

Bucks Prospectus

A Newsletter for
Bucks County's Business & Industry
Communities



In partnership with the Bucks County Industrial Development Authority

PIDA Board Lowers Interest Rates

Rates From 3% to 5.75% Available in Bucks County

In a move welcomed by the Bucks County Economic Development Corporation (BCEDC), the Pennsylvania Industrial Development Authority (PIDA) Board of Directors voted in June to lower interest rates on new PIDA loans to area manufacturers.

PIDA, long the backbone of industrial development in the Commonwealth of Pennsylvania, is a "bricks and mortar" financing program, allowing industrial occupants to finance up to 40%

**3.00 %
PIDA!**

of real estate acquisition, construction, or renovation costs in a second lien position at below-market fixed rates for up to 15 years. Traditionally, PIDA loans are combined with first lien financing through a bank for 50% of the project cost and the borrower provides 10% equity into the project. In return

for the favorable interest rate and minimum equity requirements, borrowers commit to the creation or retention of full-time employment, thus ensuring a steady supply of jobs for Bucks County residents. Since 1958, BCEDC has helped hundreds of Bucks County companies borrow more than \$70,000,000 to finance industrial real estate projects county-wide. More than 16,000 jobs have been created or retained as a result of these projects.

To make the PIDA loan program more attractive in this time of falling market rates, the PIDA Board of Directors voted to adopt recommendations by PIDA's staff to reduce the schedule of interest rates on all PIDA loans approved after July 1, 2001. Following is the new schedule of PIDA interest rates in Bucks County, effective until further notice:

Bucks County	5.75%
Bensalem Twp.	4.25%
Bristol Twp.	4.25%
Enterprise Zone	3.00%
Brownfields Sites	3.00%
Keystone Opp. Zone & Keystone Opp Exp. Zone	3.00%
Advanced Technology Companies	3.00%

Existing interest rates on loans through the Machinery & Equipment Loan Fund (MELF) will continue as is until further notice.

For more information about PIDA financing, contact BCEDC at (215) 348-9031, or by email at loans@bcedc.com.

INSIDE THIS ISSUE:

- 2 Noteworthy News:** Penn SE Mezzanine Fund; PA Budget News;
- 3 The Bottom Line:** *The Quality/Profit Connection: Understanding the Cost of Poor Quality*, by William Krause
- 4 MEP Centers Receive High Marks;** New Development Proposal Increasing in Bucks
- 5 Companies on the Move:** Business Expansions & Relocations, Sales and Leasing Activity in Bucks County
- 6 Welcome New BCEDC Members!**



NOTEWORTHY NEWS

Penn SE Mezzanine Fund Now Available to Customers of All Banks

The Penn SE Mezzanine Fund announced today that it will provide subordinated mezzanine loans to companies in conjunction with senior financing from any bank or commercial lender - no longer with only the Fund's investor banks. Now all banks and commercial lenders can access the Fund's mezzanine financing ("sub-debt") to assist their business borrowers. The only requirement is that a bank or other lender provides a senior loan equal to or larger than the Fund's subordinated loan.

The Fund's mezzanine financing helps banks by making business loans "bankable" - when otherwise there may be insufficient equity, insufficient collateral or too much leverage. Financing transactions typically total \$250,000 to \$5 million, and the Fund provides subordinated mezzanine financing in amounts ranging from \$100,000 to \$750,000.

Contact the Fund at (610) 768-8033, or visit www.mezzfund.com for more information.

Ridge Budget Funds New Technology Authority

Governor Tom Ridge's FY 2001-2002 budget, recently adopted by the Pennsylvania state legislature, provides an appropriation of more than \$56 million to support the newly created Ben Franklin Technology Development Authority (BFTDA). BFTDA merges the missions of the Pennsylvania Technology Investment Authority (PTIA) and the network of Ben Franklin Technology Partners to combine the financing, university research, and special initiative activities developed through the PTIA with the proven investment capabilities and strong technology community relationships of the four regional BFTP Centers (including the Philadelphia-based office serving Bucks County). The new authority will assume the lead role in the Commonwealth's overall technology development strategy.

Bucks County Commissioners Create Department of Community and Business Development

Responding to feedback from the Small Business 2000 conference, held in May 1999, the Bucks County Board of Commissioners has created a new Department of Community and Business Development. The department, led by Vitor Vicente, will oversee all aspects of the former Office of Community Development, including the distribution of Community Development Block Grants. In addition, the department is charged with coordinating the Commissioners' initiatives in economic development with BCEDC and other county-wide agencies actively supporting the local business community.

Small businesses of all types with any concerns related to business development, regulatory issues, transportation, workforce development, or other important issues are encouraged to contact Mr. Vicente at (215) 345-3844.

Bucks Prospectus



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BUCKS PROSPECTUS is the quarterly newsletter of the Bucks County Economic Development Corporation (BCEDC). BCEDC, the official Economic Development Agency for Bucks County, is a nonprofit economic development corporation with a mandate to increase job opportunities for local residents through various programs.

\$\$\$ The Bottom Line \$\$\$

A Regular Feature to Help Your Business Improve Its Profitability

The Quality/Profit Connection: Understanding the Cost of Poor Quality

By William N. Krause



How would you like to improve your company's bottom line? And how would you like to do it without increasing sales or prices? If this sounds too good to be true: read-on.

We all know the old saying "Nothing is Free." Some of you may have heard the saying "Quality is Free," coined by Phillip B. Crosby. While these two sayings seem to be in conflict with each other, I tend to agree with the latter, Quality is Free.

The term "Cost of Quality" is often misunderstood and has been loosely used to refer to those costs associated with the presence of "Quality" or the cost of having a Quality Department. Specifically, the "Cost of Quality" is the cost incurred by:

- a) Investing in prevention of non-conformance to requirements
- b) Appraising a product/service for conformance to requirements
- c) Failure to meet requirements

"Most people feel that all problems are caused by other people. And some people feel that error is inevitable, and employees just don't give a damn about doing good work." These are the kinds of myths that result in American companies spending 15-20 percent of every sales dollar on reworking, scrapping, repeated service, inspections, tests, warranties, and other quality-related costs (Phillip B. Crosby – Quality is Free: ISBN 0-451-62247-2). Consequently, these costs have been absorbed in various departments and functions, and there has never been much interest in defining, collecting, and reporting the true cost incurred as a result of "Poor Quality."

The costs incurred as a result of poor quality can be substantial, and have a direct, negative effect on the profitability of an organization. These costs are buried in a myriad of financial reports that are generated and accepted as a normal part of business. The costs appear as a line item here, a budget line there, or in some cases as a write-off. By the time the financial reports are rolled up to the executive management level, there is little chance of deciphering why net profits are shrinking. Much like financial reporting is used to determine the financial health of

an organization, a Quality Cost reporting system can be used to measure and analyze quality activities, and implement continuous improvement activities in those areas that have the greatest impact on profits. Therefore, any reduction in quality costs will have a direct and positive impact on profits.

Figure 1 below shows graphically the "Cost of Poor Quality" at the Acme Widget Company. The data are derived from an analysis of the general ledger, collecting readily available and identifiable costs. The Acme Widget Company had \$50 million in sales, with 8-10 % net profit: not a bad return. However, Figure 1 shows that 77%, or approximately 2.3 million dollars, of the total estimated cost of poor quality is attributable to either internal or external failures. These are unbudgeted dollars taken directly from the profit line of the operating plan. The net profit could be improved by as much as 50%, by driving these internal and external failures to zero.

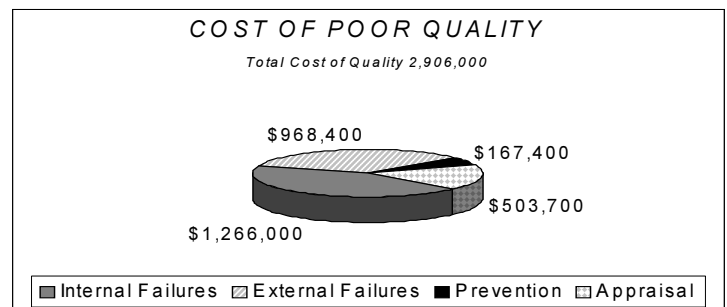


Figure 1

Quality Costs are divided into 4 categories: Internal Failure; External Failure; Prevention; and Appraisal. Below is a brief description of each of the categories:

Internal Failure – All costs associated with defects that are found prior to completion or shipment to a customer.

External Failure – All costs incurred due to defective or suspected defective product or service after delivery to a customer.

Manufacturing Assistance Centers Receive High Marks for Service

The Manufacturing Extension Partnership (MEP) run by the National Institute of Science and Technology (NIST) is paying for itself many times over, according to feedback from 2,942 companies that used the services in 1999. The companies were surveyed to help NIST determine whether individual industrial resource centers are performing up to par.

In the nationwide survey, 63% of MEP clients reported productivity improvement, 71% said their company was more competitive, and 37% said they were able to retain sales that would have been lost. 65% of companies that received services said they reduced costs associated with labor, materials and energy.

In the Philadelphia region, the DVIRC provides MEP services, such as assistance with ISO certification, plant layout, product development, workforce training, and much more.

The industrial resource center in our region is the Delaware Valley Industrial Resource Center, often known as the DVIRC. Mike Renner is the DVIRC's Bucks County Client Manager and is available to meet with your company at no cost to evaluate how the DVIRC can assist you. Contact Mike at (215) 348-9031, ext. 15 or by email at mrenner@dvirc.org for more information.

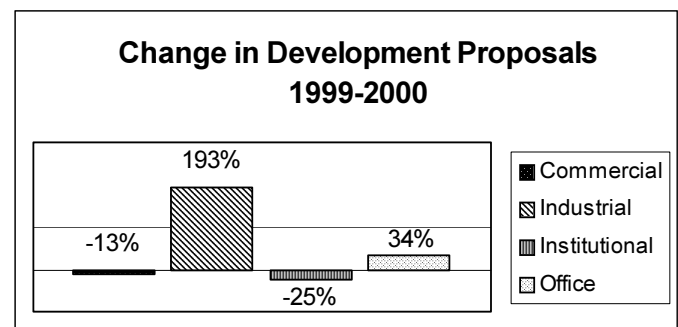
New Development Plans on the Rise in Bucks County

Proposals for new non-residential development (measured in square feet) across Bucks County were up more than 60 percent in 2000, according to the Bucks County Planning Commission.

The Planning Commission, which reviews and comments on all new subdivisions and land development plans, tabulated the change in development proposals from 1999 to 2000 (see chart below).

The largest increase came in the proposals for new industrial space, due to several very large projects with warehouse/distribution facilities of 200,000 to 1 million square feet.

Proposals for new commercial space declined by 13 percent in the same time period.



The Quality/Profit Connection, Continued from Page 3

Prevention – All costs for developing specific activities, programs, or processes designed to make it difficult or impossible for failures to occur.

Appraisal – All costs incurred as a result of the planned appraisal of materials or products to determine compliance with specifications or requirements.

Collection and tabulation of the Poor Quality cost data will provide a snapshot of the overall “Cost of Quality.” At an executive level, this sum total of incurred expenses can be compared with other financial indices (such as total sales dollars) to provide a ratio that can be trended over time. This trended data will provide a performance measurement of the Quality program effectiveness and point to areas where there are opportunities for improvement.

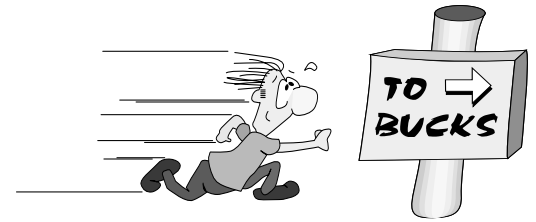
The objective of a Quality Cost reporting and analysis system is to facilitate Quality Improvement efforts that lead to operating cost reduction activities. The strategy for using quality costs is simple:

1. Directly attack failure costs and drive them to zero.
2. Invest in the “right” prevention activities to facilitate improvement.
3. Reduce appraisal costs as results dictate.
4. Continuously evaluate and redirect prevention efforts to achieve further improvement.

These strategies are based on the premise that for every failure there is a root cause, causes are preventable, and prevention is always more economical.

William Krause is a Senior Quality Engineer with Draeger Medical Inc. He is an ASQ Certified Quality Engineer and Quality Auditor with 20 years experience in the field of Product and Quality Assurance.

COMPANIES ON THE MOVE



Bensalem Township

Sale/Partial Leaseback - 2215 State Rd, 151,000 square feet, to **M & M Realty Partners, L.P.** who has leased back approximately 75,000 square feet of space to Schutte & Koerting and will renovate and market the balance of the property for lease. Roddy, Inc.. represented building owner Schutte & Koerting in the sale.

Lease (Renewal) - 500 State Rd, 41,000 square feet, to **Clover Manufacturing, Inc.**, a manufacturer and distributor of men's and women's sweaters. Roddy, Inc. represented Clover Manufacturing, Inc. in the renewal of its lease.

Lease - 774 Haunted Lane, Waters Edge Business Center, 9,000 square feet to **Loray Stationers**, an office supplier relocating from Bristol. NAI Mertz Corporation negotiated the lease for Louis DiEgidio/ Michener Construction Co.

Bristol Township

Lease - Bristol Industrial Park, 300,000 square feet to **Burlington Coat Factory** for a warehouse/ distribution center.

Northampton Township

Lease - 15 Vincent Circle, 16,000 square feet to **Provident Marketing**, whose main facility is in Trevoise and will use this location for the packaging and assembly of general merchandise. Tucker, Inc., represented Joseph Muscara, Inc., the building owner, in the lease negotiation.

Lease - 48F Vincent Circle, 9,900 square feet to **Rumsey Specialty Lighting Inc., t/a Lighting Systems**, a distributor of light bulbs, fixtures and lighting supplies. Tucker, Inc., represented Joseph Muscara, Inc., the building owner, in the lease negotiation. The cooperating broker representing Rumsey was Coldwell Banker Commercial Hearthside Realtors of Newtown.

Real Estate Market Statistics

According to a report issued by the **Trammel Crow Company**, Northeast Metro Division, Bucks County has a 4.9% vacancy rate for industrial building space, one of the areas lowest vacancy rates in the region in the first quarter of 2001. According to the same report, the average rent for industrial space in Bucks County is \$4.61 per square foot. Contact the Trammel Crow office in Conshohocken at 484-530-4600 for more information.

A report from **The Flynn Company**, indicated that the vacancy rate as of April 15, 2001 was approximately 5.6% and the average asking rental rate for all industrial properties in Bucks County was about \$6.08 per square foot. (Warehouse rental rates ranged from \$3.00 to \$5.50 per square foot.) Contact Joe Burns at The Flynn Company 215-561-6565 for more information.

In the office market in the Trevoise/I-95 corridor in lower Bucks County, **CB Richard Ellis** reports an 8.07% vacancy rate with more than 300,000 square feet under construction. Contact CB Richard Ellis at 215-299-3200 for more information.

Welcome New BCEDC Members

John Rhoads, Jr.
A-1 Construction
Construction Management
(610) 409-7830

Philip Sathmary
Expanets
*Converged Voice & Data Solutions, Network
Services, E-Business Development, Call Center
Development & Consulting*
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