



DELAWARE AUDUBON SOCIETY

Chapter of National Audubon
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11/10/14

Lisa A. Vest
Public Hearing Officer
State of Delaware - DNREC
89 Kings Highway
Dover, DE 19901

Dear Ms. Vest,

This letter represents the official comments of the Delaware Audubon Society as it relates to the Coastal Zone Act Permit Application for Green Recovery Technologies (“GRT”) at 42 Lukens Drive, New Castle, DE 19720.

What this nascent start-up company desires to do may be net beneficial for the global environment. Our arguments have nothing to do with this component of their business plan. Further, this is not a so-called “NIMBY” argument where we simply say we like this project, but just not in Delaware.

For Delaware Audubon Society, our arguments against this proposal relates to what we see are multiple flaws that bears closer scrutiny. These flaws are ultimately fatal in our recommendation against this business proposition in our Coastal Zone, they are identified below:

- 1) This company appears to have been given a green light by Delaware’s government in some form or fashion, in advance of their seeking a Coastal Zone Permit. This is nothing short of egregious if accurate and true, and if not accurate, highly questionable.
- 2) The principals of this company represent angel investors that are taking significant precautions to hedge their losses in the event this start up fails for one reason or another.
- 3) The principals of this company have had exposure to other non-related business failings that bear consideration before extending a Coastal Zone Operating permit.
- 4) The business has stated that they have no logistical reason to be close to the Delaware River in terms of refuse management or water considerations, so our recommendation would be relocation outside of the Coastal Zone to where the company is currently headquartered in Greenville.
- 5) The citizens of New Castle have suffered through historical DNREC and DEDO gambles for companies that purport to be green while their waste products and business processes result in tremendous amounts of odor they have been forced to bear.

Each of these arguments is fleshed out below for your consideration:

- 1) Green Recovery Technologies’ representative had mentioned that their ownership group have essentially gambled on getting a Coastal Zone Permit, that there was no direct or tacit approval to go ahead and install their operating equipment in advance of receiving their permit. In the world of venture capital, that is considered extremely foolish (well, let’s call it stupid) to expend funds on leasing or purchasing capital equipment without all the operating permits in hand. Given that the four principals in the business appear to be well educated angel investors with a history of green start up processing

companies, this flies in the face of logic. It is Delaware Audubon's opinion that DEDO must have provided GRT with some measure of comfort, given the exchange of pollution emission reduction credits. If this assertion is true, then as a check on the DEDO, DNREC should deny the permit for this reason alone, or the citizens and environmental groups reviewing this project will ultimately surmise that this was a back door deal done away from the public eye, with your permit hearing appearing to be nothing more than dotting those i's and crossing those t's.

- 2) Before the State should ever allow a business to operate within our sensitive Coastal Zone, it should require a thorough and independent series of background checks be performed on the business history and the principals behind the business proposal. This particular project has multiple flaws that bring into question the services it is going to provide and the location in which they are providing them.
 - a. This unique poultry processing business, at the outset, is not catering to Delmarva chicken processors, but processors from as far away as the Carolinas. That represents the first of many flags. Why would any business, especially a start-up business, increase transportation costs for source materials by establishing their start-up hundreds of miles away from their raw materials?
 - b. Local chicken processors, a major industry in Delaware, when interviewed by the local press have said that they see no current need for this company's services.
 - c. That being said, DEDO, if not DNREC, should consider the principals in any start up business and consider their experience in developing a new venture before ever considering rendering operating permits especially in Delaware's Coastal Zone. There are multiple considerations that the State should evaluate:
 - i. Public or Private Corporation
 - ii. Limited Liability Provisions from LLC's and LLP's
 - iii. Insurance Coverages
 - iv. Business Experience of owners and senior operators
 - v. Background checks on principals
 - vi. Financial wherewithal and size of investment

In the case of GRT, here is what we can glean from public records:

Principals: Kenneth L. Laubsch, Bruce J. Rudin, Seth Neubardt, Peter M. Witherell

Here is what we are able to glean from public filings:

- a) They established an LLC to protect themselves and limit their risk
- b) They sold only \$500k of equity, to 2 investors in August of 2013
<http://form-d.findthebest.com/133227/Green-Recovery-Technologies-LLC>
- c) They have an office at Suite 210 located at 3704 Kennett Pike, Greenville, DE 19807
<http://www.stoltzusa.com/documents/Greenvillepress.pdf>

In terms of biographies, this is what we can see in public search engines:

Kenneth L. Laubsch – Boeing Chief Engineer apparently working on this:

<http://www.isopolar.com/wp-content/uploads/2013/03/Kenneth-Laubsch-presentation-The-SkyHook-HLV-A-Heavy-Lift-Short-Haul-Vertical-Transportation-System.pdf>

Interestingly, he apparently belongs to a club called: "Sustainable Agriculture Investors" on Linked In:

Bruce Rudin: = Spine surgeon at First State Orthopaedics
Seth Neubardt – Spine surgeon at Brain and Spine Surgeons of New York
Peter M. Witherell – Anesthesiologist with SpineCare Delaware

I would imagine that these Spine doctors are friends and fellow investors. Two of the doctors appeared to have interned together at Albert Einstein.

In the world of angel investing, these guys have somehow come together to start this new business, and I would imagine that they have met someone who has the vision for this new business. However, that person seems to be anonymous. Their website doesn't provide an "About us" that would show who their operating officers are and their requisite technical backgrounds. In fact, to further add to that puzzle, they are currently advertising for a Director of Research and Development position. Strikes me as highly odd, in that I would have assumed they had the requisite R&D visionaries on staff.

They are taking a cautious approach. They have floated a larger share proposal for \$5,000,000 but have only put \$500,000 in to-date it appears. That's another red flag.

- 3) In performing background checks on the principals of the business, it appears that Bruce Rudin and Ken Laubsch have both taken recent stabs at launching new businesses seemingly unrelated to their own technical backgrounds. Peter Witherell and Seth Neubardt don't appear to have dabbled into investing outside of their respective medical fields, though Neubardt holds multiple medical patents.
 - a. Bruce Rudin can be found in Delaware apparently starting up another entity with the help of \$600,000 in government loans that appears to have shut down:



The commercialization initiative of the Center has enabled the licensing of a chemical engineering process invented at the university. It has resulted in the formation of Modular Carpet Recycling, Inc. (MCR), a new startup business to exploit an Auburn University technology to recover nylon from used carpets. This business was incorporated in June 2007. The recycling plants will keep waste carpet from going to landfills and produce 99+ % pure nylon; this green technology will reduce the need for crude oil which is the raw material for virgin nylon. About 5 billion pounds of waste carpets are sent to landfills each year. The company has raised about \$3 million in private capital (fully subscribed). *Contact: swamidas@auburn.edu*

Governor Jack Mitchell (Delaware) opens Modular Carpet Recycling Plant in Delaware



From left to right - Bruce Rudin; Alan Levin, Secretary of the Delaware Economic Development Office; Dori Connor, Delaware Senator; Christopher Coons, New Castle County Executive; Ron Simonetti, CEO and founder of Modular Carpet Recycling; Frank Hurd, Chairman of the Carpet America Recovery Effort; Governor Jack Markell

(source: Delaware Economic Development Office)

<http://www.eng.auburn.edu/center/twc/techtransfer/Delaware%20Economic.pdf>
http://dedo.delaware.gov/dedo_pdf/NewsEvents_pdf/press/NewsEvents_pdf_press_2010/MCR_Establishes_Corp_Hdqtrs.pdf
<http://www.cdrecycler.com/cdr-july-august-delaware-is-home-to-new-carpet-recycling-plant.aspx>
<http://www.greentechmedia.com/articles/read/a-new-source-of-oil-old-carpet>
<http://gtp.autm.net/startup/view/122>
https://carpetrecovery.org/wp-content/uploads/2014/04/Ron_Simonett_Presentation.pdf
http://dedo.delaware.gov/dedo_pdf/NewsEvents_pdf/minutes/2011/April25_2011_CDF_Meeting.pdf
http://dedo.delaware.gov/NewsEvents/NewsEvents_stories/NewsEvents_stories_ExpandedProduction.shtml?Stories
<http://www.ecostratesfs.com/about-us.html>

If you follow all the above links, it appears Bruce Rudin must have been an angel investor in this business that is now gone. DEDO has no public reports locatable that reveals a failure to repay the loan. DEDO touts MCR as a success story on their website. However, Ron Simonetti is now at a new venture outside of Delaware and he was the CEO. The address for MCR now reveals a new entity called V & N Corp, and they have no voice mail on their phone line to leave a message. MCR is no longer listed on 239 Lisa Drive. Further, as recently as 2011 it was apparent that MCR was already failing to meet financial targets for their loan and were asking for loan extensions. If there was time to perform a FOIA on DEDO, I believe it would reveal a complete failure of MCR to gain traction here in Delaware and most likely a default on the loan. A cursory look at the Division of Corporations for MCR reveals an expired registered agent, which suggests the entity may have shut down entirely. Their web address on original press releases no longer functions.

We do know that MCR had received a Coastal Zone Permit to operate (CZA 382P) as well.

- b. Ken Laubsch apparently has started up multiple ventures and given that he has more of an investment background than the other three spine doctors, I would imagine he is the CEO for a reason for the new enterprise. He has a very skilled background at Boeing and as noted earlier, belongs to an investment club that focuses on sustainable agricultural startup investments.

The issue for Mr. Laubsch is that in the public record we find another failed entity he has served on the Board of Directors for – Cleanfield Alternative Energy Inc, the parent entity of Cleanfield Energy Corp, a former Toronto Stock Exchange (symbol AIR):

<http://investing.businessweek.com/research/stocks/private/person.asp?personId=102268976&privcapId=234107883>
<https://www.google.com/finance?cid=7655462>
<http://www.bloomberg.com/apps/news?pid=conewsstory&tkr=BA:US&sid=aC83pWmRsdnI>

Through the public SEDAR filing database in Canada, the last public notice from this entity follows:

CLEANFIELD CLARIFIES ITS DEFAULT WITH RESPECT TO ITS CREDIT FACILITY TORONTO, ONTARIO

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February 27, 2013

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On February 22, 2013, the Board of Directors of Cleanfield Alternative Energy Inc. ("Cleanfield" or "Company")

(TSX VENTURE: AIR)

Announced that it had triggered an event of default as defined in Section 8.1(e) of the Trust

Indenture dated July 31, 2008 related to its senior secured debt. Cleanfield's Board passed a resolution on February 22, 2013, to either wind---up or liquidate the

Company and its subsidiary, Cleanfield Energy Corp. This resolution triggered the event of default. Due to
A failed financing commitment; Cleanfield does not currently have any funding options to
Repay the secured credit amount of \$1,475,000, when the credit facility is due in July 2013.
The Debt is secured by a first charge security interest over all the assets of Cleanfield and its subsidiary, Cleanfield Energy Corp. Furthermore, because of Cleanfield's lack of positive cash flows, its inability to secure additional working capital and weakened demand for the
Company's products, the Company is unable to properly operate. Cleanfield is currently in
Discussions with the secured credit facility's trustee who is considering alternatives for the
Company. Cleanfield holds intellectual property and tax loss carryforwards.

Tony Verrelli, the CEO, left in May 2013 shortly after this announcement shutting down the company: <https://www.linkedin.com/pub/tony-verrelli/7/a92/1a9>

- 4) The question here is one of siting. We understand that the angel investors want to limit their risk of investment capital and desire to find inexpensive space along a well-traveled corridor such as I 295 on Lukens Drive. The investors are from the region, which may explain why they want to put this company so far away from their base of raw materials. However, as they have publicly stated that they are in no need of river access for waste management purposes and could set this company up anywhere they can find commercial space, the recommendation Delaware Audubon has would be that if DEDO wants to take a risk in letting this startup company try to build a base of operations in Delaware, that the State of Delaware look to relocate the company towards Greenville where they are currently headquartered on Kennett Pike.

As it stands, the former headquarters of Columbia Gas at 20 Montchanin Road in Wilmington DE is an old office building complex that has served multiple tenants since Columbia Gas moved to Reston Virginia There is currently space to rent there but more importantly, it is an isolated campus that has great access to trucking routes 141, 202 and south to I 95.

- 5) Environmental justice is of critical importance to the citizens of New Castle that align the industrial corridor. These citizens have had to bear the brunt of environmental degradation along the coast line, which led to Governor Russ Peterson fighting for his signature legislation to protect our Coastal Zone with the Coastal Zone Act, the permit for which this new nascent business wants to operate under. It was clear in their rising voices at the recent public testimony that they do not want the risk of further environmental degradation near their homes after suffering through another odorous business which they fought hard to shut down over the last several months. To come at them with another business that may result in additional odors at this time is unfair.

In summary, Delaware Audubon Society requests that DNREC reject the Coastal Zone Permit for Green Recovery Technologies along multiple grounds – lack of business history, lack of business acumen, lack of significant investment, limitation of personal risk, distance to raw materials, closeness to environmental justice communities, and perceptions of back door dealings by the government given the so-called “gamble” by the angel investors on operating floor expansion, equipment acquisition and local government permitting, before obtaining the Coastal Zone Act Permit from DNREC.

Sincerely,

Board of Directors

Delaware Audubon Society