

COUNCIL ON DEVELOPMENT FINANCE

March 27, 2017

PUBLIC HEARING 430

THOSE PRESENT:

Mr. Andrew Lubin, Chairman
Honorable Nancy Cook
Mr. Tarik Haskins
Honorable Nicole Poore
Mr. Jack Riddle
Mr. Richard Rowland
Honorable Bryon Short
Honorable Bernice Whaley, DEDO Director
Mr. Cerron Cade, DEDO Deputy Director
Mr. Ken Anderson
Mr. David Archer
Ms. Patty Cannon
Ms. Kimberly Cruz
Mrs. Leilani Decena-Shepherd
Mrs. Christina Dirksen
Mrs. Jodie Green
Mr. Lawrence Lewis, DAG
Mr. Tim McLaughlin
Mrs. Amber Mudri
Mr. David Root
Mrs. Jordan Schulties

ALSO PRESENT:

Del Monte Fresh Produce, N.A., Inc.

Zoltan Pinter, Associate General Counsel
Andrew Pschesang, Vice President of Sales & Operations, North East

Fair Square Financial, LLC

Steve Linehan, CFO
David Tyler, General Counsel and Chief Administrative Officer

St. Andrew's School of Delaware, Inc.

Ann Visalli, Chief Operating Officer
Jaivon Wesley, Assistant Director of Athletics
Geoff Stewart, PFM Group
Ms. Emilie Ninan, Ballard Spahr LLP

First State Community Loan Fund

Vandell Hampton Jr., President and CEO

Clinton Tymes, Technical Assistance Coordinator

Delaware Manufacturing Extension Partnership

Rustyn Stoops, Executive Director

Erin Innes, Office of Management and Budget
Art Jenkins, Office of the Controller General

LOCATION: Buena Vista Conference Center,
661 South DuPont Highway New Castle, Delaware, 19720

TIME: 9:03 a.m.

CALL TO ORDER:

The meeting was called to order 9:03 a.m. by Council Chairman Andrew Lubin, on Monday, March 27, 2017. Mr. Lubin announced that Delaware Innovation Space, Inc. will be postponed to next month. He asked all council members to return the project information packets to DEDO staff.

OLD BUSINESS:

Chairman Lubin asked the Council if there were any recommendations, comments or additions regarding the minutes of the February 27, 2017 Council on Development Finance meeting. Mr. Jack Riddle asked that the minutes reflect that Mrs. Bernice Whaley was not in attendance. Mr. Fred Sears made a motion to approve and Mr. Bryon Short seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

Del Monte Fresh Produce, N.A., Inc. (“Del Monte” or the “Applicant”) – The Applicant is requesting the following grants from the Delaware Strategic Fund: a Performance Grant in the amount up to \$259,000 and a Capital Expenditure Grant in an amount up to \$654,000 to help expand its production operations in Newark, Delaware.

DEDO staff presented the project to the Council. Ms. Kimberly Cruz, DEDO’s Senior Business Financial Specialist, presented the project’s financial analysis. Ms. Patricia Cannon, DEDO’s Director of Intergovernmental Relations and Special Projects, introduced Del Monte’s Zoltan Pinter, Associate General Counsel and Andrew Pschesang, Vice President of Sales & Operations, North East. They both presented the company’s history and business case for the project.

Del Monte is proposing a distribution hub in Delaware because of the state’s prime location to Northeast markets and its close proximity to shipping ports. Mr. Pinter said that it will be the company’s largest flagship distribution center with 300 to 500 local blue collar workers and up to 30-35 management employees. A third party labor staffing company will hire the blue collar employees. Mr. Pschesang stressed that in addition to the hundreds of people they will employ, they will contract workers to maintain the facility and trucks. Also, federal agencies, such as the USDA and FDA, will have offices on the premises. The company purchased the former AstroPower building, which will be titled under the Applicant’s name.

Chairman Lubin called for a recommendation and a motion for Del Monte Fresh Produce, N.A., Inc.'s request for a Performance and Capital Expenditure grants from the Delaware Strategic Fund.

Motion Made By: Mr. Richard Rowland
Seconded By: Honorable Nancy Cook

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, of which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of the following grants from the Delaware Strategic Fund to Del Monte Fresh Produce, N.A., Inc.: a Performance Grant in an amount up to Two Hundred Fifty Nine Thousand Dollars (\$259,000) and a Capital Expenditure Grant in an amount up to Six Hundred Fifty Four Thousand Dollars (\$654,000) to help expand its production operations in Newark, Delaware, contingent upon the approval remaining in effect through and including March 26, 2018.

Approved by vote of 7 to 0.

Fair Square Financial, LLC (“Fair Square” or “FSF” or the “Applicant”) – The Applicant is requesting a Performance Grant from the Delaware Strategic Fund in an amount of up to \$779,025, as the company launches its new operations in Wilmington, Delaware.

DEDO staff presented the project to the Council. Ms. Cannon provided a brief project background, while Ms. Cruz presented the project's financial analysis.

Mr. Steve Linehan, Fair Square's Chief Financial Officer, explained the company's history and business case for the project. Fair Square Financial is a Wilmington, Delaware-based credit card venture focused on serving the near prime segment with competitive credit card products. He said that although the company is a young business, it is backed by a sizable private equity investment, the majority of which is being provided by Pine Brook Road Partners. FSF has assembled a board of directors and management team that have decades of experience in the credit card business. The company began a year ago, and has since grown from 4 to 25 employees. He said the company's operational technology infrastructure, such as its data processing and call center, is outsourced. Meanwhile, the Wilmington-based team focusses on data analytics, data mining, marketing and credit underwriting. He further explained that over time, the company expects to bring the

outsource operations locally. By 2020, they expect to have a staff of 64 in Wilmington.

Mr. David Tyler, FSF's General Counsel and Chief Administrative Officer, added that the people they have hired are former executives who are paid and taxed appropriately. In terms of outsourcing, he said that they may bring operations in, but it depends on the model. He said their company was able to get top tier talents to stay in Delaware as opposed to be lured to companies in New York. He also mentioned the company is looking to build a franchise.

The Council and the Applicant decided to go into executive session at 10:03 am. After executive session, Chairman Lubin called for a recommendation and a motion for Fair Square Financial, LLC's request for a Performance Grant from the Delaware Strategic Fund.

Motion Made By: Mr. Tariq Haskins
Seconded By: Honorable Nancy Cook

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (iv) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Performance Grant from the Delaware Strategic Fund to Fair Square Financial, Inc. in an amount of up to Seven Hundred Seventy Nine Thousand Twenty Five Dollars (\$779,025), as the company launches its new operations in Wilmington, Delaware, contingent upon the approval remaining in effect through and including March 26, 2018.

Approved by vote of 7 to 0.

Mr. Haskins and Senator Poore left the meeting.

St. Andrew's School of Delaware, Inc. ("St. Andrew's" or the "Applicant") - The Applicant is requesting that the Delaware Economic Development Authority (DEDA) act as a conduit issuer of tax-exempt bonds not to exceed \$15,300,000. The proceeds of the revenue bonds (the "Series 2017 Bonds") will be applied to make a loan to the Applicant to:

- (A) currently refund all or a portion of The Delaware Economic Development Authority, Variable Rate Demand Revenue Bonds (St. Andrew's School Project) Series 2002 (the "Series 2002 Bonds"), which (i) originally financed a project consisting of: (a) the construction and equipping of an approximately 21,000 sq. ft. facilities services building, (b) the construction and equipping of an approximately 2,600 sq. ft.

residential unit, (c) the repair, restoration and rehabilitation of other existing facilities of the Applicant, and (d) a portion of the costs of issuing the Series 2002 Bonds; and (ii) refinanced The Delaware Economic Development Authority, Revenue Bonds (St. Andrew's School Project) Series 2000 (the "Series 2000 Bonds) which provided funds for (a) certain renovations to the Applicant's existing kitchen and dining hall facilities and repair, restoration and rehabilitation of other existing facilities of the Applicant, (b) acquisition of land to extend the Applicant's farming/land preservation "buffer zone" and (c) a portion of the cost of issuance of the Series 2000 Bonds;

(B) currently refund the remaining outstanding amount of the New Castle County, Delaware Revenue Bond (St. Andrew's School Project), Series 2008 (the "Series 2008 Bond"), which originally financed or refinanced a project consisting of: (i) the installation of a fire sprinkler system in a 137,000 square foot building located at 200 Founders Drive, Townsend, DE (the "Building") which is on the Borrower's campus, 350 Noxontown Road, Middletown, New Castle County, Delaware; (ii) the upgrading or replacement of the infrastructure of the Building including, but not limited to, the electric, plumbing, HVAC, fire notification and security systems; (iii) the removal of asbestos from the Building; (iv) the replacement of the roof at the Building including valleys, flashing and gutter system; (v) repairs to chimneys and masonry on the Building; and (vi) the costs of issuing the Series 2008 Bond; and

(C) pay the costs of issuance of the Series 2017 Bonds.

The project is owned and operated by the Applicant.

DEDO staff presented the project to the Council. Mr. David Archer, DEDO's New Castle County Business Development Leader, provided background on St. Andrew's as well as highlighted the business case for the project. Ms. Cruz presented the school's financial analysis.

Ms. Emilie Ninan, Partner of Ballard Spahr, LLP, introduced herself as bond and borrower's counsel for the project. She explained the school qualifies for tax-exempt bonds to be issued by DEDA. She stated that DEDA issued bonds for the school in 2000, 2002 and 2010. She stressed that the purpose of the bond is for savings and not to secure new money for projects. Ms. Ninan explained that as a conduit the bonds are not backed by the full faith and credit of the state or the Authority. She said the bonds are issued purely on the credit of the school and will not be rated. She mentioned that St. Andrews has 2010 bonds that are outstanding.

Chairman Lubin called for a recommendation and motion for St. Andrew's School of Delaware, Inc. request for tax-exempt bonds.

Motion Made By: Mr. Richard Rowland
Seconded By: Mr. Jack Riddle

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to

the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority (DEDA), approval of the request that DEDA act as a conduit issuer for St. Andrews School of Delaware for tax-exempt bonds not to exceed Fifteen Million Three Hundred Thousand Dollars (\$15,300,000), contingent upon the approval remaining in effect through and including March 26, 2018.

Approved by vote of 5 to 0.

First State Community Loan Fund ("First State" or "FSCLF" or the "Applicant") – The Applicant is requesting a Delaware Strategic Fund grant in an amount of up to \$40,000 to support its technical assistance programs, the Women's Business Center (WBC) and the Delaware Hispanic Business Development Program (DHBDP).

Mr. Richard Rowland abstained from any action related to the project.

DEDO staff presented the project to the Council. Mr. Ken Anderson, DEDO's Director of Entrepreneurial & Small Business Support and Business Development, provided the project background and business case, while Mrs. Jordan Schulties, DEDO's Director of Capital Resources, presented the project's financial analysis.

Vandell Hampton Jr., FSCLF's President and CEO, explained to the Council its history and various lending programs. Meanwhile, Clinton Tymes, FSCLF's Technical Assistance Coordinator, described the company's Women's Business Center and Delaware Hispanic Business Development Program.

Chairman Lubin called for a recommendation and motion for First State Community Loan Fund's request for a Delaware Strategic Fund grant.

Motion Made By: Mr. Jack Riddle
Seconded By: Honorable Nancy Cook

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the

applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund grant to Delaware Manufacturing Extension Partnership in an amount up Three Hundred Twenty Eight Thousand Seven Hundred Fourteen Dollars (\$328,714), which represents \$302,400 to match the amount of federal support and an additional \$26,314 to support its operations. The Applicant proposes to use the funds to continue to provide technical and business assistance to Delaware's small-to medium sized firms through on-site assistance and identifying, transferring and implementing best practices and technologies, contingent upon the approval remaining in effect through and including March 26, 2018.

Approved by vote of 5 to 0.

ADJOURNMENT

The meeting adjourned at 11:04 a.m.

Respectfully submitted,
Leilani Decena-Shepherd, Portfolio Administrator
LDS

cc:
Members of the Council on Development Finance
Cerron Cade, Acting Director
Lawrence Lewis, DAG