

Delaware Sustainable Energy Utility
Loan Committee
DESEU Office - 500 W. Loockerman Street, Suite 400, Dover, DE 19904
September 26, 2018, 5:30 PM

Members present were: Kristopher Knight (teleconference), Senator Harris McDowell, Trey Paradee, Andrew Slater, Heather Litzebauer, NW Financial Group, and Anthony DePrima. Also present was Brent Shaffer.

1.b. The Magnolia Manor Farm – Tabled on September 19, 2018 – This loan application was tabled during the September 19th Loan Committee meeting, pending receipt of an appraisal on the property.

As a reminder, The Magnolia Manor Farm (the “Farm”) has made application to the DESEU for a \$504,900 loan for purposes of purchasing and constructing a 277.2 kW ground mount solar array (the “Project”). The Project will provide electricity to the farm buildings. The Farm is owned by William and Mary Skotta and is located at 21090 Persimmon Tree Lane, Georgetown, DE. The property is comprised of 2 farms and includes 10 poultry houses and fields that are used to raise beef cattle and to grow corn and soybeans.

The appraisal report was provided to all member of the Loan Committee prior to the meeting. The report was prepared by Newmark Knight Frank and contained the following analysis:

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, the opinion of value for the subject is concluded as follows:

Value Conclusion

<i>Appraisal Premise</i>	<i>Interest Appraised</i>	<i>Date of Value</i>	<i>Value Conclusion</i>
<i>Market Value As Is</i>	<i>Fee Simple</i>	<i>October 13, 2017</i>	<i>\$2,100,000</i>
<i>Including \$420,000 allocated to the Fixtures & Equipment Associated with the Poultry Houses</i>			

Extraordinary Assumptions and Hypothetical Conditions

1. Assessment records show the site to be roughly 80 acres. The owner indicated, however, that this was over-stated and that the actual acreage is closer to 60. We confirmed this figure as a reasonable estimate using soil maps and scaled aeriels coupled with tax maps. Should a survey be completed, and result in a variance in site size, the value conclusion could be impacted.

2. An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. It is noted that the subject is used for agricultural purposes. Therefore, it is possible that potentially hazardous materials are routinely used on the site. These could include chemicals, fuels, lubricants, herbicides, pesticides and fertilizers. Manure disposal can also be a concern for poultry operations. No hazardous substances were observed during our inspection; however, were not qualified to detect such substances. We note that at the time of inspection, there were above ground propane tanks and fuel tanks observed on the site. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject property.

3. Financials provided by the property owner included additional income from a poultry operation not included in our valuation. We assume, based on allocation of the square footage of the poultry houses alone, that the subject farm produces 67.3% of the income included in the financials provided by the property owner.

Per the guidelines of the Farm Program, the Magnolia Manor Farm is eligible for a loan of 2% for up to \$400,000. However, in recent instances where the loan request has been greater than the \$400,000 allowable under the program, an interest rate of 2.5% was used, assuming a blended interest rate with an interest rate higher for the balance of the loan request. He recommended a 20 year term. The owners of

the Farm indicated that they are willing to provide a personal guaranty for the loan repayment and are willing to have a lien on the Project equipment.

Based on the above appraisal report, Mr. Slater moved to approve the loan request (including all noted terms and conditions) in the amount of \$504,900 with a 20 year term at 2.5% interest. The motion was seconded by Mr. Paradee and unanimously carried.

Meeting Adjourned at 5:45PM