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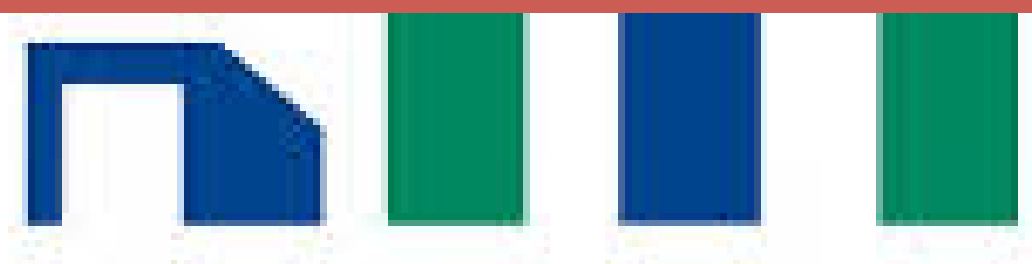
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businesses stymied by the credit gap that dragged on after the 2008 recession, when banks were not lending.

Aug. 25, 2014

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D E C D

State of Connecticut Department of Economic and Community Development

Michelle Stonier and Marcia Lafemina run a small manufacturing company with a proud history and an ambitious agenda.

PennGlobe, which makes street lighting, was ready to expand and market a new product at its North Branford plant that would combine traditional lighting with a security component.

To help them do that, the sisters applied to the Small Business Express program run by the state Department of Community and Economic Development, one of 1,160 businesses to receive loans or grants under this rubric since January 2012.

The bipartisan-approved program, adopted in October 2011, was a way to help small

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Lafemina said PennGlobe got a \$100,000 grant and matched it with \$100,000 of its own money as part of a job-creation incentive program.

PennGlobe is required to maintain its present workforce and its new jobs for at least 12 months. They have done that and are in the process of hiring more help.

PennGlobe is a spinoff component of Pennsylvania Globe Gaslight Co., the original gaslight company in America. The sisters' parents, Ronald and Dorothy Lahner, brought PennGlobe to Connecticut in 1976.

The company designs public lighting fixtures, which are then cast elsewhere and brought back here for assembly.

Once they had secured the patent for their latest product, PennSTAR Intego, an LED lighting fixture with a surveillance camera, Stonier said they needed funds for marketing and to bring on more staff to help with the launch and other products they are thinking of reviving or adding.

They also tapped into the Step Up Program, run under the state Department of Labor, which helps underwrite job training for the unemployed by paying up to \$12,000 for the first six-months they get hired.

Lafemina said since they got their Small Business grant in July 2012, they have added three full-time employees to their 12-person staff, which she said is a big commitment for such a small company.

She described PennGlobe as a “dinosaur” in that it covers 100 percent of medical premiums for its workers; pays for a disability policy and life insurance, provides the highest match allowed for its 401K plan and workers get three weeks vacation.

“It's not a bad little place to work,” she said.

Statewide, the 1,160 businesses that have received funding have committed to create

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As of the end of July, DECD had received payments of \$13.5 million, consisting of \$1.6 million in interest, \$43,402 in late fees and \$11.8 million in principal payments and refunds.

A spokesman for DECD said job audits are conducted 24 months after a contract has been signed, with the majority of companies not yet at that point. Of the 20 that have undergone review, 19 have met or exceeded their commitments, retaining 138 existing positions and creating 120 new jobs, surpassing their goal of 44 by 172 percent.

He said the one company that failed to create the two jobs it had promised will be assessed a \$1,000 per job penalty, but it is not out of compliance with other commitments.

As part of the gubernatorial campaign, where Malloy will again face Republican Tom Foley in November, the Small Business Express has occasionally been part of the discussion.

At a recent campaign stop, Foley said: "Anecdotally, there have been a lot of abuses in the Business Express Program. Some of the more notable ones are in the Hartford area. I think programs that are keyed to increasing jobs can get gamed because people lay people off and then they rehire them and that qualified them for incentives."

Foley couldn't offer specifics on his charges, but one of the most public business failures was the former Ruben's Deli. It had received \$47,500 from Small Business Express when it was changing into Thirty5 Bar and Grille in West Hartford, but that had closed by July 2013 after eight months.

Earl O'Garro Jr., an insurance businessman in Hartford, now facing separate criminal investigations, received a \$100,000 Small Business Express loan and \$26,000 match

in 2012, on which he still owes \$106,000; he also owes \$265,000 on a separate DECD

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was owed on a Mercedes that was confiscated than it was worth. Also, O'Garro's house in Marlborough went into foreclosure, but it has three mortgages totaling more than the 2012 sales price of \$539,000. A second house in Bloomfield is in the process of being foreclosed and the state is working to seize nine bank accounts.

Blanchard said the collection department at the attorney general's office will go after assets to recoup loans that are not paid, in its role of representing state agencies.

Foley said he also thought that there have been "significant default rates already. Certain programs providing credit and other incentives to business do make sense and are good public policy, but not if you don't have the ability to do the due diligence to make sure the policies are being implemented thoughtfully."

Smith took issue with Foley's broad statements on the Small Business Express program.

The default rate, that is, companies that have gone out of business as of the end of June, is 1.55 percent, she said.

"I'm really pleased with that. I came out of financial services. I used to do lending years ago. To have that kind of rate of default is incredibly good. It's early in the program. We are only a couple of years old. Having said that, I'm actually quite proud of how that program has worked," Smith said.

She said of the 1,160 companies in the program, 18 have gone what they term "nonactive," meaning the state does not expect them to meet their obligations for job creation and retention.

Smith said this represents \$465,000 in revolving loan money (3.26 percent), \$2 million in job creation loan money (2.41 percent) and \$628,193 in matching grant

money (1.02 percent) for a total of \$3.1 million, or 1.95 percent. It doesn't mean that

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Smith said to preclude this from happening, each company is required to verify its employee count by submitting its Department of Labor UC-2 and UC-5a filings, which reflect quarterly unemployment contributions and earnings reports, something they must continue to do for two years.

The commissioner said participants in the program are fully vetted.

She said they check with the state revenue department and the Department of Labor to determine if the business is current on unemployment payments and with the towns to check on local taxes due.

Smith said the DECD performs its own due diligence to make sure the firms have the wherewithal to pay back the loan and make the investments they have pledged to do.

“So we do as thorough an underwriting as we possibly can, knowing full well that as any bank would, that it is not going to be 100 percent perfect. We have said from the day we started, we understand that some companies will fail. We wish we knew in advance which ones they were, but it is almost impossible to tell until they have had some experience with us,” Smith said.

She said they work with companies that are having problems, with 27 out of the total number late on their payments.

“In these cases, we often see a catch-up of payments, as soon as a reminder is sent. If a company remains as a going entity, we are able to make adjustments to their repayment schedule or other adjustments to help the company progress,” she said.

The types of companies supported by the grants vary, with SeeFixClick representing the new economy that got a boost in New Haven.

Ben Berkowitz is the co-founder of the web tool used by citizens to report issues to

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He said the company received over \$300,000 from Massachusetts to provide the back-office setup for two towns there, tax money that is now helping Connecticut.

"It's exciting to grow a business in New Haven and support the local economy," he said.

Lafemina, president of PennGlobe, said as part of the grant, her company met a time-sensitive project for the University of Connecticut where it provides all the pedestrian and street lighting for the campus.

A big plus, she said, was the quick response from DECD on the application and help from the staff.

"It is like talking to real people, not like talking to the government," she said.

Lafemina said she makes a point of using local suppliers as a way of giving back, while the state grant helps to expand that. "It comes full circle," she said.

Michael Esposito, who was one of her new hires, coming through New Haven Workforce Alliance, got training on how to run computerized, assisted-design equipment.

"It's the best place I have ever worked," Esposito said, after being unemployed for over a year.

Lafemina said she hopes to grow from a \$2 million company to a \$5 million company in the next few years.

"I really believe we couldn't have gotten this far without these wonderful array of job programs," Lafemina said.

“We have plans. I don't know if I'll live long enough to do it, but we're trying,” she

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companies get back to business,” Smith said.

She said access to capital is better now, but the effects of that recession “are still reflected on many small business financial statements.”

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