

Board of Directors
Minutes
February 6, 2012

The quarterly meeting of the South Jersey Economic Development District was convened on February 6, 2012 at the Cumberland County College Luciano Conference Center, Cumberland County, New Jersey.

In attendance:

Cape May County:

Leonard C. Desiderio, Chairman
Leslie Gimeno
William Morey

Salem County:

Julie Acton
Robert Vanderslice
James W. Zee, III
Robert McDade

Cumberland County:

William Whelan
Sam Fiocchi
Donald Ayres
Kim Wood
Sandy Forosisky
Albert Kelly
Arthur Bretnall, Jr.
Dante Rieti

Staff: Gordon K. Dahl, Executive Director; Diana L. Schiavo, Chief Operations Officer; Deborah Dalton, Administrative and Construction Assistant; Paul Baldini, Esq.; and Brad Rosenthal, Assistant to the Director; all of the South Jersey Economic Development District.

Mr. Desiderio, Chairman, called for the flag salute.

Mr. Desiderio called for introductions of those in attendance.

Mr. Desiderio asked for a motion to approve the minutes. The minutes were approved as presented.

Mr. Whelan stated that he thought at the previous meeting he had requested that paying the bills be tabled until after the audit was received. He asked if anyone recalled this discussion from the previous meeting. Mr. Desiderio asked if anyone recalled the discussion. Mr. Dahl stated that both he and Diana listened to the tape several times and that what was on the tape is reflected in the minutes. Mr. Desiderio asked if Mr. Whelan would like to listen to the tape and hold off on seconding the minutes. Mr. Whelan stated he would vote "no" on the minutes and listen to the tape.

The minutes were approved with Mr. Whelan voting "No".

Mr. Desiderio asked to move onto the audit.

Mr. Dahl recapped that we have been working with Ford Scott & Associates (FSA) on the 2010 and 2011 audits. The Board approved to combine the 2010 and 2011 audits at last March's Board meeting. Mr. Dahl stated that Ford Scott couldn't make it into the field when we discussed it with them in January so FSA proposed to do the field work at the same time and combine the audits. He informed the Board that FSA conducted and presented the 2010 draft audit on January 4th of this year and that the audits were mailed to all the Board members last Wednesday for their review prior to the meeting.

Mr. Bretnall requested the first page of the accountant's letter that was missing from the copy received. Copies of the first page were made and distributed.

Mr. Dahl stated he would go over the Notes of the audit first, stating that Note 1: was a summary of the accounting policies, local match, accounts receivable cash and cash equivalents, etc.

Note 2: Mr. Dahl stated that the Revolving Loan Fund was provided back in approximately 1989 by federal EDA as a grant to help small businesses in the region. SJEDD does small business lending. The loans are all current and they are listed as part of the Note.

Note 3: Settlement expenses we charge at closing of the loan and they're passed onto the Borrower.

Note 4: Land Buildings and Leasehold Improvements, this is a new one for SJEDD starting in 2009. SJEDD was provided grant funds for the Research Park and also to purchase and develop land in Egg Harbor City as a redevelopment effort. Block Grant monies were provided for the Egg Harbor City project.

Note 5: Farmers Home Administration is a loan program that we operate under the Intermediary Relending Program. It was a bond that USA

provided to SJEDD in 1991. The bond is a 1% 30-year \$1,000,000 bond that the SJEDD pays each year in semi-annual payments. Our revenue is derived from the differential on the interest rates, the bond rate of 1% and the SJEDD small business interest rates, which are 4%.

Note 6: Deferred Revenue has become a large item. The accountant has gone back and reclassified income from 2009 to deferred income. SJEDD derives a substantial portion of its revenues from grant administration contracts with constituent municipalities. The SJEDD practice is that we write applications and secure grant funds for the municipalities at no charge. The SJEDD receives grant administration fees to make sure they are compliant with all the terms and conditions of the grant and everything is done pursuant to the rules and regulations of the grant program. This is indicated up through our 2009 audit. The accountant considered that when we signed grant administration contracts it was revenue when executed. They now went back said when contracts are signed, they're going to record them as deferred revenue and then as the project moves forward, the SJEDD will realize that revenue over time.

Note 7: The Grant Period, we are on an April 1 fiscal year, so our fiscal year starts April 1 and ends March 31st.

Note 8: Refers to the HUD initiative grants that we've gotten during our 2010 audit.

Note 9: Refers to the Department of Commerce grant is the amount of \$2,500,000 project grant for the Research & Technology Park.

Notes 10-12 are grants received.

Note 13: Is the Master Lease at the Research & Technology Park. It's a 50-year land lease that provides the SJEDD with the ability to sublet the ground to potential developers to attract aviation companies.

Note 14: Refers to a \$2,500,000 bond/grant from Atlantic County to construct the road and related infrastructure at the Research Park.

Note 15: The one subsequent event was we originally started with a 25-year land lease with FAA for the Research Park. The SJEDD entered into an agreement to extend the lease to 50-years as recommended by the bond counsel to facilitate the development of buildings on the site.

Atlantic County has withdrawn from the SJEDD and they note that for the record.

Note 16: Indicates that the SJEDD agency is dependent on funding from government sources.

Note 17: They note the prior year adjustment where the accountant reclassified grant administration fees into deferred revenue which then roll out as revenues are earned.

Mr. Dahl then moved to the Independent Auditor's Letter. He noted for the record that they don't render an opinion on the Research Park value as presented in the financial statements because there haven't been any building developments or land leases to place a value on it. The improvements made on the Research Park, which amount to about \$6.5 million when the total project is built, are put on at cost. FSA notes that they represent it at cost on the balance sheet, but that they cannot render an opinion of market value.

Mr. Dahl then reviewed the assets and liabilities as contained in the audit.

Mr. Zee questioned that this is a 2-year audit, but each page has March of 2010 on it. Does this audit include 2011? Mr. Dahl informed him that it does not and that the auditors did all their field work and conducted all their tests for the 2-year period. It was clarified that this is only the 2010 audit.

Mr. Dahl then advised that the SJEDD received the adjusting entries from the auditor February 3rd and of those adjusting entries have been entered into the general ledger and that our books as of the close of this audit to coincide with the auditor's records. We then closed the books and moved to the next year. One of the differences in this audit versus the prior year's audit was that the SJEDD was strictly a service agency up through the end of 2008, going into 2009. What occurred then was the US economy fell off a cliff. Developers couldn't secure financing; contractors didn't have work; and we were running in excess of 50% unemployment in building trades. The SJEDD participated in a lot of different grant programs to secure money to keep people working and to get projects moving along during that difficult period of time. The SJEDD went from a service agency and revved it up to make sure that everybody was working. As the SJEDD proceeds, depending how the economy moves over the next couple of years, as financing becomes available and the market improves, we can move back to what the SJEDD model was prior to this economic calamity. That is why you'll see the difference between 2009 and 2010.

Mr. Dahl then reviewed the revenues. He explained that the "restricted" is revenues that are temporarily restricted until disbursed on project costs. Most of those items relate to the Research Park.

Mr. Dahl then reviewed the Cash Flow Statement, which concluded his review of the audit.

Mr. Dahl then stated that as expected, with the District's change to include developer model, there were findings in this audit. There were no

questioned costs, but there were findings that relate back to former staff members and their ability to operate the system. We had a bookkeeper that was with us for 20 years who got sick and couldn't continue her employment. The employees that we had at that time were not hired for those skills.

Mr. Dahl informed the Board that we provided a Corrective Action Plan and we've responded to the findings. He further indicated that while he can acknowledge the findings, it was disgruntled staff entering transactions in the accounting system. He saw the documentation, checks and project costs, but none of those were questioned.

Finding #2: They reconciled bank statements from month to month, but they weren't done tying in the general ledger and cash balance, so all the receipts worked out, but weren't tied to the general ledger.

Ms. Acton asked why it didn't tie into g/l. Mr. Dahl explained that it appears that previous staff did not enter some adjusting entries into the system. They input the adjusting entries when the auditor completed the prior year's audit.

In addition, he indicated that the 4 counties represent a large region. The people that sign the checks are on opposite ends of that region and there is sometimes a two week lag for signatures. We tried to keep the contractors paid. Quickbooks does not allow for "deposits in transit", thus checks were printed for signature, but not released until the wire transfers were received.

Mr. Dahl and Diana Schiavo confirmed that this has been corrected and are now being reconciled to the g/l. Mr. Whelan asked that we're still using Quickbooks, which was again confirmed by Mr. Dahl and Diana Schiavo.

Julie Acton asked about using the "undeposited funds" category in Quickbooks for the "deposits in transit", and if that is what it should be used for.

Mr. Dahl continued that Finding #1 was the accounts payable where they were issuing checks without putting it into accounts payable first. They were issuing checks from the cash account and skipping that part.

Mr. Dahl informed the Board that all the findings were from the former staff and legacy issues.

Finding #3 was the 1099's. It was pointed out to us that even though attorney firms are incorporated, they require a 1099. We didn't know that and it doesn't matter whether it's \$100 or \$100,000. Any law firm is subject to a 1099 and we weren't familiar with that.

Finding #4: Mr. Dahl informed that he has included the vehicle on his tax return for that period. The finding states that he has to put it in his W-2, even though he declared it, which he has done.

Bret Bretnall asked if the IRS would impose any penalties. Mr. Dahl responded that he did not believe they would. Mr. Whelan asked if he knew that for certain, they're at least a couple years behind. Mr. Dahl responded that we didn't have substantial attorney fees until after 2010. Mr. Whelan then asked that it was only attorneys and not other vendors that we had over \$600 worth of business with. Mr. Dahl informed that we had one other vendor that we missed one year out of the two years we've been auditing. He stated that 1099 vendors are electronically marked in the system as part of the corrective action plan. Any vendors that we hire going forward will fill out a W-9 so that we have it on file and cross check it with the electronic records. We have a couple of safeguards now to pick up that tracking of the 1099's.

Mr. Fiocchi asked if we just found this in the audit or were we informed by the IRS. Mr. Dahl responded that we found it out in the audit. He then asked if it was all prior years and Mr. Dahl said this is the first year it came up. Prior to this audit, we've never had a finding or questioned cost.

Finding #5: Refers to the Research Park and the discussion that has been going on over the last year. The SJEDD incorporated a development fee model along with grant administration fees as a revenue source. The SJEDD also receives a planning grant of \$70,000 each year and the counties each contribute \$12,000 per year towards that grant budget. The SJEDD also derives revenues from our loan programs. In 2010, the grant administration fees went down as a result of efforts toward the development activities to generate construction jobs.

A question was raised about the certainty of future revenues and whether they are sufficient to cover salaries and the other costs. Mr. Dahl responded that what we found is that over the past year, as we wound down our construction activity on development projects, we wound up that grant administration and we're going to show you a sheet where our grant administration revenues are at this current point. Also, Atlantic County has dug their heels in over \$858,000 that has come from our coffers as part of the Research Park project that we anticipated would be recaptured through land leases. Atlantic County flipped that model upside down and our position has been, and continues to be, that if they want the SJEDD to turn over the Research Park and the Master Lease, then they have to pay back the development costs that we reached into our pockets to front.

Finding #6: Mr. Dahl explained that this Finding relates to the submission of monthly progress reports on the D.O.T. grant, which was a discretionary project that even the auditors were confounded that it was so brief in nature.

Mr. Dahl stated that project records were kept by a former staff member and he could not be quite sure if those reports were ever filed without damaging electronic files. He did indicate that D.O.T. was given detailed reports on where the SJEDD was spending the money. D.O.T. representatives conducted field visits to confirm that funds were spent correctly.

Finding #7: The fidelity bond limit was finding as new pass through grants for redevelopment in Egg Harbor City required additional coverage. The new grant requirement was \$50,000 and the SJEDD coverage was only \$45,000. Mr. Dahl noted that finding and immediately contacted the insurance company and increased the fidelity bond to \$60,000 without any additional cost. Mr. Dahl indicated that in past years the SJEDD never received any block grant funding, so we weren't accustomed to those additional limits.

Mr. Dahl was asked that when D.O.T. conducted a monitoring visit, did they request any funds to be returned, and if they had any questions? Mr. Dahl responded that they did not pull the funding and that they are tight with that. He further indicated that the SJEDD has not had any grant agencies come back to question any cost or ask for any money back that has been expended.

Mr. Dahl concluded the audit and asked if anyone had any questions.

Mr. Desiderio asked if anyone had any questions on what Mr. Dahl has gone over.

Mr. Bretnall asked if he is correct that it has taken 22 months to complete this audit and what are the plans of the District to try and shorten that gap.

Mr. Dahl stated that one of the dilemmas that the Board has had over the last 5 years is whether to rotate auditors or keep the auditor year after year. The SJEDD has conducted RFP's and solicitations. Shortening the time frame would require the Board to create a policy that states how an auditor is selected and for what time frame. We solicited proposals before and we only received one from Ford Scott. We solicited proposals another time for a new firm to come in and the cost was astronomical, where Ford Scott came in very low because they're familiar with our records. If the Board decided to solicit and receive quotes or to stay with the same auditor, that's great, but that decision shouldn't happen in June or July. It needs to happen near the close of the fiscal year.

Sandy Forosisky stated that you can name an auditor for two or three years. You don't have to put it out every year.

Mr. Fiocchi stated that the State Controller's recommendation is that an auditor should not be the same for more than 5 years and definitely not 10 consecutive years.

Mr. Bretnall stated that he is uncomfortable with a 22 month lapse for the audit and additional members voiced their concurrence with that. He also stated that he felt a plan needs to be developed for an auditor, whoever that is, to shorten this and bring it further up to date.

Mr. Desiderio stated that he feels that everyone agrees with Mr. Bretnall.

Mr. Dahl went on to say if they make a decision today, they'll be ready to begin the audit for the current year ending 03/31/12.

Mr. Desiderio asked how many years have we had the current auditor. Mr. Dahl responded that it has been beyond 10 years. Mr. Fiocchi stated that is the recommendation of the state controller to change auditors. It doesn't have to be, it's the state controller's recommendation.

A discussion ensued amongst numerous Board Members regarding the engagement letter and period of time for completion, recommending that it be included in future engagement letters.

During this discussion, Mr. Whelan stated that he was listed on the audit as a Board member prior to his membership and that it needs to be corrected.

Mr. Whelan recommended that the Board needs to make a decision tonight to appoint an auditor, authorize an RFP to get put out there or decide to stay with Ford Scott for one more year since they're already in there and familiar, just to get this year done.

Mr. Desiderio asked for a motion from the Board on the auditors so that Mr. Dahl could move forward with the audit and we're not waiting again next year for the audit.

A motion was made and seconded to get a proposal from Ford Scott for 2012 and to go out for proposals for 2013, to be done in the fall of 2012, with all in favor. Also, the engagement letter is to have a time frame to conclude and submit the audit within 120 days from the close of the fiscal year.

A motion was made to adopt the 2010 audit, and it was seconded with the condition that Mr. Whelan was removed as a Board member, and all in favor.

Mr. Desiderio then asked Mr. Dahl to give us some background on NextGen.

Mr. Dahl recapped the NextGen project from the start to where we are today.

In 2005, the FAA approached Atlantic County and several other agencies indicating that they were going to roll out the new air traffic control system.

They said they would be spending some \$5 billion to revamp the system, taking it from radar based to a satellite based GPS system for tracking and efficiency purposes. The system can't handle the traffic now, let alone the increase over the next 10 years. We asked for a feasibility study with other agencies and various funding sources to cover the expense of the feasibility study of the Park. The feasibility study provided a favorable recommendation for a Research Park with about 400,000 sq. ft. research/office space. FAA said they would contribute 58 acres of land to develop a Research Park. All parties were convinced it was a great idea and were supportive. However, nobody stepped up to undertake the project because it was at a time when the economy was falling. With no other entities willing to take on the project, Atlantic County strongly urged the SJEDD to take it on and try to develop it. The SJEDD entered into discussions with FAA to frame out the land lease for the 58 acres. There were no funds for this project, so we approached federal EDA and secured a \$2.5 million grant towards infrastructure after a year-long process. The feasibility study indicated the infrastructure was approximately a \$7.5 million project.

The feasibility study was conducted by Wallace Roberts and Todd, an architect, not an engineer. They had a pretty picture of a park, but functionally it didn't work from an engineering standpoint. We engaged an engineer to look at the site and the best way to develop it, which was completely opposite of the plan Wallace Roberts and Todd put forward.

After a year-long process, the Federal EDA grant was secured and the 58 acre land lease completed. We then approached NJ D.O.T., who provided a \$1 million discretionary grant to develop the park.

To obtain the remainder of project financing, the SJEDD approached The Bank and secured a \$4.7 million loan. The first part was a \$350,000 pre-development loan that was interest only for the first 2 years, and then converted to a 10 year term. The second part was the \$4.2 million, which would have paid for the park at completion, and was guaranteed by USDA under their community facilities loan program. Due to the economic crisis, the SJEDD was able to get a 90% loan guarantee.

In the interim, discussions were held with Atlantic County, who saw the merits of the project because it was a critical economic development project. One of the things that interested them is that it might relieve some of the stress at the airport circle by providing an access road from Amelia Earhart Boulevard to Delilah Road to divert traffic out of the circle. They felt that it was a valuable asset to them, so they contributed \$2.5 million.

The rest of the money was provided in smaller amounts from earmarks via Economic Development Initiative Grants.

In effect, the entire park was built almost exclusively with grant funding.

During this process and part of the feasibility study, the consultants recommended establishing a non-profit corporation to assist companies integrate technology and partner with the FAA on Research & Development projects. They could also be a good vehicle for attracting Research & Development projects at the park. Our role was strictly to develop infrastructure on the site. The SJEDD was not engaged with any aviation company's Research & Development linkages with the FAA.

In June 2010, SJEDD entered into a Memorandum of Agreement (MOA) with the non-profit, Aviation and Research Technology Park Inc. (ARTP) of New Jersey, Inc., that stipulated that the ARTP would secure tenants for the Park and the SJEDD would build the park infrastructure.

The Master Lease stated that 7 building sites would be created. The developers would be afforded an opportunity to develop buildings through a land sublease. The FAA attorneys stepped in at the 11th hour and said that developers aren't aviation companies and they only sublease land to aviation companies. We advised them that we've had over 2 years of meetings where we discussed having developers come in to develop the land. In April 2010, they said absolutely no developer. At this point we asked the FAA to put it in writing, because we knew this was going to come back and we don't want to be in the developer game, it's not what we do. The SJEDD received both verbal and written communications that the FAA would not permit developers.

Plan B was devised by all parties to build a building, as FAA officials, the US Secretary of Transportation and Congressman LoBiondo stood up and publically announced awarding \$5 billion in NextGen contracts and the William J Hughes Tech Center is going to get the bulk of that work. In order to accommodate those aviation companies that were announced their billion dollar contracts. A committee was established to review architectural proposals from about 30 companies and Environetics was recommended. To protect the SJEDD as work progressed with the architect, we kept attempting to work through this issue. CRDA had money somewhat approved to help the Research Park out. So we said the SJEDD engage the architect, but the SJEDD put it on a phase, where we weren't going to sink the almost \$550,000 into architectural fees up front. This way in the event that FAA approved developers in the park, we could provide the developers with the plans at cost to recoup those costs.

In August and September 2010, the project moved quickly, we worked with NJ EDA and CRDA on a \$3 million funding package that would bring monies to pay for a FAA lab within the first building and defray the architectural costs. On October 17th CRDA approved that funding package by resolution. We then took the architect to the next step and went all the way to bidding documents, after which were put out in December 2010. Part of CRDA's

approval was that we allow a master developer to take over the park development with one developer. We agreed with that stipulation as we did not want that role. CRDA had been working on a RFP for a master developer for a year and a half and had conditioned their approval on having a master developer RFP which we agreed to. They did not deliver the RFP until April 2011. At the time that we received building bids, the FAA advised they didn't have funding for the \$14.4 billion contract awards. We hadn't awarded bids, but we received them. We received approximately 17 bids the end of January with the lowest being around \$9.6 million. In early March, as we were discussing where the tenants were going to come from, Atlantic County approached the Chairman and Executive Director and stated the District was to turn over the Research Park and everything attached to it to ARTP. SJEDD attended a meeting March 22nd and they informed the SJEDD that everything's was going over to the non-profit. The SJEDD stated they wanted to be reimbursed for the costs which were expended, which was at then upwards of \$600,000. There were a series of meetings and Atlantic County said to have an audit. The SJEDD had three audits going on during the summer of 2011. Ford Scott & Assoc. (FSA) came in and examined our records. We hired a second auditor, Martini & Martini from Vineland, who audited all our project costs for the Park. Nobody questioned any of the costs. Leon Costello of FSA represented Atlantic County, reviewed Martini's & Martini's audit, after which, Leon presented a number and stated that the SJEDD's unreimbursed costs were \$858,000. Atlantic County's position is that the Park isn't worth anything.

As a precaution, back in 2007, I had an as-built appraisal done on 58 acres and the number was not zero.

Atlantic County has been rigid in their stance. Atlantic County believes we should move this Master Lease to them at no cost. They went through the effort of a master developer and only had 1 respondent. Federal EDA is not pleased when they're sitting in a meeting and being told that their \$2.5 million investment is not worth anything. One of the dilemmas this year that's been plaguing us is when we started this project; it was a \$7.5 million project. We're bringing it in at around \$6.5-\$6.6 million. That doesn't include the feasibility study not taking into consideration building a force main and a pump station. The EDA reimburses the SJEDD for every invoice we submit \$0.33 on the dollar, until the project is closed out and then the last 10% we have to pay before EDA does their final disbursement. We've been working with EDA over the last month to rectify this and we've finally came to a conclusion where they've amended our budget and it now reflects the true costs. The SJEDD received \$215,000 from the EDA in back invoice disbursements, we were able to resolve a big cash flow issue in the past 30 days.

Mr. Dahl believes Atlantic County is trying to squeeze us into a box. If we do that, there are a couple of issues downstream that the SJEDD have to face.

One of them is not being in the good graces of EDA for future funding because of giving away a valuable asset.

Mr. Desiderio asked Mr. Dahl for an update on where we are on the bills for the contractors.

Mr. Dahl referred to the handout previously dispersed titled "Contracts NGARP".

Mr. Bretnall questioned what role the Board plays regarding the 50-year Master Lease. Mr. Dahl informed him that we control that Master Lease for 58 acres that's fully developed. Mr. Bretnall then asked how you would give that away at no value to Atlantic County. Mr. Dahl explained that if you go back to the one finding in the report, we forgo a lot of grant opportunities and administration fees to take this project on because everybody in the four counties believes this is a good project and it will benefit all of the counties. EDA put in writing that if they were doing the project, they would charge the entity \$512,000 in administrative fees to do this project. The SJEDD said that they would forgo the admin fees, we want to recoup our out of pocket expenses, and the \$858,000 and the SJEDD transfer the lease.

Mr. Bretnall then asked what the financial impact was of Atlantic County withdrawing from the Board, without regarding the NextGen project. Mr. Dahl informed him that their impact is that we will lose \$12,000 in revenue a year in a \$330,000/year budget. And Atlantic County will forgo any EDA funding.

Mr. Dahl continued to say that the \$858,000 remains an asset to the Board. The SJEDD has had offers from developers to come in on land leases. The Board still has control of the Research Park, whether Atlantic County leaves or not. If they want that asset, they need to pay us for that asset.

Mr. Whelan asked for clarification that it's the ARTP, not Atlantic County. Mr. Dahl informed him that, technically yes, everything has been Atlantic County. Although we've had meetings with ARTP, Atlantic County has always been at the table.

Kim Wood asked if any of the projects listed in Atlantic County are impacted in any way. Mr. Dahl informed the Board, no. The Old County Jail is almost completed and is a contractual obligation, and the projects we're doing in Egg Harbor City are contractual obligations.

Kim Wood then asked where South Jersey Transportation Authority (SJTA) is in all of this. She recalls being at a meeting where she raised a concern about us getting tenants and SJTA saying they have it under control and Stockton being there and saying the same thing. Mr. Dahl informed Ms. Wood that SJTA put in \$200,000 to do the intersection at Amelia Earhart

Boulevard and the Research Park Road. Stockton sits on the Board of ARTP, as does SJTA, NJ EDA, Atlantic County and SJEDD. And FAA has said to ARTP, that even if SJEDD transferred the Lease, we're not going to allow you to accept the Lease unless you have a strong partner, because you have no ability financially to accommodate that to date. SJTA, NJ EDA, Stockton nor Atlantic County is up to the table to stand with ARTP.

Don Ayres asked if we are a creature of the four counties and under obligation for all projects taken on through this organization. Isn't there some obligation for Atlantic County because the County appointed members and the members voted to accept certain obligations? Mr. Dahl informed him that he has been with SJEDD for over 25 years and done projects in all 4 counties and all the municipalities and not once has a county or municipality ever walked away from an obligation when SJEDD fronted the funding.

Don Ayres questioned what our obligation is with regard to The Bank loan with USDA guarantee. Mr. Dahl responded that we never had to draw on the \$4.2 million; we drew on the \$350,000 which has recently turned into a term loan which we meet every month. Sandy Forosisky asked if the \$350,000 was included in the \$858,000, which Mr. Dahl responded that it is. He further explained that we were able to replace the \$4.2 million so that we never had to draw on it for the Park, but we had to put it up in order to get the EDA grant.

Mr. Whelan then stated that we had a lot of promises from a lot of organizations of people and we engaged in some speck development, as the bubble was bursting and we took our capital and we put it on the table and his concern has been that without reimbursement of the \$858,000 we might not have an organization unless as Counties we want to anti up to save it. We had a meeting with ARTP and Atlantic County and it didn't go well because we wanted to be reimbursed the \$858,000. So it was decided that representatives from ARTP and the District would negotiate towards a settlement. The end result of it was that a few of us had a meeting, he asked for the \$858,000 and we'd turn over the Lease and it seemed to go good. Then afterward it seemed to go downhill. Mr. Whelan met with Mr. Levinson (Atlantic County Executive) the night of their reorganization when they voted to withdraw from the District, and it seemed he wanted to go to the same place as us. Mr. Whelan still thinks we have an opportunity to talk it out and work it out and walk away with some number that allows us to just walk away from the development of the Park and let them run with it. Mr. Whelan thinks the District needs to survive for the benefit of the Counties and if it's worth saving, maybe we ought to look at how we can develop the Park ourselves and maybe that helps us to leverage our position with the ARTP and Atlantic County, if we're able to do that, but Mr. Whelan stated that he questioned whether the SJEDD has the capacity to do this in the first place and going forward without getting some help for doing development, since that's not what the District does, especially on this scale.

Mr. Levinson informed him that Atlantic County wanted to walk away now to limit any future liability they thought could occur and that he knows they are responsible for what's happened to date because they were a member, but as of the date the resolution is adopted they are out of it for any further liabilities or damages that occur.

Mr. Desiderio stated that we've had a great working relationship with Atlantic County and he would like to see them sitting back at the table with us again. However, he has been to a number of these meetings and everything is going good, and sometimes they do get heated, but it looks like we're going to come to some kind of solution and then it changes. He feels that \$858,000 is owed to the District. This District works and has done many great things and will continue to do great things, but he can't go back to Cape May County, his Board or his taxpayers and say he's going to pick up the bill for Atlantic County's share and without this \$858,000, this District is going to be drained. And this staff has done some great things under some unbelievable pressure, which we have all been under for the last 6-8 months. The \$858,000 is the number that keeps us given to us by FSA. The District cannot afford to move ahead without this \$858,000. We want Atlantic County sitting at this table, we want to work with Atlantic County and we don't want them to leave this District, however, there is a responsibility on Atlantic County to give the district the \$858,000.

A discussion ensued about whether the best course of action is for the District to move forward. It included developing the Park ourselves, gladly turning it over if we are reimbursed, the District leasing sites or selling the land lease to a developer.

Bret Bretnall asked if there was any legal basis in which they can acquire the Lease without paying the \$858,000. Paul Baldini responded that since he is brand new to the District, he would need time to review all pertinent information and documents and would get back to the Board in 2-3 weeks. Mr. Desiderio then asked Mr. Dahl if he felt that Atlantic County would be able to wrest control of this Lease from us. Mr. Dahl responded no, SJEDD is the owner of the Lease outright, because we didn't finalize that \$4.2 million; we have the Lease without encumbrances other than federal EDA standard terms for their grant.

Mr. Morey asked what the track of this project was, had Atlantic County still on board. Mr. Dahl explained that it was to follow a developer formula, put the infrastructure in, do a land lease, in whole or in part, on 7 building sites ranging from 40,000 - 72,000 sq. ft., derive a land lease fee for those sites. The District would be the lessor and sublet that land lease to individual developers to build buildings. Mr. Morey asked it was never the intention to transfer this Atlantic County. Mr. Dahl responded that nobody wanted to take on the project. Mr. Morey inquired that since all the Counties were on board, what happened to make Atlantic County unhappy. Mr. Dahl stated

that he's not sure where the unhappiness evolved. Everybody was happy with the design of the building, we went out to bid, and we received bids at the end of January. The number came out very nicely. It was 66,000 sq. ft. and we were going to get \$3 million from CRDA. Then by March 14th, Mr. Dahl and Chairman Desiderio were invited to a meeting by Atlantic County where they were told the SJEDD was supposed to transfer over the Park. When asked who was going to secure financing, it would be ARTP since SJEDD could not secure financing once the Master Lease is out of our hands.

A discussion regarding the unpaid contractors on this project ensued to explain the various issues, such as unacceptable work, conflicts of interest, change orders at the end of contract back billing work, issues not reported. This discussion also addressed the cash flow situation of the SJEDD with and without the \$858,000.

Mr. Dahl expressed his desire for Board approval to start talking to developers as a Plan B. It was discussed that it would be contingent on the \$858,000. Mr. Whelan informed the Board that ARTP has a developer willing to ante up around \$500,000 if we would sign the lease over, however, the developer doesn't have the money and we would have to wait for it.

Mr. Desiderio requested a motion to go after the \$858,000 and not sign over the Master Lease, and to have the opportunity to move forward with looking for a developer. Sam Fiocchi moved to accept and Bill Whelan seconded.

Roll Call Vote on this Motion:

Julie Acton:	Yes
Don Ayres:	Yes
Bret Bretnall:	Yes
Len Desiderio:	Yes
Sam Fiocchi:	Yes
Sandy Forosisky:	Yes
Leslie Gimeno:	Yes
Robert McDade:	Yes
Will Morey:	Yes
Dante Rieti:	Yes
Robert Vanderslice:	Yes
William Whelan:	Yes
Kim Wood: alternate -	Yes
James Zee:	Yes

The motion is carried unanimously.

Mr. Desiderio asked for any other questions or business.

Sandy informed the Board the owner of a site near Route 55 was willing to work with us to donate or sale for a visitor's center at the intersection area of Routes 40 and 55. Mr. Dahl advised that he visited the NJ Turnpike Authority and saw the design for the building at the rest stop near Stockton. He would like to use that design down here rather than pay for another architect design.

Mr. Desiderio informed the Board that the Sunoco at the Ocean View rest stop is working with the Turnpike Authority to build a new rest stop/convenience center at the old Roy Rogers.

Mr. Dahl informed the Board that there are a lot of good things going on with the District that are being overshadowed by this ongoing dilemma with Atlantic County. We are active in every one of the Counties and have been putting in proposals. Wind Turbines project and Unmanned Vehicles are some of the projects really moving forward.

Salem will host the next Board meeting and a date will be decided after the 2011 audit comes out.

A motion was made to have Paul Baldini as District counsel and was approved by the Board.

With no further business to discuss, Mr. Desiderio thanked everyone and the meeting was adjourned.

Respectfully Submitted,

Diana L Schiavo
Chief Operations Officer