Members present were: Trey Paradee (teleconference), Doug Bacher, NW Financial Group (teleconference), Andrew Slater (teleconference), and Anthony DePrima. Also present were Brent Shaffer, Young Conaway Stargatt & Taylor, LLP (teleconference), and Lisa Gardner.

1. a. Wilmington Blue Rocks

Summary
The Wilmington Blue Rocks, LP., (the “Blue Rocks”) have applied to the Delaware Sustainable Energy Utility (the “DESEU”) for a $190,750 loan for the purchase and installation of LED lighting fixtures (the “Project”) to replace the original lighting fixtures installed when the Daniel S. Frawley Stadium (the “Stadium”) was constructed in 1992/1993. The Blue Rocks play in the Stadium and per the lease agreement that the Blue Rocks have with the owners of the Stadium, the Delaware Stadium Corporation, are responsible for the ongoing maintenance and capital improvements to the Stadium.

As part of the application process the Blue Rocks submitted and NW reviewed the following documents:
- DESEU Loan application
- ESCO report from Warren Energy Engineering, LLC
- Current Lease, as amended
- Letter from the Delaware Stadium Corporation granting permission for the Project
- 2015, 2014 and 2013 Blue Rocks financial balance sheets (summary)
- 2016 Federal Income Tax K-1 Form for the Blue Rocks
- The National Association of Professional Baseball League Agreement
- Letter from the Carolina League stating that the Blue Rocks are a member in good standing
- Amended and restated partnership agreement
- The By-Laws of the Blue Rocks
- The Purchase Agreement for the purchase and installation of the scoreboard
- 2017 operating budget

We also spoke on several occasions with the 2 principle owners of the Blue Rocks, Clark Minker and David Heller, regarding finance and franchise questions and overall loan security.

Project
The Project consists of the replacement of the existing field lighting at the Stadium with new LED fixtures. The replacement is needed to provide for energy savings and to provide lighting that meets newer League minimum lighting standards. The Blue Rocks have been in violation of the lighting standards for several years. The total Project cost is estimated to be $265,000 that will be financed with the proposed $190,750 DESEU loan, a cash contribution from the Blue Rocks of $60,000 and a Prescriptive Lighting Grant of $14,250. Warren Energy Engineering, LLC has estimated that annual savings from the lighting retrofit will be $12,200 and that the lighting fixtures have a 25 year life.

Loan Request and Security
In October 2016, the Finance Committee entertained a loan application for the Delaware Stadium Corporation, the owner of the Frawley Stadium. The request was for a much larger loan of $1,176,216 and for a variety of energy savings projects at the Stadium. At the time, the loan application was tabled by the Finance Committee as a result of issues raised regarding loan security that stemmed around both the size of the loan and the length
of the operating lease between the Blue Rocks and the Stadium that at the time, was much shorter than the proposed term of the loan. Options regarding other collateral solutions were discussed and brought back to the Delaware Stadium Corporation for consideration but the loan application was withdrawn before the issues were addressed.

As noted, this loan request is much smaller funding and a much smaller Project. Annual savings are also much smaller, $12,200 annually, requiring a longer term for repayment.

The additional collateral being offered by the Blue Rocks beyond the typical lien on the lighting fixtures being installed is a lien on the existing scoreboard at the stadium. The scoreboard was purchased for approximately $250,000 through a loan which has since been paid off. NW cannot provide an estimated value of the scoreboard or the marketability of the scoreboard if in fact there is a default on the loan.

The lease between the Blue Rocks and the Stadium expires in December 2021. The lease agreement includes the option for 3, 2 year extensions beyond the December 2021 expiration date. So, if executed, it is possible for the lease term to go out to December 2027. Finally, the lease agreement includes liquidating damages to the Stadium of $1,000,000 for each year that the lease agreement is not honored by the Blue Rocks if in fact the Blue Rocks vacate the facility. In turn, the Blue Rocks are entitled to the same liquidating damages if the Stadium does not honor its obligations regarding the term of agreement. This loan, although smaller, has the same security issue as the previous loan request in 2016 in that the term of the lease is shorter than the proposed term of the loan.

Regarding the franchise, we were informed by the owners of the team that they are in “talks” to sell the franchise. If sold, the outstanding debt to DESEU as well as other financial liabilities would travel to the new owner(s). The current owners are estimating that the franchise is worth approximately $16m-$17m. The owners also stated that all franchise debt must be reported to Minor League Baseball annually and that the franchise can be taken from the owners if debt is not paid. The owner further stated that the league is responsible for outstanding franchise debt if a franchise claims bankruptcy. Although not verified, the letter received from the Carolina League did indicate that the Blue Rocks franchise was in “good standing” with the League.

A considerable amount of time was spent talking with the principle owners of the Blue Rocks regarding loan security, franchise value and league intervention in the case there is a franchise team unable to meet its financial obligations. As noted, the owners claim that the Blue Rocks franchise is valued between $16m-$17m. We were informed that although there is not a Minor League guaranty of debt for its franchise members, the League has a history of intervening if in fact a franchise cannot meet its financial obligations. This is apparently a rare event. That said, it was reported that the Minor League will “take over” the team and operate, manage, and or sell the franchise. The Minor League also requires that all franchises report outstanding debt and the status of that debt each October to the Minor League. Policy is that debt cannot be greater than 40% of the franchise value. The Blue Rocks have no outstanding debt.

A review of the financial information provided, reflects that the Blue Rocks are a profitable franchise. The 2018 budget projects income of approximately $3.76m and expenses of $3.37m with net income being projected at $258,000. Net income in 2014 and 2015 showed net income of $139,000 and $315,000 respectively. The income tax returns provided for 2016 did not provide much useable information. As noted, the Blue Rocks have no outstanding debt.

**Conclusion**

Although the loan request is much smaller, this loan has the same security issue as the loan request in 2016. The term of the lease does not go out as long as the term of the loan. However, the franchise has value and the League does provide some additional security. It was suggested to the owner of the Blue Rocks that the size of
the loan be reduced and the term be shortened to reduce this concern. The owner agreed to reduce the loan amount to a level that the savings could support the loan payment on an annual basis over 15 years.

In the past, non-profit organizations have been given a below market interest rate of 2%. Because the end user, the Delaware Stadium Corporation, is a non-profit, a 2% loan can be justified here. Assuming $12,200 annual savings as projected by Warren Energy Engineering, LLC, a $143,000 loan at 2% interest, with a 15 year term supports the 1.1 to 1 annual savings to loan ratio. If the loan is approved by the Finance Committee, the DESEU should get a lien on the equipment and scoreboard as offered by the owners. The scoreboard was purchased for approximately $250,000.

**After much discussion, Mr. Slater moved to approve the loan request in the amount of $143,000 at 2%, with a 15 year term. The motion was seconded by Mr. DePrima and unanimously carried.**

1. b. Parry Farm (Revised)

**Summary**
At its last meeting on February 23, the Finance Committee entertained and awarded a $318,800 loan to the Farm. As discussed at that time, we learned just prior to the meeting that there was a mix-up in that it was not understood that the Farm had applied for two loans under two separate Parry Farm LLCs. Thinking it advantageous to the Farm, we moved forward with the approval of one of the two loans. All that said, it is important to the Farm that as we consider the second loan, and that the two loans be combined and considered as one loan. I’ve taken the liberty to amend the initial loan report submitted and reviewed at the meeting on February 23 to reflect a single loan for the proposed project.

The Farm is an 82 acre chicken farm located in Hartly, Delaware. It is owned by Dennis and Katharine Parry. They have made application to the DESEU for a $573,840 loan for purposes of purchasing and installing a ground mount solar array (the “Project”) to provide the electric energy needs for the Farm. As noted, the Farm is organized as 2 LLCs, Parry Farm, LLC and Parry Poultry, LLC. As the loan was made as part of the DESEU’s Farm Program and it is eligible, in part, for a 2% loan.

NW Financial reviewed the following documents in connection with this application: the tax returns of the Farm for the years 2015 and 2016 for both LLCs noted above (no personal tax returns were reviewed); the Energy Audit and Report as provided by Paradise Energy Solutions; credit report provided by Credco, documents regarding the Farm being organized as two LLCs., and the amended loan application showing one project and single loan request. We also spoke with the owner of the Farm. The DESEU staff has received the outstanding mortgage and loan information. Katharine Parry works outside the farm and Dennis Parry works the Farm as full time employment.

**Project**
As noted, the Farm is a poultry farm located in Hartly, Delaware. The Farm was purchased in 2015. From 2015 to 2017 the owners constructed 6 chicken poultry houses and farm house that was completed in 2017. The poultry houses can house approximately 35,000 chickens each. Since April 2017, the Farm has delivered 4 flocks of about 180,000 chickens to Coleman Natural and are about to deliver its 5th. As discussed in previous poultry farm loan reports, at the time of delivery, the flocks delivered are ranked against other flocks (growers) that are delivered. The Farm has never been ranked at the bottom and have been ranked as high as 2nd with their previous deliveries. Coleman Natural is an organic chicken company owned by Purdue Chicken. As one can deduce, Parry Farm grows organic chickens. The owners of the Farm have signed a certification stating that the Farm is in good standing with the integrator and is meeting all contractual obligations.

One of the Farm’s LLCs owns the land and each of the two LLCs owns 3 of the poultry houses. The owners explained that splitting the ownership under two separate LLCs is a common practice among poultry farmers with multiple houses. Multiple LLCs allows for easier accounting since chickens are delivered to the processing
company in groups, in this case in groups of 3 houses each that are on a slightly different schedule. Each LLC receives half of the annual income produced. It is anticipated that the Farm will provide approximately 180,000 chickens for each 10.5 week cycle in 2018 and in the years moving forward.

The Project includes the purchase and construction of a 274.56 kW ground mount solar array that is designed to generate the Farm’s electrical usage to the Farm’s chicken houses and residence. Total cost of the Project is estimated to be $637,600.

Loan Security
As noted above, the total Project costs are estimated to be $637,600. There is a cash contribution of $63,760 from the owners of the Farm leaving a loan amount of $573,840. The loan was made pursuant to the DESEU’s Farm Program making it eligible for a loan at 2% for a portion of the loan. Annual energy savings are estimated to be $41,398, escalating over time considering cost of energy escalators assumed by Paradise Energy Solutions.

As noted in previous farm loan reports regarding applications where only tax returns are available for financial disclosure, the information that can be ascertained from the tax returns is limited. And as noted, only the tax returns for the LLCs making application for the loan were reviewed for the years 2015 and 2016. A review of the tax returns shows that although income and expenses are limited for the 2 years reported, the owners do pay Federal income taxes on income earned operating the Farm and that income and expenses are reflected on both LLC tax returns. It further reflects Farm asset values of over $1.8m.

The Farm provided information regarding outstanding debt. Outstanding loans include: a $3.2m mortgage with Live Oak Bank that is made with the 2 LLCs identified earlier. Both LLCs are responsible for the repayment of the loan and the loan does carry personal guaranties of Katharine and Dennis Parry. The owners of the Farm have offered personal guarantees for the DESEU loan. The Credit report notes that the Parry's also utilize credit cards and shows no notable credit deficiencies.

As with other farm solar array projects reviewed, this Project is a monetary windfall to the owners of the Farm. Besides the energy savings generated by the solar array estimated to be $1,545,291 over the estimated useful life of the Project (30 years), the Project generates other revenues and monetary benefits to the owners. They include SREC revenues, Federal Tax Credit, and depreciation. The Farm has also applied for a USDA REAP Grant that is not guaranteed and as of the day of this report has not been approved.

The cash flow analysis provided by Paradise Energy Solutions identifies the additional monetary benefits over and above the energy savings are estimated to total $631,653. This does not include the REAP Grant that, if approved, will provide another $159,400 to the Farm for reimbursement of Project expenses. The additional revenue is broken up as follows: (1) $191,280 Federal tax credit (received upon startup of the Project in year 1); (2) depreciation, estimated to be $198,899 (realized over the first 6 years of the Project) and (3) the SREC revenues that are projected be $231,474 (realized over 20 years). This additional revenue is available to the owners of the Farm for repayment of the loan. For purposes of the cash flow analysis, Paradise Energy Solutions has assumed a 2% loan for a 20-year term, a 2% annual inflation rate on the cost of electricity and a .5% annual solar module degradation rate on the solar panel energy production.

Conclusion
For purposes of providing a single interest rate on the combined loan, a blended interest rate of 2.5% (i.e. 50% of the loan at 3% and 50% of the loan at 2%) was used. Allowing for a 1.1 to 1 annual savings to annual loan payments the proposed $573,840 loan can be repaid over a 17 year term. The Project generates additional income to the Farm that will be available for the repayment of the loan. The owners of the Farm have also indicated that they are willing to provide a personal guaranty for the loan repayment. And, as with all DESEU loans, the DESEU should be given a lien on the solar array equipment that is purchased and constructed.
Mr. Slater moved to blend this loan request with the one previously approved on February 23, 2018 in the amount of $573,840 at 2.5% with a 17 year term. The motion was seconded by Mr. DePrima and unanimously carried.

1.c. Ursuline Academy of Wilmington, Delaware Inc.

Summary
The Academy has made application to the DESEU for a $300,000 loan for purposes of funding energy efficient measures in connection with the renovation of its facilities on its campus in Wilmington, Delaware. The Project is in connection with a $12,400,000 campus facilities renovation on one of its campus buildings changing the facility use from residential to educational.

On behalf of the DESEU, NW Financial reviewed the loan application, the credit report submitted from Equifax, the Life Cycle Cost Analysis provided by Furlow Associates, Inc., the Reinstated Certificate of Incorporation dated July 15, 1993, and the Academy's financial statements for the years ending June 30, 2015, 2016, and 2017.

Project
The Academy is a non-profit, pre-K to 12th grade, Catholic Girls School with a 120 year history of providing educational services to the Wilmington, DE area. It's a five building campus that houses pre-K, lower, middle and high school classrooms, as well as a chapel and administrative offices. The Academy also owns a track and field about 15 minutes from the main campus. The Academy is currently renovating a residential facility (a convent used to house church staff) to a new student life center, administrative offices and chapel. The total renovation costs are approximately $12.4m. Of the total costs, approximately $2,755,000 is being spent on eligible energy projects (i.e. HVAC, lighting, etc.).

Furlow Associates Inc., performed a Life Cycle Cost Analysis on certain energy savings projects included in the renovation. The analysis indicated that the savings to be achieved through the installation of certain energy efficient projects would save the Academy approximately $19,680 annually. This projected annual savings from these projects was then was used to calculate (back into) the amount that would be eligible for a DESEU loan. The amount calculated by the Academy was $300,000 (i.e. the amount of a loan eligible at 2% over 20 years payable from annual savings times the 1.1 savings to annual debt ratio). No direct comparison of old versus new energy costs was obtainable since the building's use is being changed from residential to educational as a result of this renovation project. You'll note that we calculated a slightly smaller loan amount based on the savings number presented. It should also be noted that for purposes of calculating a loan total, NW and Furlow Associates utilized the annual savings number as certified by Furlow Associates. Although not inaccurate, it represents the annual average savings over the 20 year period not the actual savings as the actual savings decrease over time.

In summary, the loan request is for a $300,000 over a 20 year term at 2%. As noted, the total Project costs are approximately $12.4m. The balance of the Project costs will come from capital fund raising most of which has been raised to date.

Loan Security
The Academy has been providing educational services to the Wilmington area for almost 125 years. They currently have a 404 pupil enrollment and educate grades pre-K to 12th grade. They have successfully raised capital moneys ($12,500,000) to renovate an existing building. They have an existing mortgage of $2.2m with Applied Bank and are in the process of refinancing that mortgage with M&T Bank as M&T Bank is in a better position to provide other services to the Academy.

The financial information reviewed indicates that the Academy has a strong financial position. The financial statements for each of the years reviewed show considerable assets and investments, in both restricted and
unrestricted funds. The unrestricted assets, approximately $4.5m in each year reviewed, are available for any liabilities of the Academy including debt service. The restricted assets are considerably greater and are set aside for scholarship and tuition assistance or other designated use but can be made available with the permission of the donor. Total assets are reported at approximately $22m. The Academy's financials also identify annual year end cash on hand to be greater than $500,000. The annual budget is approximately $8m and is funded mostly from tuition with the balance funded through available cash on hand, restricted and unrestricted assets and endowments.

A review of the credit report does not identify any notable credit issues with the Academy.

**Conclusion**

Based on the review of the information, NW has no reason to believe that the Academy will have any difficulty in retiring the proposed loan. The Academy is a non-profit. As with other non-profit loans made through the DESEU, the loan is eligible for 2% interest rate. Based on the annual savings as certified by Furlow Associates, NW has calculated that the annual savings when averaged across the 20 year term can support a loan of $300,000 while providing for a coverage ratio that is just under the 1.1 to 1 savings to debt payment ratio. And as with all loans, the DESEU should have a lien on the equipment being installed.

**Mr. Slater moved to approve the loan request in the amount of $300,000 at 2%, with a 20 year term. The motion was seconded by Mr. DePrima and unanimously carried.**

1.d. Woodward Farm

**Summary**

The Woodward Farm (the “Farm”) is located in Harrington, Delaware. It is owned by Terry and Diana Woodward. The Farm is not organized as an LLC or corporation. They have made application to the DESEU for a $191,100 loan for purposes of purchasing and installing a ground mount solar array (the “Project”) to provide the electric energy needs for the Farm. As the loan was made as part of the DESEU’s Farm Program and the applicants are eligible for a loan at 2%. The applicants have requested a 20 year loan.

NW Financial reviewed the following documents in connection with this application: the personal tax returns of the owners of the Farm for the years 2014, 2015 and 2016; the Energy Audit as provided by Sunrise Solar; credit report provided by Credco, and the DESEU loan application and questionnaire. We also spoke with the owner of the Farm.

**Project**

The Project includes the purchase and construction of a 133.1 kW ground mount solar array that is designed to generate the Farm’s electrical usage to the Farm’s chicken houses and residence. Total cost of the Project is estimated to be $318,500. The system will provide annual savings of approximately $12,800.

**Loan Request and Security**

As noted, the Farm is a 16 acre poultry farm located in Harrington, Delaware. The Farm is privately owned by Mr. and Mrs. Woodward and has 4 chicken houses and a residence. The Woodward’s have raised chicks since 2004 and prior to 2004 raised hens. They raise approximately 4 flocks annually with 70,000-73,000 chicks per flock. Neither Mr. nor Mrs. Woodward work outside the Farm. Mr. Woodward is disabled. The Woodward’s did sign a certification that they are in compliance with all of the requirements of the poultry integrator and that the contract is current.

The Project has a total cost of $318,500. There is a significant cash contribution from the owners of the farm (i.e. $127,400) leaving the amount to be loaned at $191,100. They have requested a 20 year maturity and are eligible for a loan at 2% through the DESEU Farm Program.
As noted in previous farm loan reports regarding applications where only tax returns are available for financial disclosure, the information that can be ascertained from the tax returns is very limited. As the Farm is not a LLC, only personal returns were submitted. That said, it can be determined that the Woodward’s are making an income and paying Federal income taxes on the Farm.

There was nothing substantial noted in the credit report submitted. The Woodward’s do have mortgages out on the Farm totaling approximately $400,000. The DESEU questionnaire noted that there are no FSA loans outstanding. According to the owners, the Farm is appraised at $975,000. I have not reviewed an appraisal report.

As noted above, the total Project costs are estimated to be $318,500. Energy savings over the next 25 years are estimated to be $407,626. Other savings available to the owners over the useful life of the Project as reported by Sunrise Solar total $214,575 include:

- Projected SREC income over 20 years: $62,318
- Depreciation: $56,707
- Fed Tax Credit: $95,550

**Conclusion**

Per the guidelines of the Farm Program, the Farm is eligible for a loan at 2%. With a savings to debt ratio of 1.1-1 the annual savings supports a 17 year term. The Project generates additional income to the Farm that will be available for the repayment of the loan. The owners of the Farm are signing personally for the loan and therefore the loan carries the security of a personal guaranty. And as with all DESEU loans, the DESEU should be given a lien on the solar array equipment that is purchased and constructed.

Mr. Slater moved to approve the loan request in the amount of $191,000 at 2%, with a 17 year term. The motion was seconded by Mr. DePrima and unanimously carried.

Meeting Adjourned at 9:45 AM