



**Commonwealth Financing Authority**  
Harrisburg PA, 17120

**Board Meeting Minutes**

**November 15, 2012**

The Commonwealth Financing Authority (CFA) board meeting was held on November 15, 2012. 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, Second Floor, Harrisburg, Pennsylvania.

In addition to Chairman Walker, the following Board members were present: Austin Burke, The Honorable Glenn Moyer, John Callahan, designee of The Honorable Charles Zogby and John Verbanac. Michael Karp and Barbara McNees participated via teleconference.

Members of the public in attendance were: Beston Abdulqadir, Roger Adams, Randy Albright, Tim Anstine, Mandy Book, Carolyn Boser Newhouse, Kathy Bruder, Mike Cortez, Brian Deamer, Colleen DeFrank, Devin DeMario, Sean Donnelly, Scott Dunkelberger, Brian Eckert, Ryan Emerson, Josh Funk, Laurie Henry, Rich Hudic, Jake Kernoshak, Steve Kratz, Greg Mahon, Angela McEliece, Jeffrey Means, Michael O'Rourke, Tim Rodrigo, Glenda Ruch, Peggy Schaeffer-Montgomery, Matt Schoettler, Bill Seigel, Chris Stets, Lisa Taglang, Ray Zomok and Chief Counsel Christopher Houston.

Chairman Walker called the meeting to order at 10:33 A.M.

On a motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved the September 12, 2012 Board meeting minutes.

On a motion by Mr. Burke and seconded by Mr. Moyer, the Board unanimously approved payment of CFA expenses in the amount of \$439,368.34.

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

**H2O PA Flood Control Program:**

**Project Recommendations**

Mr. Dunkelberger briefly outlined the recommended projects and proposed a block vote. He also informed the Board that there is currently \$2.8 million left to be used for flood control projects. Upon motion by Mr. Verbanac and seconded by Mr. Karp, the following projects were unanimously approved:

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
PA Department of Conservation and Natural Resources	Pymatuning Control Tower Replacement	\$8,800,000
PA Fish and Boat Commission	Tamarack Lake Flood Control Project	\$11,895,470
Patton Borough	Patton Flood Protection Facilities Improvements Project	\$936,100
Columbia County	Bloomsburg Flood Protection	\$11,850,270

### TIF Guarantee Program:

#### TIF Guarantee Payments

Upon motion by Ms. McNees and seconded by Mr. Burke, the Board unanimously approved a TIF guarantee payment in the amount of \$1,783,878.00 to Washington Financial Bank to pay off the amount due and payable on the Washington Park TIF note pursuant to the TIF guarantee. Mr. Moyer abstained from voting.

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

Upon motion by Mr. Burke and seconded by Mr. Verbanac, the following special requests and First Industries loan guarantees were ratified:

#### **First Industries Fund**

<u>Applicant</u>	<u>Program</u>	<u>Loan</u>
AgChoice Farm Credit	Douglas A. Klinger	\$297,500

#### **Special Requests**

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

<u>Applicant</u>	<u>Program</u>
Armstrong County Industrial Development Authority	Business in Our Sites
Avoca Borough	Local Share Account- Luzerne County
Jason and Rhonda Saylor	FIF Agriculture SBF
J&J Dairy Farm	FIF Agriculture MELF
McNees Wallace & Nurick LLC	Conflict of Interest Waiver
Samuel K. & Wendy R. Kauffman	FIF Agriculture SBF
Yards Brewing Company	FIF Agriculture MELF

**Discussion Regarding Business in Our Sites Program**

Mr. Dunkelberger began a discussion on potentially opening the Business in Our Sites (“BOS”) program for new applications. He explained staff projects having \$20 million dollars available in loan repayments by the end of December 2012 and an additional \$10 million or more by the September 2013 board meeting. Mr. Dunkelberger proposed to open the program as of November 16, 2012 through June 30, 2012 in order to allow sufficient time for applicants to complete the necessary market studies, appraisals and engineering work required to complete a BOS application.

Mr. Karp recommended specific criteria that should be used to score projects, including commitment to complete, financial backing, sufficient collateral, developer’s financial strength and personal guarantees on a case-by-case basis. Mr. Dunkelberger stated those items were included in the BOS guidelines and would be followed.

Mr. Burke questioned how much money was available in the PennWorks program and if there was an opportunity to also open this program. Mr. Dunkelberger explained the history of the program and stated that there was over \$16 million available for new projects. He mentioned the Department was ready and willing to open the program as well, but there were concerns from the Governor’s budget office. Mr. Callahan explained they were hesitant to take on more debt to the general fund and would be more comfortable opening just BOS at this time.

On a motion by Mr. Verbanac and seconded by Mr. Moyer, the Board approved to open the Business in Our Sites program from November 16, 2012 until June 30, 2013.

There being no further business to come before the Board, the meeting was adjourned at 10:58 A.M.

**DATE:** August 16, 2012  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
**FROM:** Brian Eckert  
Director, Site Development

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

Armstrong County Industrial Development Authority  
Armstrong County

Approved: February 03, 2012  
\$3,000,000 (Loan)

**Requested Change:** On February 03, 2012 the CFA Board approved a \$3,000,000 BOS full-recourse loan to Armstrong County Industrial Development Authority (ACIDA) to assist with the development of the Northpointe Business Center located in South Buffalo Township, Armstrong County. The site is located at the Northpointe Interchange (Exit 18) of SR 28. Plans include site preparation and excavation of 60 acres in a 925 acre mixed use development which is already home to 12 companies and approximately 500 employees. The site is to be marketed and sold to commercial, manufacturing, light industrial and small Marcellus Shale start-up companies. The entire site has received all necessary environmental permits, including earth disturbance and storm water permits. It is anticipated that this project will result in the creation of 461 new jobs. BOS funds will be used for site preparation, excavation and engineering. Total project cost is \$3,000,000.

The BOS loan was approved with the collateral being a first mortgage lien on 60 acres. Armstrong County IDA was under the assumption that since the loan was secured with collateral that the BOS loan would be non-recourse to the IDA. Upon receipt of the loan closing documents, they realized the BOS loan documents require full-recourse. Armstrong County IDA is requesting the BOS loan be changed to a non-recourse loan.

**Collateral:** First mortgage lien on 60-acres.

**Collateral Value:** \$4,380,000

**Staff Recommendation:** Denial of the request to make the BOS loan non-recourse.

**DATE:** August 16, 2012

**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**

**Avoca Borough  
Municipal Building Project  
(Luzerne County)**

Approved: 03/13/2012  
\$450,000 (Grant)

**Requested Change:** On March 13, 2012, the CFA Board approved a \$450,000 Local Share Account – Luzerne County Grant for Avoca Borough. Funding was approved to purchase and renovate the vacant Ss. Peter & Paul's Church for use as a municipal building. The current municipal building is in need of major and costly repairs and remediation.

Avoca Borough is requesting a change in the project scope to allow for the construction of a new building rather than renovation of the existing structure. The borough will purchase the approved lot which includes the vacant church and parking area and construct the new building in the parking area.

Avoca indicated \$691,000 was the least amount of funding required to complete the project as submitted. The CFA Board approved a grant of \$450,000. Engineer estimates indicate that it will be more cost effective to construct a new building than renovate the existing structure on the site. To meet the revised total project cost estimate of \$602,000, the borough intends to use \$25,000 from its sewer account to cover the sanitary lateral costs and secure a loan of \$127,000 for remaining costs. LSA funds will be used for the land and building acquisition, construction, and office equipment.

**Recommendation:** Approval. The revised scope of work is located on the same property, will create a municipal building, and will not have changed the scoring of the originally approved project.

**DATE:** August 8, 2012  
**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**

**Jason and Rhonda Saylor**  
(Perry County)

Approved: 8/7/06  
\$64,800 (Loan)  
\$39,547 (Principal Balance)

**Requested Change:**

On August 7, 2006, the CFA Board approved a First Industries Agriculture SBF loan (FIF #555050110) in the amount of \$64,800, at a term of 144 months and a fixed interest rate of 4.0% to Sidney Witmer dba Witmer Farms for the purchase of new machinery and equipment and building renovations for his farm in Liverpool, Perry County. The primary operation of the business is a contract grower of broiler chickens, beef production and grain production. Jason and Rhonda Saylor purchased 423 acres of Rhonda's father's (Sidney Witmer) 510-acre farm in 2011 and assumed the 2006 FIF Ag SBF loan at this time. As part of purchasing the farm, Jason and Rhonda Saylor were also approved for another \$200,000 FIF Ag SBF loan (FIF #555100506) that is secured by a fourth mortgage on the 423-acre (Parcel #130-003-015) farm. The business is current with its monthly payments on both loans.

Sidney Witmer is requesting the CFA release its mortgage on the 88-acre (Parcel #130-003-013.1) portion of the farm that he still owns. This parcel serves as collateral for the 2006 loan only. The FIF Ag SBF loans will remain secured by the 423-acre parcel appraised at \$1,520,000 as of May 20, 2010 (Parcel #130-003-015 only) and the LTV for the 2006 loan FIF #555050110 would be 17.4% after the 88-acre parcel is released.

**Existing Collateral:**

A second mortgage on the real property located at 261 State Route 235, Liverpool, Perry County, Pennsylvania [Parcel #130-003-015 (423 acres) & #130-003-013.1(88 acres)], subject to a first mortgage in favor of Fulton Bank in an amount not to exceed \$200,000 (\$190,030 Current Balance). (Appraised Value at \$1,520,000 on 5/20/10 on Parcel #130-003-015 only)

**Proposed Collateral:**

A second mortgage on the real property located at 261 State Route 235, Liverpool, Perry County, Pennsylvania [Parcel #130-003-015 (423-acres)], subject to a first mortgage in favor of Fulton Bank in an amount not to exceed \$200,000. (Appraised Value at \$1,520,000 on 5/20/10 on Parcel #130-003-015 only)

**Staff Recommendation:**

Staff recommends the CFA release its mortgage on Parcel #130-003-013.1 (88-acres) of the real property located at 261 State Route 235, Liverpool, Perry County, Pennsylvania.

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**DATE:** September 18, 2012  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Kevin Rowland, Director  
Loans Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

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<b>J&amp;J Dairy Farm</b> (Berks County)	Approved: 10/10/2008 \$325,000 (Loan) \$198,201 (Principal Balance)
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**Requested Change:**

On October 10, 2008, the CFA Board approved a MELF First Industries Agriculture loan in the amount of \$325,000, at a term of 84 months and a fixed interest rate of 3.00% to J&J Dairy Farm, which is located in Myerstown, Berks County. The primary operation of the business is dairy production. The MELF First Industries loan funds were used to purchase dairy cattle and milking parlor equipment for the dairy farm. The business is current with its monthly payments.

J&J Dairy is requesting a six month interest only payment period. Beginning in 2010, the farm has experienced a steady increase in feed and fuel costs. To date, J&J Dairy has been able to fund these increases with cash reserves. However, as evidenced by the farm's 2010 and 2011 tax returns, cash reserves have been significantly depleted. J&J Dairy is taking a proactive approach to their impending cash shortage and requesting a six month interest only payment period for their MELF First Industries Agriculture loan. This interest only period will assist the farm in reducing the costs of short term obligations and reserving existing cash balances, while strategies are implemented to replenish cash reserves. J&J Dairy has a satisfactory loan repayment history and has significantly reduced their MELF First Industries loan balance.

**Project Collateral:**

A 2<sup>nd</sup> lien security interest on the project equipment located at 9 Mill Road, Myerstown, Berks County.  
(Valued at \$600,000 on 9/10/2008)

Guarantees of J&J Dairy Farm, John S. Newswanger, Jason Scott Newswanger and Jolan Seth Newswanger.

**Staff Recommendation:**

Staff recommends that the CFA approve a six month interest only payment period for J&J Dairy Farm.



**TO** Scott Dunkleberger, Executive Director  
Commonwealth Financing Authority

**FROM** Christopher C. Houston, Chief Counsel *CCA*

**DATE** 10/24/2012

**RE** Conflict of Interest Waiver – McNees Wallace & Nurick LLC

**MESSAGE:**

Attached please find a request submitted by the law firm of McNees Wallace & Nurick LLC (McNees) requesting a conflict of interest waiver from the Commonwealth Financing Authority (CFA) in connection with their representation of Penn Venture Partners, LP (Penn Ventures) in connection with a pending financing transaction with the CFA.

Our opinion with respect to the request is that the CFA could grant a conflict of interest waiver with respect to McNees' representation of Penn Ventures in the pending financing transaction and their continued representation of the CFA in unrelated matters. As we had discussed, the Office of Chief Counsel will be representing the CFA in the Penn Ventures financing transaction.

This waiver request should be brought before the board for approval. Let me know if you have any questions.



**DATE:** September 24, 2012  
**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**

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~~Samuel K. and Wendy R. Kauffman~~  
Mifflin County

Approved: 01/12/2009  
\$105,000 (Loan)  
\$84,411.58 (Principal Balance)

**Requested Change:**

On January 12, 2009, the CFA Board approved a First Industries Agriculture SBF loan in the amount of \$105,000, at a term of 180 months and a fixed interest rate of 2.0% to Samuel K. and Wendy R. Kauffman, whose farm is located at 12 Kauffman Lane, Belleville, Mifflin County, Pennsylvania. The primary operation of the business is a dairy operation. The First Industries (FIF) loan funds were used to construct a 6,480 square foot 90 cow free-stall barn. The barn was constructed to relieve overcrowding in the existing barn. The business is current with its monthly payments.

The Kauffmans are seeking to sell the development rights of their farm located at 12 Kauffman Lane, Belleville, Mifflin County, Pennsylvania to Mifflin County Conservation District. The farm contains approximately 165 acres and the Kauffmans will obtain \$214,500 in return for the sale of the development rights. This sale will put the farm in a "Farmland Preservation" status. The primary lender, AgChoice Farm Credit, is not requiring that any of the proceeds be used to pay down their mortgage. At the time the First Industries loan was approved, the farm property was appraised at \$1,280,000. A recent appraisal dated July 6, 2012 was completed which takes into consideration the sale of the development rights and valued the farm at \$1,370,000. If the sale of the development rights is approved by the CFA, the project loan to value would be 12.4% based on the July 6, 2012 appraisal.

**Project Collateral:**

A second mortgage on the real property located at 12 Kauffman Lane, Belleville, Mifflin County, Pennsylvania, subject to a first mortgage in favor of AgChoice Farm Credit in the original filing amount of \$145,000 (current balance- \$85,139).  
(Appraised at \$1,370,000 on July 6, 2012)

**Staff Recommendation:**

Staff recommends that the CFA approve the sale of development rights on 165 acres of the project property to Mifflin County Conservation District and based on the loan to value, not require the borrower to use any of the proceeds to paydown mortgage debt associated with the project property.

**DATE:** September 24, 2012  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger, Executive Director  
Commonwealth Financing Authority  
**FROM:** Kevin M. Rowland, Director  
Loans Division

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**SPECIAL REQUESTS – BOARD ACTION REQUIRED**

**Yards Brewing Company, LLC**  
Philadelphia County

Approved: 04/08/2008  
\$772,000 (Loan)  
\$508,657 (Principal Balance)

**Requested Change:**

On April 8, 2008, the CFA Board approved a First Industries Agriculture MELF loan in the amount of \$772,000, at a term of 120 months and a fixed interest rate of 4% to Yards Brewing Company, which is located in Philadelphia, Philadelphia County. The primary operation of the business is brewing beer. The MELF First Industries loan funds were used to purchase machinery and equipment used to expand their brewing capacity.

On June 28, 2010, the CFA Board approved a reorganization of the company, which included a change in ownership name (Yards Brewing Company to Yards Brewing Company, LLC) and structure. The CFA Board also approved the refinancing of existing company debt, which included MELF F.I. subordinating to \$525,000 of additional senior debt. This addition brought the total subordinated debt to \$900,000 (\$800,000 term, \$100,000 line of credit). The restructuring also resulted in an equity injection of \$1,700,000 and the receipt of an immediate MELF F.I. payment in an amount sufficient to bring the loan current. The company has paid down the senior debt to \$619,135 as of July 31, 2012, and has been current with its monthly MELF F.I. payments since restructuring.

The applicant is now requesting that MELF F.I. consent to a \$1,000,000 increase in their senior debt, the increase will include a term loan for \$900,000 and a \$100,000 increase in their line of credit. These funds will be used to purchase kegs. In consideration of this request, the company is offering an immediate payment of \$100,000 to bring the MELF F.I. principal balance to \$408,657. The new loan to value, based on the \$1,000,000 increase in senior debt and the \$100,000 MELF F.I. paydown will be 58%.

**Impact of Request:**

Yards Brewing's average cost per fill (use) of one of their owned ½ barrel kegs is a little less than \$4 (conservatively), whereas the cost per fill of a rented Microstar ½ barrel is \$13. In less than 3 years the "pay-back" from the savings (\$13-\$4=\$9 per use) would pay for the entire purchase price of that keg (\$122). This assumes that the keg turns 5 times per year (a conservative assumption) and that the average life of a keg is 10 years (a very conservative assumption... 15-20 is more the norm). Compared with the fee Yards Brewing pays to Microstar for keg rental, their effective cost per fill will be \$0 in less than three years.

**Proposed Project Collateral:**

A second lien on all company assets including but not limited to accounts receivables, inventories, existing and future equipment, furniture and fixtures and all intangibles, subject to a first lien in favor of First Trust in the amount of \$1,719,135, which consists of an existing term loan with a current balance of \$619,135, the new term loan in the amount of \$900,000, and the increased line of credit in the amount of \$200,000. (Assets valued at \$3,642,481 per July 31, 2012 management prepared financials)

The Guaranty of Thomas Kehoe Jr.

A 4th mortgage on the Haddonfield property located at 623 Grove Street, Haddonfield, NJ, Camden County. (Taken as an abundance of caution)

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**Staff Recommendation:**

Staff recommends that the CFA approve the request for MELF F.I. to subordinate to an additional \$1,000,000 in senior debt.