

## BRC Financial Summary

Available Funds Summary	
	BRC
Net Appropriations	\$ 374,849,305
Awards Adjusted by Deobligations	\$ (356,971,523)
BRC Loan Principal and Interest Payments Received to Date	\$ 3,041,812
BRC State Revenue Recapture Received to Date	\$ 15,434
<b>Total Available Funds</b>	<b>\$ 25,635,028</b>

## Allocation Plan—FY17 recap

FY17 planned allocation:

BRC Project Types	Priorities	% of Allocation	Annual Allocation
Business Committed and Managed Data Center Cost Reduction	High	45%	\$ 7,926,313
Community Readiness	Medium	39%	\$ 6,869,471
Community Enhancement	Low	15%	\$ 2,642,104
Planning	Low	1%	\$ 176,140
<b>Totals</b>		<b>100%</b>	<b>\$17,614,028</b>

FY17 actual allocation:

BRC Project Types	Priorities	% of Allocation	Funds Awarded
Business Committed and Managed Data Center Cost Reduction	High	21%	\$ 3,748,360
Community Readiness	Medium	39%	\$ 7,952,104
Community Enhancement	Low	15%	\$ 1,660,526
Planning	Low	1%	\$ 88,035
<b>Totals</b>		<b>76%</b>	<b>\$13,449,025</b>

A total of \$4,165,003 (24%) was not used in FY17 and will roll forward to be used in FY18.

There are two options for the board to consider in reallocating the unencumbered \$4.1M. First, the Board can reallocate the funds across all categories using the percentages used at the beginning of FY17 (See schedule A). Staff recommends a second approach which is to carry forward the funds in the same categories from which they came (See schedule B). Staff believes this better preserves funding in higher-priority categories.

## WBC Deliberation

The WBC Board considered the disbursement of funds for FY18. Schedule B as provided in the board materials was approved unanimously.

Schedule A

BRC Project Types	Priorities	% of Allocation	Annual Allocation	Base Quarterly Allocation
Business Committed and Managed Data Center Cost Reduction	High	45%	\$ 11,535,763	\$ 2,883,941
Community Readiness	Medium	39%	\$ 9,997,661	\$ 2,499,415
Community Enhancement	Low	15%	\$ 3,845,254	\$ 961,314
Planning	Low	1%	\$ 256,350	\$ 64,088
<b>Totals</b>		<b>100%</b>	<b>\$ 25,635,028</b>	<b>\$ 6,408,757</b>

SCHEDULE B

BRC Project Types	Priorities	% of Allocation	Annual Allocation	Base Quarterly Allocation
Business Committed and Managed Data Center Cost Reduction	High	53%	\$ 13,609,146	\$ 3,402,287
Community Readiness	Medium	34%	\$ 8,590,678	\$ 2,147,670
Community Enhancement	Low	12%	\$ 3,220,504	\$ 805,126
Planning	Low	1%	\$ 214,700	\$ 53,675
<b>Totals</b>		<b>100%</b>	<b>\$ 25,635,028</b>	<b>\$ 6,408,757</b>

## BRC Application and Program Summary

Awards are contingent on the satisfactory execution and administration of previous grants or loans by an applicant. Other contingencies, if any, are defined in the project descriptions. The office of the Attorney General conducts a review of applications that are Business Committed, that have a loan component or any extenuating circumstances.

BRC Applications Received June 1, 2017						
Applicant	Project	Type	Request	Available BRC Funding per Allocation Plan B	WBC Recommendation	Carry Forward to Next Quarter
Sheridan Economic & Educational Development JPB (SEEDA)	Vacutech Expansion	Business Committed Grant	\$ 2,999,496	\$ 3,402,287	\$ 2,999,496	\$ -
		Loan	\$ 1,225,000	\$ 2,147,670	\$ 1,225,000	\$ 1,325,461
Guernsey, Town of	Community Development Plan	Planning	\$ 37,500	\$ 805,126	\$ 37,500	\$ 805,126
				\$ 53,675		\$ 16,175
<b>Total Requests</b>			<b>\$ 4,261,996</b>	<b>\$ 6,408,758</b>	<b>\$ 4,261,996</b>	<b>\$ 2,146,762</b>
<b>Total Balance of BRC Available Funds Remaining FY18 if Awarded</b>					<b>\$</b>	<b>21,373,032</b>



## SHERIDAN ECONOMIC AND EDUCATIONAL AUTHORITY (SEEDA)

**\$2,999,496 BRC Business Committed Grant Request**

**\$1,225,000 BRC Business Committed Loan Request**

**Sheridan Hi-Tech Park Manufacturing Facility (Vacutech Expansion)**

*WBC Recommendation: Fund as requested*

**Business Ready  
Community Grant  
and Loan Program**

### Project Description

The Sheridan Economic and Educational Development Authority Joint Powers Board (SEEDA) requests a \$2,999,496 Business Ready Community (BRC), Business Committed grant and a \$1,225,000 BRC loan for the construction of a 40,000 square-foot manufacturing facility to enable the expansion of Vacuum Technologies, LLC dba Vacutech, LLC ("Vacutech"). The new facility will be constructed on a 4-acre lot in the Sheridan Hi-Tech Business Park adjacent to Vacutech's current manufacturing facility. Vacutech owns the 4-acre lot and will donate it to SEEDA. Vacutech will also donate 1.87-acres of the property on which their current facility is located and construct a parking lot to access both facilities. SEEDA will lease the completed facility to Vacutech with an option to purchase after five years.

The city of Sheridan developed the Sheridan Hi-Tech Business Park Conceptual Plan funded through a \$25,000 Community Development Block Grant in 2009. In 2010 the city received a \$2,589,913 BRC Community Readiness grant for water and sewer extensions, roads and fiber to create business-ready lots in the Hi-Tech Business Park.

### The Business

Vacutech designs, engineers and manufactures custom-designed central vacuum systems for car wash systems, mobile vacuums and industrial and commercial applications.

Brothers Tom and John Tucker built Vacutech based on their commitment to manufacturing the highest performance vacuum systems combined with

unparalleled customer care and after-sale support, according to the company's Facebook page. Their experience in the industry began with their work as teenagers in their father's central vacuum business - itself a pioneer in the industry.

Tom and John continued their work in the vacuum industry after leaving the family business. They created and ran several successful businesses before jointly starting Vacutech in 1997.

In 2012, the city of Sheridan recruited Vacutech from Centennial, Colorado. That same year, Vacutech constructed a 40,804 square-foot manufacturing facility on a 5-acre lot in the Sheridan Hi-Tech Park.

Vacutech has grown from 20 employees in 2012 to over 130 to date and has outgrown its current facility. Vacutech leases four additional facilities across Sheridan as a stop-gap measure. Combined, these annex facilities provide 75% more available floor



space, and while this has accommodated the growth in production requirements, there are significant inefficiencies and unnecessary costs with relying on multiple locations.

The company is growing in its core industry with car wash consolidation and business drawings. In 2016, Vacutech purchased a 4-acre commercial lot next to its current facility for the development of an additional facility. Vacutech is concentrating approximately \$400,000 annually in working capital to the purchase of additional manufacturing equipment and hiring new employees. This project is needed to accelerate Vacutech’s business expansion in Sheridan. Without this public-private partnership, Vacutech will be required to devote its working capital toward construction of the new manufacturing facility or to continue operating inefficiently from five different locations. There are no other facilities in Sheridan that meet the company’s expansion needs. This project will allow Vacutech to improve efficiency by relocating its distributed manufacturing into one centralized location.

Vacutech has been working with clients on projects in new-growth areas. For example, a wind component manufacturer needed to find a solution to cutting down on expensive replacement costs for specialized drill bits used in the manufacturing of windmill components. Vacutech created a vacuum system that removes the fine dust particles from the bits while drilling, which increased productivity by increasing the lifespan of drill bits and reducing costs. Vacutech also worked with Boeing on an extraction system for its 777-jet engine project.

## Project Goals and Benefits

Vacutech projects creating up to 76 new jobs within five years. Entry-level jobs start at \$15 per hour with technical positions paying \$24 to \$28 per hour. The company also provides benefits including medical, dental, vision and life insurance; vacation, and a 401(k) with a company match up to 4%.

Many employees will be hired locally through relationships established between Vacutech and area colleges assisting in workforce recruitment through computer aided design, welding technology and machine tooling technology programs. Thirty-nine employees, or 27.5% of Vacutech’s current workforce, are Sheridan College alumni - 17 of which were employed directly after graduating from Sheridan

College, and 22 of which are alumni who worked in different jobs upon graduation before joining Vacutech.

Vacutech provides welding internships for students in the Welding Technology program at Sheridan College and has hired four of those eight students as full-time employees. This project will provide job opportunities for local students trained in technical fields.

It will also inject new payroll into the community along with increased tax revenue. This project will also generate revenue from the lease and expected sale of the facility to Vacutech. SEEDA will collect an estimated \$442,681 in net revenue during the first five years in lease payments from Vacutech. Revenue will be recaptured by SEEDA and devoted to economic development efforts in Sheridan, as described in the Lease and Revenue Recapture section below.

## Timeline

The applicant estimates the project will be completed by June 2019.

Sources	
BRC Grant amount	\$2,999,496
Cash Match (BRC Loan)	\$1,225,000
Cash Match (land value/parking lot construction)	\$786,394
<b>Total eligible project cost</b>	<b>\$5,010,890</b>
BRC % of total eligible project costs	60%
Local % of total eligible project costs	40%
Percentage BRC of all cash	71%
Uses	
<b>Land Acquisition Costs</b>	
Land value	\$511,394
<b>Non-Construction Costs</b>	
Architectural and Engineering fees	\$215,400
Other fees (surveys, tests, etc.)	\$13,700
Project inspection fees	\$25,500
<b>Construction Costs</b>	
Site work	\$792,000
<i>Building Components:</i>	
Electrical Systems	\$356,400
Mechanical, plumbing, HVAC systems	\$432,900
Landscaping	\$125,000
Foundation and/or Structural Framing system	\$1,632,900
Interior Finishes	\$164,100
Fire Protection	\$102,000
Other (building envelope, insulation & skin)	\$306,300
Contingencies (8%)	\$333,296
<b>Total Uses</b>	<b>\$5,010,890</b>

## Funding

Total project cost is \$5,010,890, of which \$2,999,496 represents the BRC Business Committed grant. The grant is matched by the \$1,225,000 BRC loan, value of land donated by Vacutech to SEEDA totaling \$511,394 (established by a broker's opinion), and \$275,000 by Vacutech for parking lot construction. Cost per square foot is \$112.49.

## Loan Terms

Total Project: \$5,010,890

Total Loan: \$1,225,000

Total Grant: \$2,999,496

Collateral: Building to be constructed.

Repayment: The loan will be repaid from lease payments from Vacutech to SEEDA. The loan will be amortized over a 30-year term and SEEDA will make annual payments to the WBC.

Term: 30 years

Interest Rate: 3.5%

Fees: \$3,750 loan servicing fee (\$125 per year for a term of 30 years)

Other Fees: Loan documentation, appraisal, filing fees, etc. are the responsibility of SEEDA and Vacutech.

SEEDA will repay the BRC Program \$1,422,087 in principal and interest.

SEEDA will have a mortgage on the facility. The WBC will take an assignment of that mortgage and lease payments.

## Lease and Revenue Recapture

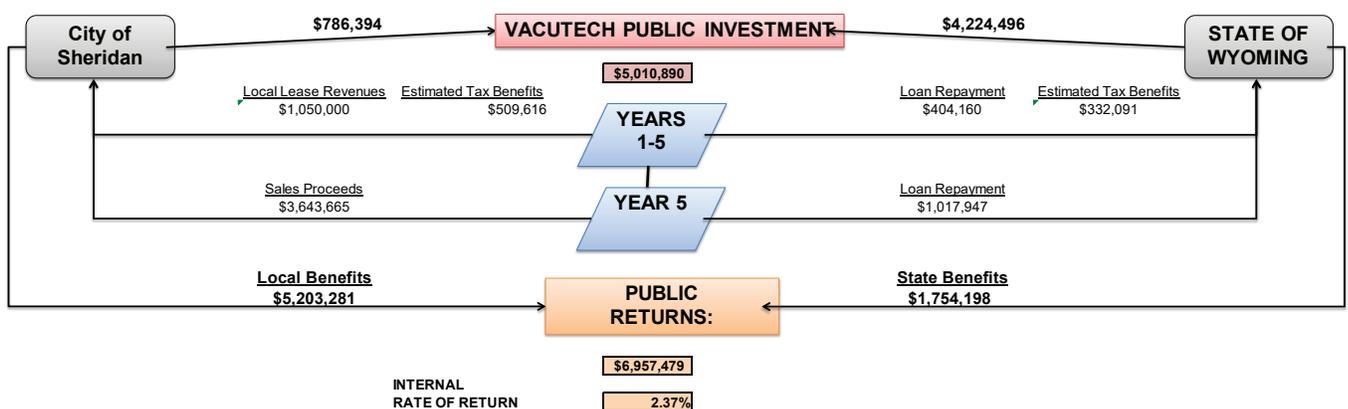
Vacutech will deed the 5.87-acre properties to

SEEDA. The property and building will be owned by SEEDA and leased to Vacutech once construction is complete. Vacutech will enter into a 10-year lease with SEEDA for the building for \$17,500 per month (\$5.25 per square foot) for the first five years with the option to purchase the facility at the end of year five for \$3,643,665, which reflects a rebate to Vacutech for its lease payments made and donated property value. If Vacutech chooses not to purchase the facility at that time, lease payments will be set at \$5.80 per square foot and appreciate 2% per each year thereafter for the next four years of the lease. Vacutech will have the option to purchase the property during that time but will not be rebated for lease payments received - only for the donated land value. Lease payments will be used to make the BRC loan payment.

Proceeds from lease payments after loan payments are made will be set aside by SEEDA for insurance on the building (\$417 per month/\$5,000 annually). \$3,000 per month of lease payments will be deposited into a long-term maintenance fund (\$36,000 per year).

After the loan has been paid, proceeds from the sale of the building will be handled as follows:

- 25% will be set aside for SEEDA initiatives for the purposes of economic and educational development of the Sheridan community.
- 25% will be committed toward further development and maintenance of project-ready property in the Hi-Tech Business Park and other locations identified by the SEEDA Board.
- 50% will be held in reserve for business recruitment and retention efforts identified by SEEDA Board.



## Attorney General Opinion

Pending.

## WBC Deliberation

The WBC heard from Roger Miller, Mayor of Sheridan, and John Tucker of Vacutech. Mr. Tucker indicated he chose to move to Wyoming because of the favorable business climate and Wyoming's government. The company is expanding nationally and internationally.

Members of the board commented this project is a good example of diversifying Wyoming's economy and that the company makes an excellent product.

It was moved and seconded to recommend a \$2,999,496 grant and a \$1,225,000 loan to the Sheridan Economic and Educational Authority for the expansion of Vacutech. Mr. Sullivan recused himself as a former customer of the company. The recommendation was unanimously approved.

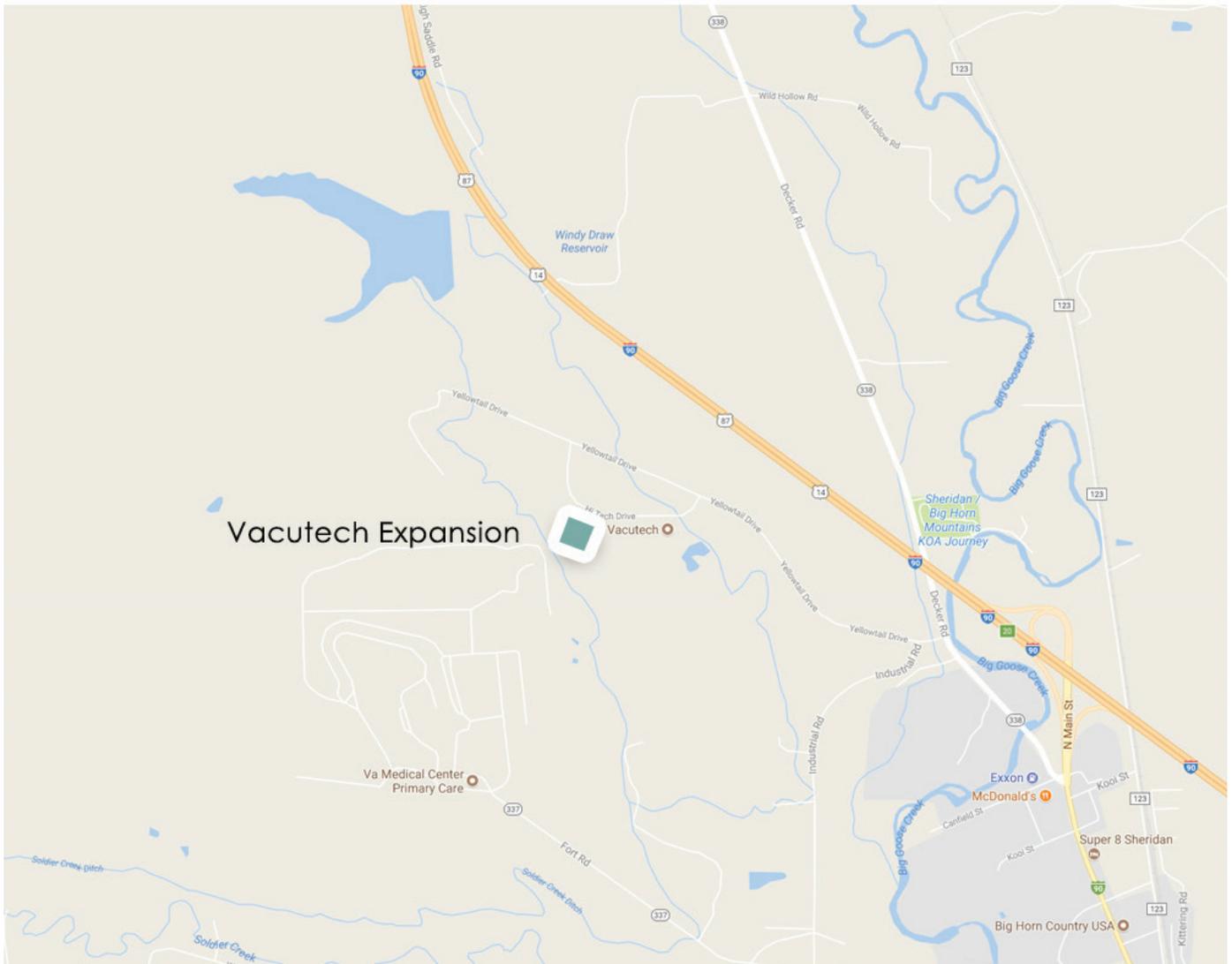
## WBC Recommendation

WBC recommends funding the \$2,999,496 BRC Business Committed grant and a \$1,225,000 BRC loan, as requested.

## Project Overview

Sheridan Hi-Tech Park Manufacturing Facility				
<b>Purpose</b>	The Sheridan Economic and Educational Development Authority (SEEDA) requests a \$2,999,496 Business Ready Community (BRC), Business Committed grant and a \$1,225,000 BRC loan for the construction of a 40,000 square-foot manufacturing facility to enable the expansion of Vacuum Technologies, LLC dba Vacutech, LLC ("Vacutech").			
<b>Project Budget</b>	<b>Projected Grant Expenditure Schedule</b>			
	<b>Description</b>	<b>BRC</b>	<b>Match</b>	<b>Total</b>
			Cash (Loan/Land/Pkg Lot Const)	
	Land	\$ -	\$ 511,394	\$ 511,394
	Non-Construction Costs	\$ 180,772	\$ 73,828	\$ 254,600
	Construction Costs	\$ 2,818,724	\$ 1,426,172	\$ 4,244,896
	Total Project Cost	\$ 2,999,496	\$ 2,011,394	\$ 5,010,890
	<b>Percentage BRC of all cash:</b>		<b>71%</b>	
<b>Performance Measures</b>	<b>Measure</b>		<b>Quantity</b>	
	Businesses Assisted		1	
	Return on Investment		2.37%	
	Capital Expenditures		\$2,000,000	\$400,000 per year for 5 years
	Loan Repayment		\$ 1,422,107	30 year loan term, 3.5% interest
	Revenue Recapture		\$ 4,289,505	revenues recaptured through lease payments and sale proceeds of building
	County Median Wage		\$ 22.20	
	Median Wage of Jobs Created		\$ 22.50	
	Jobs to be Created (5 Year Projection)		76	
Jobs to be Retained		140		
<b>Project Infrastructure</b>	Acres Developed		5.87	
	New Building Construction		40,000 sq ft	

# SHERIDAN, WY





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## TOWN OF GUERNSEY

### **\$37,500 BRC Community Development Planning Grant Request**

#### **Business Ready Community Grant and Loan Program**

*WBC Recommendation: Fund as requested*

### Project Description

The town of Guernsey requests a \$37,500 Business Ready Community (BRC) Planning grant to conduct a study that identifies projects to help the town grow and diversify its economy. Guernsey has a list of accomplishments that directly relate to past Community Development Block Grant and Business Ready Community planning grants totaling \$227,792.

1. The 2007 Community Development Plan identified the need to improve the Guernsey Industrial Park. With that came Bunning Transport, a pipe storage yard, which expanded its operation four times to meet the company's needs. Seventeen of the 28 lots in the industrial park were sold.
2. The 2007 Community Development Plan also called for the development of community space. Results can be seen in the redevelopment of Davis Park in the middle of town. A band shell was added along with additional sidewalk and lighting. The park has hosted summer movie and concert series, as well as farmers markets and an annual beer fest.
3. Tourism is important to Guernsey, as the town is positioned along the Platte River, Oregon Trail and Register Cliff. Guernsey's 2013 planning grant from the Office of Tourism addressed the community's lack of additional lodging. Guernsey added a bed and breakfast, which was funded by a \$750,000 BRC Downtown Development grant, as well as a 45-room hotel built with private capital.



4. Guernsey is working with the Wyoming Department of Transportation (WYDOT) on a master plan for community trails and pedestrian links to Guernsey's downtown and various historical sites in the area.
5. Guernsey and Platte County are currently working with WYDOT to fund Rollins Road and Tank Farm Road, which would provide oil field trucks a bypass of Guernsey. Rollins Road and Tank Farm Road are both results of 2014 planning grants from the Wyoming Business Council.

### Project Goals and Benefits

The goal of this latest plan is to help the town:

1. Develop strategies to build on past planning project successes and develop new project ideas focusing on economic development and diversification.

2. Continue coordinating with the National Guard at Camp Guernsey to enhance both the town and the camp.
3. Develop a plan to improve community infrastructure
4. Identify uses for town-owned land.
5. Develop a plan to use and promote the community's historic assets to expand tourism as an economic development tool.
6. Develop a plan to address lack of available housing
7. Continue to look at ways to enhance quality of life in the community as it relates to workforce development and in support of economic development.

Sources	
BRC amount	\$ 37,500
Cash Match	\$ 12,500
<b>Total eligible project cost</b>	<b>\$ 50,000</b>
BRC % of total eligible project costs	75%
Local % of total eligible project costs	25%
Uses	
<b>Planning &amp; Consultant Costs</b>	
Planning and Consultant fees	\$ 50,000
<b>Total Uses</b>	<b>\$ 50,000</b>

The RFP should include specific public engagement strategies consultants will be required to use.

The RFP should include specifics regarding target markets and industries the community may have previously identified.

The RFP should draw upon the previous plan to identify any strategies that were particularly helpful, items that have not yet been addressed and items that cannot reasonably be achieved.

Heimbuck stated there was no issue with the stated contingencies.

## Timeline

The planning process will start as soon as possible. The plan will be completed within one year from the formation of the community steering committee. This will allow for implementation of a planning process that will engage all interested people in the process. The town of Guernsey will hire a consultant to work with the community steering committee when developing the community plan.

## Funding

The total eligible project cost is \$50,000, of which \$37,500 is BRC Planning grant funding. The town of Guernsey approved a \$12,500 cash match, which meets the minimum match requirement of 25% of the total eligible project cost.

## WBC Deliberation

The WBC heard from Bruce Heimbuck, Community Development official from Guernsey. He stated their previous plan had been put to good use with many of the objectives achieved and believes this plan will be just as beneficial.

The board inquired whether the applicant was agreeable to the staff contingencies:

## WBC Recommendation

It was moved and seconded to recommend a \$37,500 grant. The recommendation was unanimously approved with the contingencies stated above.

# GUERNSEY, WY







# **BUSINESS CONTRACT AND LOAN COMMITTEE**

Wyoming Business Council | SLIB Meeting  
October 5, 2017 | Cheyenne, Wyoming



# AGENDA ITEMS

**October 5, 2017**

## **Business Contract and Loan Committee:**

- 17** Increase in Loan Request Received from Cody Laboratories, Inc.
- 23** Cody Labs Submission for Additional Funding
- 25** Certified Economics Analysis
- 27** Cody Labs Loan Request (Original from September 2016)



# MEMORANDUM

To: State Lands & Investment Board (SLIB)

From: Josh Keefe

Date: September 22, 2017

**RE: Increase in Loan Request Received from Cody Laboratories, Inc.**

## Purpose

The Cody Laboratories, Inc. (Cody Labs) expansion project has the potential to be larger than anticipated—both capital investment and jobs. On September 1, 2017, Cody Labs asked the Wyoming Business Council (WBC) to revise the methodology staff recommended in October 2016 to determine Large Project Economic Development Fund loan amounts. The State Loan and Investment Board (SLIB) in October 2016 recommended an \$11 million loan for Cody Labs. Cody Labs now wants to apply for additional loan funds for a total of \$33.75 million toward its proposed expansion. Cody Labs suggests extending the “look-forward” period and to take into consideration the company’s greater capital investment and increased jobs.

## Background

- The WBC recommended a loan to Cody Labs in the amount of \$9.8 million during its September 2016 Board meeting in Worland.
- SLIB recommended an \$11 million loan to the company on Oct. 6, 2016.
- The company has begun to collect construction and equipment bids for the expansion, and these numbers are larger than originally anticipated. The company has revised numbers and has felt that with the increase in capital construction, they could also design the space to hire more people as well.
- Capital construction costs have increased by approximately \$5.5 million since October 2016, and the anticipated number of additional jobs has increased by 18 (from 39 to 57).
- The current expansion will more than double the company’s output per year from 5 metric tons to 11 metric tons of product. Cody Labs officials hope this expansion will satisfy the company’s needs until 2025, when there may be a need for more expansion.
- There will be an increase of 57 qualified jobs with salaries and benefits totaling \$8.5 million per year once the expansion facility is 100% operational.
- As a result of the expansion, increased costs and new jobs, the direct and indirect increase in assessed valuation is \$5,802,180 annually. (See Applied Economic’s analysis)
- Final rate and term(s) of the initial (October 2016) request are currently being negotiated between Cody Labs and the State Treasurer.

## Process

- The WBC contacted the Treasurer’s office and the Attorney General’s office for guidance on procedure of Cody Labs’ additional request - i.e. whether there needs to be a new application or a modification of the original request. Either way, the additional request will follow the required procedure of potential WBC Board approval (September 14) and potential SLIB approval (October 5).
- The AG’s office determined the WBC can revise its original recommendation. There does not need to be a new application submitted through the statutory channels: Governor, Treasurer, then the WBC. This additional request does not change the scope of the project other than the scale, increase in capital expenditures and increased employee hiring.

## Past evaluation of maximum loan amount

At its September 2016 meeting, the WBC Board recommended total loan amounts using the cumulative increase in assessed valuation over a three-year period. For example, over a three-year period, the Cody Labs project as originally proposed would have increased Park County’s assessed valuation by \$9.8 million.

At its October 2016 meeting, the SLIB considered the one-size-fits-all approach the WBC used to establish loan amounts for the three requests, but thought there were differences between all three projects that should have been reflected in the equation. The SLIB asked WBC staff to revise the equation. Staff modified the three-year direct increase equation as follows:

- Include both direct and indirect increases in assessed valuation for existing businesses (direct and indirect increase in assessed valuation/economic impact model includes capital expenditures, additional workforce, the salary of this workforce, and impact on the county). This recognizes companies that made previous investments in Wyoming.
- Use only direct increases for new companies (no past investments in the state).
- Reduce the assessed valuation period for new companies to 2.5-years.
- Extend the period of calculating assessed valuation to nine years for a project in an economic depressed area.

## Current Challenge Loan Budget

- Beginning balance of \$13,167,199 (as of June 30, 2017).
- Received \$25,000,000 on July 1, 2017 (Governor has ability to transfer funds for Large Loan Projects) per HB-0253.

<b>Borrower/Project</b>	<b>Amount</b>	<b>Remaining Balance</b>
Western Sugar Disaster Loan Designation	\$5,396,750	<b>\$7,970,449</b>
WYCO Recycling, LLC	\$141,859	<b>\$7,828,590</b>
Loan Loss Reserve (new loans)	\$886,525	<b>\$6,942,065</b>
<b>HB-0253 Allocation</b>	<b>\$25,000,000</b>	<b>\$31,942,065</b>

## Other options to determine maximum loan amount

- The look-forward period could be extended to more than three years recognizing a term more consistent with asset-based lending of financial institutions for equipment and capital construction. Large Loan rules limit the loan request to 75% of the project cost/value; in this case, the maximum loan amount could be \$37,875,000. The following maximum loan amounts are possible if the look-forward period is increased:

# of "Look-Forward Years"	Potential Loan Amount (less \$11M SLIB approved)	Total Loan Amount Including \$11M Approved by SLIB	Remaining Balance (Challenge Loan Fund)
3	\$6,406,540	\$17,406,540	\$25,535,525
4	\$12,208,720	\$23,208,720	\$19,733,345
5	\$18,010,900	\$29,010,900	\$13,931,165
7	\$29,615,260	\$40,615,260	\$2,326,805

## Other Considerations

- Funds within the WBC Challenge Loan account may be transferred upon the direction of the Governor to this large project account (if so, they will be permanently appropriated to the large project account).
- A loan amount greater than \$7 million tap into the new \$25 million deposited in the account on July 1, 2017. This will trigger a fiduciary analysis by the Treasurer. The details of the fiduciary analysis are described in the following program description.
- The rate and term(s) of the proposed loan shall be set by the Treasurer, in accordance with 9-4-715 (m)(ii)(C); which states:
  - "the bonds bear interest at a fixed or adjustable rate, indexed to the prime or ten (10) year treasury bill rate as determined by the state treasurer, which is reasonably commensurate with risk..."*

## WBC Board Deliberations

- The WBC Board of Directors deliberated for two hours. It heard from Bernhard Opitz, President of Cody Laboratories, who described the proposed expansion of the manufacturing facility and stated Cody Labs had already invested approximately \$15M into the project.
- The Board discussed the effects of extending the look-forward period for five years and the potential of concentration risk (the overall spread of the loan fund over the number of borrowers). The Board discussed the high concentration risk of the fund with a look-forward of five years, but also the need for diversification.
- The Board asked if there is any further guidance on how to model the look-forward period based on the type of business (existing, start-up) and the location of a project and the factors for the look-forward period in those communities. For example, would an economically distressed area, like Gillette, get a longer look-forward period and how would that be determined? Staff responded that there is no rule establishing maximum loan amounts or how loan amounts are calculated. The WBC does not have rule making authority for this program. The WBC Board however believes there's a need for more guidance to objectively determine loan amounts. The WBC Board is willing to provide recommendations to the Treasurer.
- The Board asked about the Treasurer's fiduciary analysis that may be triggered depending on the size of the additional loan and how that will fit with Cody Lab's schedule. Cody Labs expects to have the structure enclosed in January of 2018 and the total project completed by Q2 of 2019. Staff explained that the WBC third-party vendor that provides the agency with economic analyses using an established model takes about three days; however, the Treasurer's requirements are greater than the modeling we receive. WBC staff are available to assist the Treasurer.

## WBC Recommendation

- **The Wyoming Business Council Board of Directors unanimously recommends extending the look-forward period from three to four years for Cody Labs. This allows the fund the ability to loan on future Large Loan projects and lessens concentration risk. This action results in an additional twelve million dollars (\$12,000,000) to be lent to Cody Labs for its expansion for a total loan of twenty-three million dollars (\$23,000,000) including the eleven million dollars (\$11,000,000) approved by SLIB in October 2016. This would leave (approximately) \$19,942,065 available for future Large Loan Projects and Challenge Loan participations.**

## ECONOMIC DEVELOPMENT LARGE PROJECT PROGRAM

The program was established by legislation through Senate File 0097 in 2014 and revised through Senate File 0063 in 2016. The legislation created large loan or loan guarantee authority and established roles of the governor, state treasurer, State Loan and Investment Board (SLIB) and the Wyoming Business Council (WBC). Loans or loan guarantees authorized by this act shall be used exclusively to promote and aid economic development of the state by providing loan guarantees or loans to proposed or existing enterprises which will employ people within the state, provide services in the state, use resources in the state or otherwise add economic value to goods, services or resources within the state consistent with this act.

- The project shall first be submitted to the governor who may provide preliminary recommendations for the size and parameters of the proposed loan or loan guarantee.
- The project shall then be submitted to and reviewed by the state treasurer who may provide preliminary recommendations for the structure of the proposed loan or loan guarantee.
- The project shall then be submitted to the WBC for review under the process set forth under the Business Ready Community statute.
- WBC recommendations are forwarded to SLIB for approval.
- SLIB will submit to the treasurer for final rate and term(s) of the loan.
- Treasurer submits to governor for final approval.
- Projects recommended for approval shall meet the following minimum requirements:
  - Are anticipated to have an economic impact and a public benefit greater than the economic impact and public benefit of projects regularly funded under the Wyoming Business Ready Community program;
  - Based upon the findings of an independent third party approved by the Wyoming Business Council, will provide the following minimum public benefits:
    - The creation of a significant expansion of permanent jobs in the county or counties in which the project will be located;
    - Significantly increases the assessed valuation of the counties or counties in which the project will be located, by not less than the value of the loans or loan guarantees received by the applicant borrower;
    - A substantial increase in the sales, property or other tax revenues to the county where the project will be located;
    - Promotion of a stable, balanced and diversified economy; and
    - Private investment in the county or counties in buildings, equipment and direct project infrastructure of not less than twenty-five percent (25%) of the total cost of the project.
  - The project has a high likelihood of completion.

There was an initial twenty-five million dollars (\$25,000,000) appropriated for the program. An additional twenty-five million dollars (\$25,000,000) was deposited into the Challenge Loan Fund on July 1, 2017 from HB-0253, however, these funds were deposited into the WBC Challenge Loan account with the intention of funding more Large Loan projects. Along with the depositing of the latest \$25M, it is also required that the state treasurer

- *HB0253 – Section 2 “In conducting a fiduciary analysis on an economic development project considered for funding under section 1 of this act, the state treasurer shall perform an economic and fiscal analysis regarding consequential state and local impacts. The analysis shall identify any induced revenues and induced costs associated with a project under consideration for each year for the ten (10) years following completion of the project. A local cost analysis shall consider impacts on public education, public safety, fire protection, public utilities and the courts. Any analysis required by this section shall be conducted by an entity qualified to provide the analysis using nationally accepted econometric modeling techniques. Any analysis required by this section shall be paid for using funds appropriated by this act.”*



Shawn Reese  
Chief Executive Officer  
Wyoming Business Council  
214 West 15<sup>th</sup> Street  
Cheyenne, Wyoming  
82002-0240

Subject: Cody Laboratories, Inc. Submission for Additional Project Funding Through the State of Wyoming Economic Development Large Project Program

Dear CEO Reese,

The purpose of this letter is to clarify changes to our project cost and staffing in support of Cody Laboratories' re-submission for additional project funding through the State of Wyoming Economic Development Large Project Program.

#### Project Cost Refinement:

Cody Laboratories, Inc. (CLI) established an original project cost budget of \$45MM based on an estimate resulting from Conceptual and Basic Engineering Design work executed in 2015-2016. Execution of Detailed Engineering Design in late 2016 through early 2017, and the establishment of a final design, build contract resulted in the final project cost being revised up to \$50.5MM.

The project consists of the following major cost breakdowns:

Contract Design & Construction Services: \$10.5MM  
Property and Infrastructure: \$15MM  
Major Equipment: \$25MM  
Total Project Cost: \$50.5MM

#### Project Staffing Refinement:

Completion of Detailed Engineering Design allowed for further refinement of our internal staffing plan associated with the project. The execution of this project is estimated to impact staffing levels as follows:

Item	2028 Estimate
Original Headcount Projection	+39
Revised Headcount Projection	+57

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The staffing plan consists of the following major areas:

Operations Staff: Approx. +40 FTEs

Quality Control/Quality Assurance: Approx. +7 FTEs

R&D/G&A: Approx. +10 FTEs

It is estimated that 10-15% of the above positions will be filled through the hiring of staff outside of Wyoming.

### Project Funding:

Cody Laboratories was previously allocated a loan under this program and has been working through the due diligence process with the State of WY Treasurer's Office. Further refinement of our project costs and headcount have resulted in re-submission for additional funding under this program.

The requested project funding plan is as follows:

Total Estimated Project Cost: \$50.5MM

- ~66.8% Funded through Wyoming Economic Development Large Project Program:
  - \$33.75MM
- ~33.2% Funded and guaranteed by CLI's parent company, Lannett Company, Inc.:
  - \$16.75MM

Project construction was initiated in the spring of 2017 and is projected to continue into early 2019. Additional funding through the State of Wyoming Economic Development Large Project Program in the spring of 2018 will allow for realization of this timeline.

Should you have any questions related to this matter, please feel free to contact me directly.

Respectfully,

**Ryan Osborne**

Director, Project Engineering | Cody Laboratories, Inc. | p: 307.587.7099 x401 | [osborne@codylabs.com](mailto:osborne@codylabs.com)

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# APPLIED ECONOMICS

July 3, 2017

Mr. Ben Avery  
Business and Industry Division Director  
Wyoming Business Council  
214 W. 15<sup>th</sup> Street  
Cheyenne, WY 82002

Dear Ben,

The purpose of the analysis is to provide a third-party estimate of the assessed value associated with Cody Laboratories Inc. as required for the Large Project Loan Fund. The assessed value includes value of the company’s capital investment, plus additional assessed value created by supplier and consumer businesses and their employees that would benefit from the increase demand created by Cody Laboratories, Inc.

### ESTIMATED ASSESSED VALUE FOR CODY LABORATORIES INC

	2017	2018	2019	2020	2021
<b>Direct</b>					
Company	\$0	\$0	\$3,308,550	\$3,444,250	\$3,444,250
Employees	\$0	\$0	\$982,142	\$982,142	\$982,142
<b>Total Direct</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,290,692</b>	<b>\$4,426,392</b>	<b>\$4,426,392</b>
<b>Supplier (Indirect)</b>					
Related Businesses	\$0	\$0	\$344,539	\$344,539	\$344,539
Employees	\$0	\$0	\$1,031,249	\$1,031,249	\$1,031,249
<b>Total Supplier</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,375,788</b>	<b>\$1,375,788</b>	<b>\$1,375,788</b>
<b>Consumer (Induced)</b>					
Related Businesses	\$0	\$0	\$283,738	\$283,738	\$283,738
Employees	\$0	\$0	\$854,827	\$854,827	\$854,827
<b>Total Consumer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,138,565</b>	<b>\$1,138,565</b>	<b>\$1,138,565</b>
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,805,044</b>	<b>\$6,940,744</b>	<b>\$6,940,744</b>



Mr. Ben Avery

Page 2 of 2

Direct assessed value is based on information provided by the company relative to construction and equipment costs. An average depreciation rate of 59% is applied to the manufacturing equipment based on a 12 year life. Construction costs are adjusted by 80% as a proxy for the difference between construction cost and assessed value. The assessed value figures shown for the company include the 11.5% industrial assessment ratio.

There are also several measures of the assessed value created indirectly by the company. These include expansions at supplier (indirect) and consumer (induced) businesses that sell to Cody Laboratories, Inc. and its employees. Using the supplier and consumer jobs from the economic impact results and the average real and personal commercial and industrial property per employee in Park County, it is possible to estimate the increase in assessed value from supplier and consumer businesses.

In addition, the 57 new employees of Cody Laboratories, Inc. and the new employees from the supplier and consumer businesses, generate assessed value through their residences. This can be estimated using residential per capita assessed value in Park County times the supported population (employees and their families).

If you have any questions regarding the calculations, please feel free to contact me.

Sincerely,

Sarah E. Murley

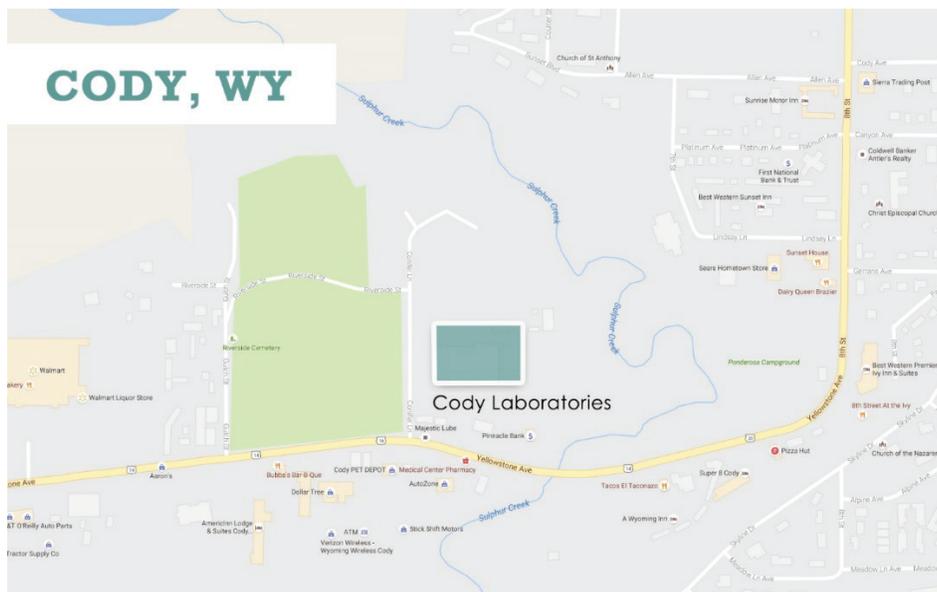
Principal



**ECONOMIC DEVELOPMENT LARGE PROJECT PROGRAM FUNDING REQUEST  
LOAN AMOUNT - \$33,750,000**

**Project Description**

Cody Laboratories Inc. (Cody Labs) submitted a loan request for \$33,750,000 as part of a \$45,000,000 project to expand its Active Pharmaceutical Ingredient (API) manufacturing process. Cody Labs currently produces Drug Enforcement Agency (DEA) schedule 1-5 controlled substance APIs. These include various substances for hormones, pain medications and cough medicines. Cody Labs wishes to design and construct a new API campus on an adjoining, semi-developed parcel of land situated within an industrial park in Cody, Wyoming. The proposed project would install one multi-use production line for the main products under development at Cody Labs. Cody Labs currently produces approximately 5 metric tons of product; capacity would increase to 11 metric tons per year with the proposed expansion.



**The Business**

Cody Labs was established as a private corporation in 2000 and specializes in the manufacturing of APIs. Cody Labs moved into its existing location at 601 Yellowstone Ave. in 2004. Cody Labs continued to expand its API business between 2004-07 and added finished dosage form (FDF) solutions to its business portfolio. Lannett Company Inc. (LCI) acquired Cody Labs in 2007 and currently maintains ownership. Cody Labs partnered with Forward Cody, a local economic development organization, in 2015 to establish a materials warehouse at a second location at 119 Road 2AB in Cody.

Cody Labs currently employs 117 individuals, with an annual payroll of \$12 million, and is housed in a former Wal-Mart building. The proposed project would be to the east of and adjacent to the property located at 119 Road 2AB.

### **Project Goals and Benefits**

Cody Labs wants to increase the amount of product the company produces and do it in an efficient and cost-saving manner. The company would be able to more than double its current production capacity from 5 to 11 metric tons.

There is also a qualified workforce in the Cody area to fill positions as the company expands. Additionally, the projected mean wage of Cody Labs (\$21.57/hr.) exceeds the Park County average (\$20.03/hr.). The expansion will also have strong ripple effects in not only Cody, but Park and Big Horn Counties and nearby communities, with an additional \$20,100,571 in wages over the same timeframe (204% of loan request).

### **Timeline**

The company estimates the proposed expansion of its operations would be complete by the end of Q4 2018.

### **Management Team**

- Arthur P. Bedrosian (President & CEO of Lannett Company, Inc.) - Bedrosian, J.D., has been the Chief Executive Officer of Lannett Company, Inc. since Jan. 3, 2006 and served as its President from May 2002 to Dec. 1, 2014. Bedrosian served as the Vice President of Business Development at Lannett Co. Inc. from January 2002 to April 2002, and as a Director from February 2000 to January 2002. Bedrosian has operated generic drug manufacturing, sales and marketing businesses in the healthcare industry for over 34 years. Prior to joining Lannett Co. Inc., Bedrosian served as President and Chief Executive Officer of Trinity Laboratories, Inc., a medical device and drug manufacturer. Bedrosian also operated Pharmaceutical Ventures Ltd., a healthcare consultancy, and Interl Corporation, a computer consultancy to Fortune 100 companies. He has been a Director of Lannett Co. Inc. since Jan. 3, 2006. Bedrosian holds a bachelor of arts degree in Political Science from Queens College of the City University of New York and a Juris Doctorate from Newport University in California.
- Bernhard W. Opitz (President of Cody Laboratories Inc.) –Opitz brings 30 years of leadership experience to the management team at Cody Laboratories. Opitz worked for 20 years with the Bayer group in Germany and Italy in engineering, manufacturing and product development, and in the U.S. as SVP Engineering. He worked for diagnostics companies Ikonisys and Nanosphere, held the position of VP Engineering/Operations at Wells' Dairy, and filled the role of SVP Operations for Unilife Medical Solutions. Opitz holds a master of science degree in Mechanical/Process Engineering from Technical University Graz/Austria.
- Barry Sugarman (Board Member) –Sugarman is a consultant, executive and entrepreneur who attended UCLA and California State University at Northridge and graduated with a degree in Mechanical Engineering. Sugarman has been the President of Diverstech Co., a dealer of appliances, chemicals, office equipment, electronics, medical supplies and medical equipment to government agencies. He is also a consultant to the government contract and regulated industries. He was also President of Liquipharm, Inc. (from 1984-1995), a manufacturer of liquid and tablet human and veterinary pharmaceuticals.

## **Funding**

The total project cost is \$45 million, including \$33.75 million from the Economic Development Large Project program. Project costs include the components to add another production line of pharmaceuticals and construct a building to house this line.

## **Financial Analysis**

A spreadsheet of the actual financial statements is provided in a separate attachment.

- Cody Labs is a wholly-owned subsidiary of Lannett Company, Inc., and its financials are embedded in the annual 10K report Lannett must provide the Securities and Exchange Commission (SEC). There is no way to disseminate the financial information for Cody Labs specifically; however, the borrower on the note will be Cody Laboratories, LLC and Lannett Company, Inc. will be asked to guarantee the debt.

## **Statutory Requirements**

- This project will increase jobs and salaries compared to county average, and the increase in local and state tax benefits is expected to create an economic impact greater than most projects funded under the Business Ready Community (BRC) Grant and Loan program. For example, the BRC program cannot fund private equipment.
- A third-party analysis of the investment and jobs documents the expansion of permanent jobs and a significant increase in the combined assessed valuation by \$4 million per year after the proposed expansion (see attached letter from Applied Economics). A Business Council economic impact model projects a direct increase of state and local taxes at approximately \$370,000 per year.
- The project will help stabilize, balance and diversify the Wyoming economy.
- The private investment in the project is at least 25%. Cody Labs will invest a large amount of money to complete the project (approximately \$35 million) and has already invested millions of dollars to expand the current Cody Labs operation.
- There is a high likelihood of completion.

## **Staff Recommendation**

Staff recommends funding the proposed project up to a maximum amount of \$9,865,000 utilizing \$1,030,000 from Economic Development Large Project Program and \$8,970,800 from the Challenge Loan Program with the proposed terms, as requested. The recommended loan amount is based on the increase in direct assessed valuation over three years of the stabilized project. This calculation was developed by Applied Economics (see attached letter). Staff has analyzed the character and capacity of the management team, market conditions, cash flow and collateral.

- The management team directly with Cody Labs is strong and has a number of years of experience in the market. The company is also a wholly-owned subsidiary of a large, publicly-traded pharmaceutical company in Lannett Company, Inc (LCI).
- Market conditions in the pharmaceutical realm are strong and the company has shown the ability/capacity to produce more goods for sale and manage their overhead costs, margins, etc.
- Cash flow projections appear realistic and are strong.

- Strong collateral position at 21.9% (loan to cost).

**Loan Terms**

Total Project: \$45,000,000

Total Loan Request: \$33,750,000

Total Loan Recommended: \$9,865,000

Loan To Cost: 21.9%

*Collateral:*

- 1<sup>st</sup> Real Estate Mortgage on 119 Road 2AB, Cody, WY 82414
- 1<sup>ST</sup> Security UCC Filing on all fixtures located at 119 Road 2AB, Cody, WY 82414

*Repayment:* The loan will be repaid from the ongoing business/cash flow of Cody Labs. It will be amortized over the 11-year term of the loan and Cody Labs will make quarterly payments to the State Treasurer’s Office. The quarterly payments will be \$251,275 assuming an interest rate of 2.07%.

*Term:* 11 years

*Interest Rate:* 10-year treasury rate at closing plus 50 basis points.

*Fees:* 1% Loan Fee (\$98,650)

*Other conditions:*

- Appraisal on proposed land, buildings and equipment to support a maximum 75% loan to value.
- Corporate guarantee of Lannett Company Inc.
- Borrower will be responsible for all costs of appraisals, filing fees, etc.
- Copies of any subordinate financing placed on the project (i.e. promissory note, loan agreement, mortgage, security agreement, disbursement schedule, etc.).
- Proof of funds to be used for completion of the project. This may include, but not be limited to, letters of commitment from debtors, escrow accounts, special project accounts, equity injection accounts, etc.

Performance measures for this project include job creation and additional sales.

	<b>Measure</b>	<b>Quantity</b>	<b>Notes</b>
<b>Performance Measures</b>	Businesses Assisted	1	-
	Loan Amount	\$9,865,000	-
	Loan Repayment	\$251,275	Quarterly Payments @ 2.07%
	Jobs Retained	117	-
	Jobs Created	39	-
	County Average Hourly Wage	\$20.03	Park County
	Project Average Hourly Wage	\$21.57	-
	Total Wages	\$20,100,571	Life of Loan (11 years)
	Total Increase in Assessed Valuation	\$11,636,954	First five years of the project
	Total State & Local Taxes (Direct)	\$4,107,642	Life of Loan (11 years)