$100,000
Adams County EDC	Our Two Daughters, LLC dba Washington's Restaurant	\$50,000
The Reinvestment Fund	Our Community Cooperative of Cheltenham Township, Inc. dba Creekside Cooperative	\$224,000
The Progress Fund	C & R O'Driscoll, Inc.	\$200,000

Special Requests

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

<u>Applicant</u>	<u>Program</u>
Brian and Annice Landis	First Industries Ag SBF
Enterprise Development Fund of Erie County	Building PA
John K. & Norma L. Struthers	First Industries Ag SBF
Ritchie L. & Sonia L. Flinchbaugh	First Industries Ag SBF
Roel Enterprises, Inc. d/b/a The Gaslight Inn	First Industries Tourism SBF
Ronald R. and Janet S. Troyer	First Industries Ag SBF
StartingGate	Business in our Sites
Chris Hoffman	First Industries AG SBF
City of Hazleton	Local Share Account
Shawn and Jennifer Arbogast	First Industries Ag SBF

There being no further business to come before the Board, the meeting was adjourned at 11:23 A.M.

DATE: January 19, 2012
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

Brian and Annice Landis
Lancaster County

Approved: 10/28/2008
\$200,000 (Loan)
\$176,774 (Current Balance)

Requested Change:

On October 28, 2008, the Commonwealth Financing Authority (CFA) Board approved a First Industries Agriculture SBF (FIF-SBF) loan in the amount of \$200,000, at a term of 180 months and a fixed interest rate of 3.00% to Brian and Annice Landis to construct two 28,000 square foot broiler houses on a 57.41 acre farm owned by Annice's parents, Guy and Esther Lloyd. The farm, which is located in Quarryville, Lancaster County, sits adjacent to Brian and Annice Landis' house and the Landis' lease 7.41 acres of the farm land that contains the broiler houses. At the time the FIF-SBF loan was approved, the Landis' secured a seven-year contract with Tyson Foods. On December 3, 2008, the CFA Board approved the EDC Finance Corporation's request to limit the guaranty on Guy Russell Lloyd III and Esther M. Lloyd to their ownership in the farm real estate since they are only the landlords for a ground lease. On February 2, 2009, the CFA Board approved the EDC Finance Corporation's request to reduce the interest rate on the Landis' loan from 3% to 2% as a result of the property being certified as an Agricultural Security Area. The Landis' are current with their FIF-SBF loan through December 1, 2011.

The Lloyds have been approved for Ag Easement funding through the Lancaster County Agricultural Preserve Board to sell the development rights on a portion of their farm. The approved easement covers 50 acres of the 57.41 acre farm and the Lloyds will receive an estimated \$65,875 payment for the sale of the development rights. The original as-completed appraisal valued the entire 57.41 acre farm, including buildings and the two broiler houses, at \$1,400,000. The estimated Ag Easement appraisal values the Ag Easement (only 50 acres and not including the broiler houses) at \$131,750. The estimated post-easement value of the 57.41 acres farm is \$1,268,250 (\$1,400,000 - \$131,750). In order to receive these funds, the Lancaster County Agricultural Preserve Board will require that the EDC Finance Corporation and the CFA Board approve a subordination agreement of the existing FIF-SBF\EDC Finance Corporation mortgage to the Ag Easement.

Additionally, a \$109,000 HomeTowne Heritage Bank loan to the Lloyds that was senior to the FIF-SBF loan, has recently been paid off and \$370,000 and \$140,000 loans from Fulton Bank to the Landis' that were also senior to the FIF-SBF loan, were refinanced with a HomeTowne Heritage Bank loan, to which HomeTowne Heritage Bank did not ask the EDC Finance Corporation/CFA to subordinate. As a result, the CFA now has a second mortgage position on the project property instead of a fifth mortgage position. The project loan-to-value at the time of approval was 62%. With this amendment, the project loan-to-value is estimated at 15%.

Collateral When Originally Approved:

1. A fifth mortgage on the real estate located at 405 Maxwell Road, Quarryville, Lancaster County, Pennsylvania, subject to a first and second mortgage in favor of HomeTowne Heritage Bank in an aggregate amount not to exceed \$159,000, and a third and fourth mortgage in favor of Fulton Bank in an aggregate amount not to exceed \$510,000.

2. Guarantees of Brian M. Landis, Annice L. Landis, Guy Russell Lloyd III, and Esther M. Lloyd.

Existing Collateral:

1. A second mortgage on the real estate located at 405 Maxwell Road, Quarryville, Lancaster County, Pennsylvania, subject to a first mortgage in favor of HomeTowne Heritage Bank in an amount not to exceed \$50,000 (line of credit).

2. Guarantees of Brian M. Landis, Annice L. Landis, Guy Russell Lloyd III, and Esther M. Lloyd.

Staff Recommendation:

Approve the subordination of the existing FIF-SBFAEDC Finance Corporation mortgage to the Ag Easement approved by the Lancaster County Agricultural Preserve Board.

DATE: December 16, 2011
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director
FROM: Brian Eckert
Director, Site Development Division

SPECIAL REQUEST – BOARD ACTION REQUIRED

Enterprise Development Fund of Erie County

Approved: 7/14/2009
Approved Amount: \$3,000,000

Requested Change: On July 14, 2009, the CFA Board approved a Building PA allocation to the Enterprise Development Fund of Erie County (FUND) to invest in real estate projects including industrial, commercial and multi-use buildings located primarily in the designated target markets comprised of low poverty and low income census tracts in the cities of Erie and Corry and the Boroughs of North East, Edinboro, Lake City, Girard, Cranesville, Union City and Albion in Erie County. The FUND has been working with a variety of organizations that would be able to take advantage of the Building PA loan funds, but many of the projects were not able to secure additional funding.

Currently, the FUND is working on plans to develop a warehouse for REXAM, a company that creates packaging materials for a variety of products, such as beverages, food, personal care items, and health care. A 150,000 sq. ft. warehouse adjacent to the existing REXAM manufacturing site would reduce transportation costs and create efficient workflow and distribution. The company was just purchased by Barry Plastics, and they are planning to enter into a 15 year lease. The project should be in place for CFA review at the March 2012 board meeting. The FUND is requesting an extension for the submission of their first project to June 30, 2012.

Staff Recommendation: Approval of an extension to submit their initial Building PA project until June 30, 2012.

DATE: January 19, 2012
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

John K. & Norma L. Struthers
Mercer County

Approved: 12/18/2007
\$200,000 (Loan)
\$142,877 (Current Balance)

Requested Change:

On December 18, 2007, the Commonwealth Financing Authority (CFA) Board approved a First Industries SBF loan to John K. and Norma L. Struthers for the purchase of a 184-acre farm in Fredonia, Mercer County that expanded both their beef cattle and crop operation. The Struthers have requested that the CFA allow the Northwest PA Regional Planning & Development Commission (NWPRPDC) to sign a Subordination of Mortgage to Oil and Gas Lease authorizing Vista Resources, Inc. to pay royalties to the Struthers. Vista Resources, Inc. is utilizing 108 acres of the property located at 1666 District Road, Fredonia, Mercer County, with neighboring property, and as a title curative the subordination is required. The oil and gas lease was in place when the First Industries SBF loan was approved. Ag Choice Farm Credit, which is senior to the First Industries SBF loan, has agreed to sign the Subordination of Mortgage to Oil and Gas Lease and will not ask for royalties. The NWPRPDC will retain the right to revoke its authorization in the future should the Struthers loan go into an event of default. Also, the Subordination of Mortgage to Oil and Gas Lease allows the NWPRPDC to have access to the royalty payments should the Struthers go into an event of default. The loan-to-value is currently 74%.

Project Collateral:

A second mortgage on the real estate to be purchased and to be located at 1666 District Road, Fredonia, Mercer County, Pennsylvania, subject to a first mortgage in favor of AgChoice Farm Credit in an amount not to exceed \$335,000 (balance = \$253,927). [Property valued at \$525,000 as of May 15, 2007]

A second mortgage on the real estate located at 347 Turner Station Road, Mercer, Mercer County, Pennsylvania; subject to a first mortgage in favor of AgChoice Farm Credit in an amount not to exceed \$335,000 (balance = \$253,927). [Property valued at \$145,000 as of August 29, 2007]

The personal guarantees of John K. and Norma L. Struthers.

The assignment of a \$200,000 life insurance policy on the life of John K. Struthers.

Staff Recommendation:

Approve the request for NWPRPDC to execute the Subordination of Mortgage to Oil and Gas Lease.

DATE: January 17, 2012
SUBJECT: Special Request – CFA Board Meeting
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Ritchie L. & Sonia L. Flinchbaugh
York County

Approved: 12/13/2005
\$200,000 (Loan)
\$137,842 (Principal Balance)

Requested Change:

On December 13, 2005, the CFA approved a \$200,000 First Industries Agriculture SBF (FIF) loan to Ritchie L. & Sonia L. Flinchbaugh with a fixed interest rate of 2.25% and a term of 180 months. Ritchie L. & Sonia L. Flinchbaugh's business specializes in the production of corn, soybeans, wheat, hay, fruits and produce. It also provides facilities and supplies for fattening hogs. The FIF funds were used for the construction of a farm market and packing shed at 100 Ducktown Road, York, York County, Pennsylvania (the project site). The building included a sales room, bakery, a packing shed, storage area, a cooler with retail sales cases and parking area. The company is located on 94 Ducktown Road, York, York County, Pennsylvania. The company is current with its monthly payments and is requesting the CFA to agree to subordinate its second mortgage on the 100 Ducktown Road, York, York County, Pennsylvania property to an additional \$312,500 mortgage by Ag Choice Farm Credit. The CFA is being informed that Ag Choice Farm Credit is granting a \$1,700,000 new loan to the Borrower to purchase two tracts of land that will increase the overall family farm. The two additional tracts (totaling 169 acres of land) are located at Emig, Yorkana and Hillview Road, Hellam Township (seventy four acres), while the ninety five (95) acre tract is at Valley Acres Road, Hellam Township. The new \$1,700,000 Ag Choice loan is not related to the FIF project. However, Ag Choice Farm Credit has requested to have a second mortgage in the amount of \$312,500 on the current FIF collateral property as additional collateral to help secure its \$1,700,000 new loan. If this request is approved, FIF will be in a third mortgage position behind Ag Choice Farm Credit's first and second mortgages, instead of its current second mortgage position. The latest property appraisal report of 12/15/2011 on the FIF collateral property puts the value at \$1,300,000. This will give the FIF loan a 58% LTV.

Also, the CFA has been informed that since the FIF loan closed, a new entity called R & S Flinchbaugh, LLC was formed as the new operating entity. It is owned by Ritchie Flinchbaugh (20%), Sonia Flinchbaugh (20%), Michael Flinchbaugh (20%), Andrew Flinchbaugh (20%), and Julie Flinchbaugh (20%). Previously, Ritchie L. & Sonia L. Flinchbaugh was the operating entity. Additionally, R & S Flinchbaugh, LLC, as well as Michael Flinchbaugh, Andrew Flinchbaugh, and Julie Flinchbaugh have been added as guarantors.

Collateral When Approved:

1. A second mortgage on the project property located at 100 Ducktown Road, York, York County, Pennsylvania, subject to a first mortgage in favor of Ag Choice Farm Credit in an amount not to exceed \$300,000.
2. The guarantees of Ritchie L. Flinchbaugh and Sonia L. Flinchbaugh.

Proposed Collateral if Special Request is Approved:

1. A third mortgage on the project property located at 100 Ducktown Road, York, York County, Pennsylvania, subject to a first mortgage in favor of Ag Choice Farm Credit in an amount not to exceed \$300,000, and a second mortgage in favor of Ag Choice Farm Credit in an amount not to exceed \$312,500.
2. Guarantees of Ritchie L. Flinchbaugh, Sonia L. Flinchbaugh, Michael Flinchbaugh, Andrew Flinchbaugh and Julie Flinchbaugh.
3. Guarantee of R & S Flinchbaugh, LLC.

Staff Recommendation:

Staff recommends to deny the Borrower's request to allow Ag Choice Farm Credit to take a second mortgage position and move the FIP loan from a second to a third mortgage position. This recommendation is based on the new financing provided by Ag Choice Farm Credit being unrelated to the project property. Instead, staff recommends that the CFA approve to share its second mortgage position pro-rata with Ag Choice Farm Credit in an amount not to exceed \$312,500 on the project property.

DATE: January 10, 2012
SUBJECT: Special Request – CFA Board Meeting
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Roel Enterprises, Inc.
d/b/a The Gaslight Inn
(Adams County)

Approved: 06/05/2008
\$60,000 (Loan)
\$49,426 (Principal Balance)

Requested Change:

On June 5, 2008, the CFA Board approved a First Industries Tourism SBF loan in the amount of \$60,000, at a term of 180 months and a fixed interest rate of 4.0% to Roel Enterprises, Inc. d/b/a Gaslight Inn, which is located in Gettysburg, Adams County. The primary operation of the business is a 9-room, three story brick, bed and breakfast inn that is open year round and is conveniently located just one block from Lincoln Square, the center of Gettysburg's tourist district and one block from Confederate Avenue, the Culps Hill area of the Battlefield. The First Industries (FIF) loan funds were used to upgrade the parking lot area of the inn. The business is current up to January 2012 with its monthly payments. With the tourist season coming to an end, the Borrower is requesting a change in the payment terms of the loan to assist with their seasonal cash flow. The Borrower is requesting to make interest only payments for January, February and March and principal and interest payments from April until December for the remaining life of the loan. The original maturity date would remain July 1, 2023. The lead lender for the renovation project, ACNB Bank, has agreed to structure the business' monthly payments accordingly.

Staff Recommendation: Approve the change in payment terms.

DATE: January 19, 2012
SUBJECT: Special Request – CFA Board Meeting
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Ronald R. and Janet S. Troyer
Crawford County

Approved: 6/5/2008
\$199,856 (Loan)
\$172,687 (Current Balance)

Requested Change:

On June 5, 2008, the Commonwealth Financing Authority Board approved a First Industries SBF loan to Ronald and Janet Troyer for the construction of a new dairy barn on their farm located in Centerville, Crawford County. The Troyers are requesting that the Commonwealth Financing Authority Board subordinate its second mortgage to a new first mortgage in favor of Mercer County State Bank in an amount not to exceed \$291,000. The new loan will pay off the existing Farmer's National Bank loan and a PNC Bank home equity loan. If this loan amendment is approved the project loan to value, based solely on the real estate would be 78%.

Collateral when Approved:

A second mortgage on the real estate located at 18660 Drake Hill Road, Centerville, Crawford County, Pennsylvania, subject to a first mortgage in favor of Farmer's National Bank in an amount not to exceed \$238,288.

A second lien security interest in all business assets located at 18660 Drake Hill Road, Centerville, Crawford County, Pennsylvania, subject to a first lien security interest in favor of Mercer County State Bank in an amount not to exceed \$104,000.

Proposed Collateral:

A second mortgage on the real estate located at 18660 Drake Hill Road, Centerville, Crawford County, Pennsylvania, subject to a first mortgage in favor of Mercer County State Bank in an amount not to exceed \$291,000. [Appraised value as of 12/27/11 was \$800,000]

A blanket lien security interest in all business assets of the company, subject to a first lien security interest in favor of Mercer County State Bank in an amount not to exceed \$104,000 (\$74,000 loan (balance = \$63,240) and a \$30,000 line of credit) and subject to the lien in specific equipment (\$18,000 loan to purchase a Bobcat skid steer, balance = \$17,144 and a \$15,000 loan to purchase a forage wagon, balance = \$13,454), in favor of Mercer County State Bank in an amount not to exceed \$33,000. The liens in specific equipment are purchase money

security interest filings. [Value of the business assets as of 11/1/11 was \$479,000]

Staff Recommendation:

Approve the subordination of the Commonwealth Financing Authority's second mortgage to a new first mortgage in favor of Mercer County State Bank in an amount not to exceed \$291,000.

DATE: January 10, 2012
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director, Commonwealth Financing Authority
FROM: Brian Eckert
Director, Site Development Division

SPECIAL REQUEST – BOARD ACTION REQUIRED

StartingGate	Approved: 5/25/2005
Beaver County Technology &	\$825,000 (Loan)
Manufacturing Development Center	\$425,000 (Grant)
(Beaver County)	

Requested Change: On May 25, 2005, the CFA Board approved an \$825,000 BOS loan to StartingGate for infrastructure improvements at Beaver County Technology & Manufacturing Development Center in Chippewa Township, Beaver County. The loan was secured by a second priority mortgage on a tract of land consisting of 10.36 acres subject only to a first priority mortgage in favor of Strategic Investment Fund (SIF) in the amount of \$2,000,000. StartingGate received RACP and EDA grant funds in 2009 and 2010 which have been used to pay off SIF. However, additional funds are needed to complete interior build out. StartingGate is requesting CFA to subordinate to a first priority mortgage lien in favor of PNC Bank in the amount of \$2,000,000. The loan from PNC Bank will be used for the interior build out phase of the project.

Collateral: 10.36 acres at the project site located in Beaver Falls, Beaver County

Collateral Value: \$4,925,000

Staff Recommendation: Approval to subordinate the BOS lien position to a second mortgage lien position behind PNC Bank in the amount of \$2,000,000.

DATE: February 1, 2012
SUBJECT: Special Request – CFA Board Meeting
TO: Scott Dunkelberger, Executive Director
Commonwealth Financing Authority
FROM: Jared Lucas, Director
Small Business First Division

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Chris Hoffman
Mifflin County

Approved: 06/05/2009
\$200,000 (Loan)
\$172,803 (Principal Balance)

Requested Change:

On June 5, 2009, the CFA approved a \$200,000 First Industries Agriculture SBF (FIF) loan in the amount of \$200,000, at a term of 180 months and a fixed interest rate of 2% to Chris Hoffman d/b/a Lazy Hog Farm, which is located in an Agriculture Security Area at 395 Lindsey Lane, Lewistown, Mifflin County. The First Industries (FIF) funds were used for the acquisition of a 96-acre farm property including two hog finishing barns. Each barn holds a maximum of 2,200 hogs. The primary business of Lazy Hog Farm is a hog finishing operation. The company is current with its monthly payments and is requesting the CFA to agree to share its third mortgage position on the 96-acre farm (395 Lindsey Lane property), with a new \$43,000 loan by Susquehanna Bank. The CFA is being informed that Susquehanna Bank is refinancing an existing \$30,000 loan (\$25,346 current balance), and also granting additional financing to help Mr. Hoffman to complete some minor improvements to the farm buildings. The total amount of the new loan will be \$43,000. If this request is approved, FIF will be sharing a third mortgage position in the amount of \$43,000 with Susquehanna Bank, behind Susquehanna Bank's first and second mortgages (\$438,342 and \$176,745 [current balances]). This new loan will place the related total current loan balance amounts at \$830,890, which includes the FIF financing. The property appraisal report of 11/13/2008 on the FIF collateral property puts the value at \$1,100,000. This will give the FIF loan a 76% LTV.

Collateral When Approved:

1. A third mortgage on the 96-acre farm property to be purchased and located at 395 Lindsey Lane, Lewistown, Mifflin County, Pennsylvania, subject to first and second mortgages in favor of Susquehanna Bank in an aggregate amount not to exceed \$675,000.
2. A second mortgage on the 38-acre farm property, containing the hog nursery, located at RR2, Box 1510, Parcel #3-14-43, 115, McAlisterville, Juniata County, Pennsylvania, subject to a first mortgage in favor of Susquehanna Bank in an amount not to exceed \$1,572,000.
3. A life insurance policy in the amount of \$200,000 on the life of Chris Hoffman.

Proposed Collateral if Special Request is Approved:

1. A third mortgage on the 96-acre farm property located at 395 Lindsey Lane, Lewistown, Mifflin County, Pennsylvania, shared pro-rata with Susquehanna Bank in an amount not to exceed \$43,000, subject to a first mortgage in favor of Susquehanna Bank in an amount not to exceed \$438,342 (current balance) and a second mortgage in favor of Susquehanna Bank in an amount not to exceed \$176,745 (current balance). [Appraised at \$1,100,000 on 11/13/2008]
2. A second mortgage on the 38-acre farm property, containing the hog nursery, located at RR2, Box 1510, Parcel #3-14-43, 115, McAlisterville, Juniata County, Pennsylvania, subject to a first mortgage in favor of Susquehanna Bank in an amount not to exceed \$1,337,960 (current balance). [Appraised at \$560,000 on 2/26/2007]
3. A life insurance policy in the amount of \$200,000 on the life of Chris Hoffman.

Staff Recommendation:

Staff recommends that CFA approve to share its third mortgage position pro-rata with Susquehanna Bank in an amount not to exceed \$43,000 on the project property.

DATE: February 2, 2012
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director, Commonwealth Financing Authority
FROM: Mandy Book
LSA Program Manager

SPECIAL REQUEST – BOARD ACTION REQUIRED

City of Hazleton	Approved:	09/15/2010
Intermodal Transit Center Parking Garage Project		\$4,800,000 (Grant)
(Luzerne County)		

Requested Change: On September 15, 2010, the CFA Board approved a \$4.8 million Local Share Account – Luzerne County Grant to the City of Hazleton to be funded as follows: \$1,050,000 in FY 2009 and \$1,250,000 in FY 2010, 2011, and 2012. Funding was for the construction, engineering, and administrative costs associated with the construction of two parking decks, the first two of a planned four-deck garage, above the Church Street Station Intermodal Transit Center. The first two decks were expected to result in 92 parking spaces.

The City of Hazleton is requesting to change the scope of work to include acquisition, site preparation, engineering, and construction costs to construct an automated parking structure on a vacated parcel of land on the northeast corner of Broad and Laurel Streets, located approximately one block from the Intermodal Center.

The original application was made during construction of the Intermodal Center. The budget assumed a seamless transition in construction from the main floor of the center to the parking decks without a need for consideration of building occupants. In addition, the City had reasonable assurance of receiving additional grant funding from other sources. Currently, the base floor of the Intermodal Center is complete and operational. In order to complete the project as funded, part of the structure would need to be demolished to begin new construction and existing business occupants would have to be relocated and compensated resulting in a significantly larger than anticipated project cost. To date, the City has been unable to secure additional funding for the project.

As proposed, the Broad Street garage would have a commercial first level with 150 parking spaces above, enough to replace those lost by construction of the Intermodal Center. The lot is more centrally located, easier to access, and will reuse a dilapidated site. Project estimates show that the garage can be completed within the \$4.8 million budget.

If approved, the City expects to acquire the property and finalize engineering design by the end of 2012, begin construction by Spring 2013, and complete the project by March 2014.

Recommendation: Approval.

DATE: February 7, 2012
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

Shawn and Jennifer Arbogast
Snyder County

Approved: 11/10/2008
\$200,000 (Loan)
\$163,190.46 (Principal Balance)

Requested Change:

On November 10, 2008, the CFA Board approved a First Industries Agriculture SBF loan in the amount of \$200,000, at a term of 144 months and a fixed interest rate of 2.0% to Shawn and Jennifer Arbogast (Borrower). The couple's farm is located in an Agriculture Security Area at 520 Hollenbach Road, Middleburg, Snyder County, Pennsylvania. The primary operation of the business is production of anabolic-free organic turkeys. The First Industries (FIF) loan funds were used to construct a turkey house on Shawn's parent's 17-acre tract of farmland. The turkey house holds up to 13,600 turkeys at a time and is contracted with BJE Farm Contract Production, an associated company of Kreamer Feed. The business is current with the monthly loan payments up to October 2011 and is requesting a six (6) month principal and interest payment moratorium on their First Industries SBF loan, retroactive from November 1, 2011 and ending April 30, 2012. The deferred payments would be amortized over the remaining life of the loan. Borrower has been having cash flow problems since 2010 because of loss of its flock due to a disease known as "black head". Also, a switch from an organic to an anti-biotic free (ABF) operation left the poultry house unoccupied for nine weeks before they received their next flock. Additionally, Shawn broke his leg, thereby causing him to hire outside labor at a cost. Consequently, they have been operating on flock advancements since the cash flow interruption. Fulton Bank responded to the company's cash flow problem by re-amortizing its loan back out to 12 years. The bank also granted a new \$60,000 twelve year term loan to enable Borrower to pay off a \$40,000 line of credit and to bring both bank and PP&L bill payments up to date.

Staff Recommendation:

Staff recommends that the CFA approve the six month principal and interest payments moratorium request.