

**COUNCIL ON DEVELOPMENT FINANCE**  
**November 26, 2012**

**PUBLIC HEARING 389**

**THOSE PRESENT:**

Mr. Andy Lubin, Chairperson  
Steve Biener, Esquire  
Senator Brian Bushweller  
Honorable Nancy Cook  
Mr. Jack Riddle  
Representative Darryl Scott  
Mr. Fred Sears  
Mrs. Richelle Vible

Director Alan Levin  
Mrs. Rachael Mears  
Mr. Stephen Bach  
Ms. Cassie Robbins  
Mrs. Lee Porter  
Ms. Shannon Clark  
Ann Marie Johnson, DAG  
Mrs. Bernice Whaley  
Mr. Tim McLaughlin  
Mrs. Melody Booker  
Mrs. Barbara DeHaven

**ALSO PRESENT:** **Phase Sensitive Innovations Inc.** – Richard Martin, Ph.D.; **Lumilant Inc.** – Dr. Ahmed Sharkawy; **Resource International Inc.** – Mr. Mike Sullivan; **Atlantis Industries Corporation** – Mr. Douglas McGarvey and Mr. Dave Bunting; Ms. Courtney Stewart, Controller General’s Office; Mr. Adam Danin, OMB and Mr. Richard Matoni - Intern, Attorney General’s Office

**LOCATION:** Buena Vista, 661 South DuPont Highway, New Castle, Delaware 19720

**TIME:** 9:00 A.M.

**CALL TO ORDER**

The meeting was called to order at 9:00 A.M. by Chairman Lubin, on Monday, November 26, 2012.

**OLD BUSINESS:**

Mr. Biener made a motion that the minutes for the October 22, 2012 Council on Development Finance meeting be approved as presented. Mr. Sears seconded the motion which was then adopted by unanimous vote.

**NEW BUSINESS:**

**Phase Sensitive Innovations Inc. (“Phase Sensitive” or the “Applicant”)** - The Applicant is requesting a matching grant from the Delaware Strategic Fund under the

Delaware Technical Innovation Program in the amount of \$50,000. Phase Sensitive will use the funds as an SBIR Phase II transition grant to fund the development of custom silicon-germanium integrated circuits that are optimized for a passive millimeter wave imaging system (the "Project"). The Applicant's business is located on East Main Street in Newark, Delaware.

Mrs. DeHaven presented this Project to the Council. She stated that Phase Sensitive is ready to take its innovative ideas to the next level. She stated that Phase Sensitive is a spin out from some technology at the U of D in the field of photonics which she stated is a growing niche in the State of Delaware. She stated that the Masters Program in Engineering at the University has brought several projects to the State.

Mrs. DeHaven stated that Phase Sensitive's technology was spun from Naval Research which involves some leading edge technology. She added that the Department of Defense is interested in taking the Project forward. Mrs. DeHaven introduced Richard Martin, Ph.D. who is the COO and Principal Investigator.

Dr. Martin stated that Phase Sensitive was spun out of the U of D's Electrical Engineering Department. He stated that the Project involves capturing radiation waves naturally emitted which can penetrate through dust, fog and clothing. He stated that he just returned from Arizona in working with helicopters and they were able to see through the dust which is a big accomplishment. Dr. Martin stated that the first three stages of this research will be replaced with a single chip which will be smaller and cheaper to manufacture. He added that this SBIR grant would help Phase Sensitive make the required modulars.

Mr. Sears asked if there was any competition - are others trying to do the same thing and is there a race to get in with the military before Phase Sensitive does. Dr. Martin stated that the army is looking at two other competitors as well but the other two's technique is having difficulty seeing through dust. He added that there is a European company making passive military waves and another company, Kinetics, which makes passive images used in subways but not on helicopters.

Dr. Martin stated that Phase Sensitive is working with JIDER showing the Army that with this technology they can see buried IDs. He also added that they are pursuing other applications for this product.

Chairman Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, that the Applicant is a "small business" within the meaning of 29 Del. C. §5035 (b)(3), that the Applicant has won a Phase I award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR award but has not yet received such award, that the Applicant's principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under

applicable statutory and regulatory provisions, Representative Scott made a motion that the Council recommend to Mr. Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program (“DTIP”), to be used for the Project, contingent upon the approval remaining in effect through and including November 25, 2013. Mr. Biener seconded the motion, which was then adopted by unanimous vote.

Mr. Bach reemphasized that Phase Sensitive has completed Phase I of the SBIR process and Phase II is pending.

Council members inquired as to whether there would be claw backs in the grant. Ms. Johnson explained that SBIR grants typically had an obligation to repay the entire grant if the company left the state or declared bankruptcy in the five year period following the date of the grant. She stated that the obligation which would be created in that instance is like an unsecured debt. Mr. Riddle asked if the owners were personally liable. Ms. Johnson reiterated that under the grant agreement, the company is the responsible party. She asked the Council to keep in mind that the intent of the program is to provide bridge funding for continued development of a project which was already approved for Federal grant under Phase I, and had been invited by the funding agency to apply for Phase II, and a Phase II application is pending.

**Lumilant Inc. (“Lumilant” or the “Applicant”)** - The Applicant is requesting a matching grant from the Delaware Strategic Fund under the Delaware Technical Innovation Program in the amount of \$50,000. Lumilant will use the funds as an SBIR Phase II transition grant to help it maintain its staff and continue its research developing disruptive photonic solutions pending Phase II approval (the “Project”). The Applicant’s business is located in Newark, Delaware.

Mrs. DeHaven presented this request to the Council. She stated that Dr. Ahmed Sharkawy, who received his Ph.D. at the U of D, is the founder of Lumilant. She stated that Lumilant is a technology start-up entity which was established in December of 2010 and is located in Newark, Delaware. She stated its technology is developing disruptive photonic solutions for DATACOM, SATCOM and TELECOM use in military and commercial applications. She added that Lumilant was spun out of EM Photonics to focus on the commercialization of research-level technology developed over the last ten years.

Dr. Sharkawy stated that the technology deals with detecting metamaterials which is new and exciting. She stated that there are companies looking to make materials that are engineered to have certain properties. She further clarified that the main goal is to have the ability to detect chemical and biological threats with low concentration to fly on unmanned vehicles. Lumilant has come up with a synthetically engineered product to be used in military applications such as antennas, super lens because it can completely hide an object or target if properly hidden.

Dr. Sharkawy stated that there are currently three part time employees which should be able to transition into full time shortly.

Dr. Sharkawy stated that Lumilant was able to design or alter the design of the application at hand; it can change properties and details. He stated one such use of this product is as a security application.

Mrs. Mears reemphasized that Lumilant has completed Phase I of the SBIR process and Phase II is pending.

Mr. Sears asked if there was a relationship between Phase Sensitive and Lumilant. Mrs. Mears stated that each request is attached to a different SBIR proposal. Director Levin asked if the two companies had similar management. Dr. Sharkawy stated the companies did have similar management but the technology is different. Mrs. DeHaven stated that Eric Kelmelis is the CEO for both companies and for EM Photonics. It was asked if he was qualified as a full time employee for both companies; he is not. It was stated that there is an overlap in management but there is not a financial overlap.

Dr. Martin stated that Mr. Kelmelis is not working on a full time basis for Lumilant; and he is not one of the six jobs represented by Phase Sensitive. He added that the two companies share a secretary and some rooms. Mr. Sears asked if one company would be affected by one company getting a Phase II and the other company not getting a Phase II. Dr. Martin stated it would not. He also stated that each company pays rent separately.

Mr. Riddle asked about the allowable number of SBIR grants by a company and how it is considered if it has the same management teams. Mr. Biener stated that his concern is with someone manipulating the system to get more grants by creating various entities. It was stated that this was not the case in the projects presented today.

Chairman Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, that the Applicant is a "small business" within the meaning of 29 Del. C. §5035 (b)(3), that the Applicant has won a Phase I award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR award but has not yet received such award, that the Applicant's principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under applicable statutory and regulatory provisions, Mr. Biener made a motion that the Council recommend to Mr. Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program ("DTIP"), to be used for the Project, contingent upon the approval remaining in effect through and including November 25, 2013. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

**Resource International Inc. (“Resource” or the “Applicant”)** – The Applicant is requesting a performance based grant in the amount of \$61,474 and a capital expenditure grant in the amount of \$21,149 from the Delaware Strategic Fund program. The Applicant proposes to use the funds to create its headquarters facility to be located in New Castle, Delaware (the “Project”).

Mrs. Clark presented this request to the Council. She stated that Resource does its business under the Mishimoto brand name. She stated that Mr. Sullivan started his career at the age of 18 and eventually transitioned into the manufacturing aspect.

Mr. Sullivan stated that he transitioned into the manufacturing of parts seven years ago when he built a 1200 square foot office and a 5,500 distribution campus. He stated that the funds would be used for equipment and for engineers. Mr. Riddle stated that the application projects \$700,000 in capital expenditures to outfit the new space and asked if there was a long term lease involved. Mr. Sullivan stated that he has a six year term lease. Mr. Riddle asked about a tenant allowance. Mr. Sullivan stated that he had negotiated an aggressive deal. Mr. Riddle asked where the remainder of the \$400,000 was coming from. Mr. Sullivan stated that he has a good relationship with Fulton Bank. He stated the facility is actually done and is set to open on Friday.

Mr. Sears stated that it appeared from the application that China looks like the major source for sales. He asked if Mr. Sullivan had employees located in China. Mr. Sullivan stated he did; that he went there in 2005 to make those connections. There is an office there and he has hired a British engineer who speaks Chinese and runs the business. Mr. Sullivan added that there are ten employees at the China location and all are in quality control.

Mr. Sears asked if Mr. Sullivan was looking at other countries. Mr. Sullivan stated that he had looked at Mexico but that that was not easy.

Mr. Lubin asked Mr. Sullivan in regards to the new facility opening on Friday, if he had hired the new employees. Mr. Sullivan stated that he had actually had to put in a hiring freeze because they were at capacity at their current facility. He further added that they have projections for personnel to start. Mr. Lubin asked Mr. Sullivan if there were any problems with finding eligible employees. Mr. Sullivan stated that it was difficult. He stated that they are in a good position with the industry they are in, they are building a good environment and actually do not refer to it as a company but rather as a corporate campus. He added that they are relocating some of the employees from California and are beginning to work with the U of D to attract people qualified in this area. He further stated that they have found some qualified candidates in Philadelphia and that they are trying to entice them here. Mr. Lubin asked if the difficulty in finding qualified employees was because of the specific experience that Resource required. Mr. Sullivan stated that the company is looking for people who are enthusiasts and there aren't many in the market.

Chairman Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Eighty Two Thousand Six Hundred Twenty-Three Dollars (\$82,623) to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including November 25, 2013. Mrs. Vible seconded the motion, which was then adopted by unanimous vote.

**Atlantis Industries Corporation (“Atlantis” or the “Applicant”)** – The Applicant is requesting a performance based grant in the amount of \$190,000 and a capital expenditure grant in the amount of \$70,440 from the Delaware Strategic Fund program. The Applicant proposes to use the funds to modify its current custom plastic injection molding company located in Milton, Delaware (the “Project”).

Mrs. Booker presented this request to the Council. She stated that Atlantis has diversified to a point that it has outgrown its facility. It has diversified to include military, automotive, plumbing and medical applications. It now provides parts to Mohawk Electric in Milford, Delaware and ILC in Frederica, Delaware. She stated the company is requesting a \$190,000 performance grant based on thirty-six retained employees plus twenty new, full time positions to be created. Atlantis is also seeking a \$70,440 capital expenditures grant which would be used to modify its present facility.

Mr. McGarvey stated that the business was acquired in 2008. He stated they are looking to grow the company and that's one reason they brought in Dave Bunting in January 2012. He added that Mr. Bunting will make sure the plant is running efficiently.

Mr. Bunting stated that Atlantis is primarily a custom injection molding company. He clarified by saying that someone will come up with an idea and Atlantis will help them design a mold or make prototypes. He stated that they are currently working with ILC.

He stated Atlantis is very nimble. Mr. Bunting stated he has thirty plus years of experience in this area.

Mr. Lubin asked if there was sufficient capacity in the new facility. Mr. Bunting stated that there is and that the current landlord is working with Atlantis so that it can grow and become more efficient. He further stated that if Atlantis should have to move, it would be close. He stated that they have a great workforce, have been working with DEMEP and DEDO in helping find employees to fill Atlantis' specific needs. He added that they have been searching for eight to nine months for a certain process guy and they hope to interview someone within the next couple of weeks.

Mrs. Vible asked about the pay ranges. Mr. Bunting stated it was approximately \$10.00 per hour for a janitor but a process technician or machinist may make \$50,000. He stated the average hourly rate will be \$15-16 an hour.

Mr. Riddle stated that it was his understanding that the facility that Atlantis is currently leasing will not accommodate Atlantis' growth or the equipment needed to keep up with the growth. Mr. Bunting stated that that was the case and that approximately \$2.3 million will be spent by Atlantis for capital expenditures.

Mr. Sears asked if there was competition. Mr. Bunting stated that it is pretty cut throat with competitors in New Jersey and Baltimore. He further stated that however, the one thing that gives Atlantis the edge in Delaware is that the business is also very sensitive to freight costs, which are to Atlantis' advantage especially with ILC. Mr. McGarvey added that they have a very good, strong relationship with their customers.

Mr. Biener asked if Atlantis had considered incorporating in Delaware. Mr. McGarvey stated that they plan on being in Delaware.

Director Levin stated that Atlantis is a remarkable company. He stated that they do jobs for Mercedes and BMW. He stated its precision is outstanding. He stated that the business is spread over 25,000 square feet but in four different buildings. He stated that it is remarkable how Atlantis has made it work. Director Levin expressed his biggest concern of losing these manufacturing jobs in Sussex County. He told Mr. McGreevy and Mr. Bunting that DEDO will work with them and with DEMEP in getting these additional jobs.

Chairman Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least

\$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Biener made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Two Hundred Sixty Thousand Four Hundred Forty Dollars (\$260,440) to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including November 25, 2013. Mr. Riddle seconded the motion, which was then adopted by unanimous vote.

**Delaware Access Program** – Mrs. Mears updated the Council on the Policies and Procedures of the Delaware Access Program which were presented at last month's CDF meeting.

Mr. Riddle asked if there was any requirement or frequency of reporting to the Council such as twice a year, etc. He stated that he would like to see a report once or twice a year showing the portfolio. Director Levin stated that he felt that would be beneficial and he stated he would include the CDF in the report to the Legislature which gives a recap of what DEDO has done. He added that this report is distributed in July.

Mrs. Vible asked if companies came back for second loans. Mr. Bach stated he did not see any abuse of the system. Mrs. Mears stated there is a cap in place on a business. Mr. Riddle asked if DEDO had had any comments from the banks that were not using this program. Mr. Bach stated that the most response was that those particular banks didn't have the capacity to manage statewide, community wide, county wide, etc.

Mrs. Johnson asked the Council if it would like to add a requirement to the regulations/policies requiring an annual report to the Council. The Council would like annual reports.

**Executive Session:** Mr. Biener made a motion that the Council go into executive session to discuss strategy involving legal advice or opinion from an attorney-at-law, with respect to collective bargaining or pending or potential litigation, in a matter which, if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, and for which is not a public record within the meaning of Section 10002 of Title 29 of the *Delaware Code*. The motion was seconded by Mr. Sears which was then adopted by unanimous vote.

Mr. Sears made a motion that the Council go out of executive session. The motion was seconded by Mr. Biener which was then adopted by unanimous vote.

**ADJOURMENT**

The meeting adjourned at 10:30 A.M.

Respectfully submitted,

Lee Porter, Secretary

LKP

Cc: Members of the Council on Development Finance  
Director Alan Levin  
Ann Marie Johnson, Esquire

The next CDF meeting is scheduled for Monday, December 17, 2012 at 9:00 A.M. at the Smyrna Rest Area.