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December 10, 2020

Ms. Donna J. Brown
Clerk of the Prince George's County Council
County Administration Building
14741 Governor Oden Bowie Drive
2nd Floor
Upper Marlboro, Maryland 20772

Dear Ms. Brown:

Pursuant to Section 10-287 (e) of the Prince George's County Code, on behalf of Acting Chief Administrative Officer, Tara Jackson, I wish to notify the County Council of the Administration's intent to award financial assistance from the Economic Development Incentive Fund (EDI Fund) to support the expansion of Giant Food LLC's headquarters in Landover, Prince George's County, Maryland.

Project details are as follows:

Borrower Name:	Giant Food LLC	
Project Name:	Giant Food in Landover	
Project Address:	8301 Professional Place Landover, MD 20785	
Purpose:	Reimbursement of eligible project costs including leasehold improvements and purchase of furniture, fixtures, equipment for the office space.	
Loan Amount:	\$250,000 Conditional loan	
Loan Terms:	3%, 10-year term 10 Year Amortization	
Total Project Cost:	\$2,431,000	
Project Financing Structure:	EDI Fund	\$250,000
	MEDAF	\$250,000
	Owner's Contribution	\$1,931,000
Use of Proceeds:	Leasehold Improvements	

Conditions:

Borrower to provide evidence that it leases approximately 87,496 s/f of space at the project site for a term not less than 7 years, including lease extensions. This requirement has been satisfied.

The borrower will have directly expended \$400,000 of eligible project costs at the project site, not otherwise reimbursed by the Landlord or other third party.

The borrower will provide satisfactory evidence that it employs at least 250 full-time employees at the project site.

Collateral: Irrevocable Standby letter of credit in the amount of \$250,000 required for the life of the loan. If all conditions and performance criteria are met at the end of 7 years, collateral will be released. An assignment of the existing lease is required.

Collateral Coverage: 100%

Jobs: 250 full-time jobs retained, and 70 new jobs to be created.

Leveraging: \$250,000 EDI Fund conditional loan assists in leveraging \$250,000 in a MEDAF conditional loan and \$1,931,000 of owners' equity into \$2,431,000 million leasehold improvements.

LSMBE: Commitment to 35% of furniture, fixtures, equipment and leasehold improvements costs/purchases through an LSMBE and 36% (25 county residents/70 new employees) of new jobs will be held by County residents.

Project Location: Project is in the developed tier Gateway community, Revitalization Area, State Sustainable Community, and State Priority Funding Area within Prince George's County.

Economic impact: Resource Allocation Model (RAM) estimates a Net Present Value of \$484,554 in local tax receipts for this project. RAM shows a break-even point of 0.49 years using a 3% discount rate.

Note: The EDI Fund Conditional Loan Transaction Summary is attached and incorporated by reference into this letter.

Company Background: FSC First reports that Giant operates 163 supermarkets in Maryland, Virginia, Delaware, and the District of Columbia. Giant is a Brand of Ahold Delhaize USA, whose parent company is Ahold Delhaize of the Netherlands. Ahold Delhaize USA supports six separate brands - Stop & Shop, Food Lion, Hannover, Giant Food Stores/Martin's, Giant Food, and the e-commerce grocery delivery service Peapod. Combined Ahold Delhaize USA supports over 201,000 associates in 23 states and the District of Columbia. Currently Giant Foods leases approximately 56,556 square feet of space in the existing Landover location near the New Carrollton Metro Station, where it operates its headquarters and corporate offices.

As the operating company would be responsible for repayment of conditional debt if warranted, it is important to reflect upon their direct results on a local level. Giant Food, LLC, Giant of Maryland LLC, Giant Delivery LLC are all considered “disregarded limited liability companies”. A disregarded entity is a business that is separate from its owner which elects to be disregarded as separate from the business owner for federal tax purposes. These three entities are all considered either a subsidiary or a parent subsidiary-controlled group such as Ahold U.S.A., Inc. Ahold Delhaize America Holding, Inc. is the United States consolidated parent company which files a tax return including all operating results from all subsidiaries capturing all brands. An interim period financial statement for Giant of Maryland, LLC was not available, as those results are included in the United States segment of the publicly traded company. The publicly traded company in Netherlands, Koninklijke Ahold Delhaize, N.V. has provided 2nd Quarter financial results ending June 2020 for the United States reflecting sales up by 20.6% compared to the same period of time in the prior year, driven by an increase from online grocery sales and COVID-19.

The Project: The Economic Development Corporation (EDC) reports that it has been working with Giant Food to secure its retention and expansion in the County since 2018. EDC states that Giant Food LLC wishes to expand its local sales and merchandising operations into approximately 31,000 s/f adjacent to the property location at 8301 Professional Place, Landover, Maryland 20785. Giant currently leases 56,556 s/f at 8301 Professional Place, which houses the corporate headquarters through an affiliate, The Stop & Shop Supermarket Company, LLC. In 2004 this subsidiary was integrated from Ahold U.S.A., Inc to Giant Food, LLC. The proposed project will allow Giant Food to grow its sales and marketing operations by expanding their existing leased location by 30,940 s/f in the eastern part of the building for a total of 87,496 s/f. This includes 331 parking spaces, complete leasehold improvements valued at \$776,000, and the purchase of \$1,655,000 of furniture/fixtures/equipment, for total project cost of \$2,431,000. Approximately \$1,931,000 or 79.4% will be derived from borrowers’ expenditures towards eligible project costs. EDI Funds and State of Maryland (MEDAF) are providing \$250,000 (10.3%) each, to be used to reimburse expenditures towards eligible project costs including leasehold expenses. The company currently has 250 full-time employees and has committed to hire 70 new full-time employees for the sales and marketing team within the first year of expansion.

EDC places great value on the importance of this transaction to Giant Food’s ability to make business decisions locally, rather than from an out-of-state centralized Ahold Delhaize USA location. This should result in Giant being more responsive to local Prince George’s County communities. For instance, Giant Food announced recently its plans to replace its dated Ft. Washington store with a brand-new store as part of a new retail complex. EDC is also aware that Giant Food has been aggressively targeting several Shoppers Food Warehouse stores that were designated for sale by that brand’s corporate leadership, and that Giant remains extremely interested in making those acquisitions.

Financial Analysis: FSC First reports Giant Food LLC had historically flat revenues between the years of 2017 and 2018. In 2019, revenues increased by 3.83% due to the growth of consumer online sales with expanded pickup/delivery options. Other income consists of net interest, gross rents, and net gains/losses. As noted above, the parent company reported sales increases exceeding 20% in the 2020 Covid-19 economy, reflecting nationwide stay-at-home orders, restrictions on restaurants, the teleworking environment, and similar pandemic caused lifestyle changes.

According to FSC First, Giant Food LLC’s operating expenses are stable. The largest operating expenses are salaries/wages (11% of revenues), rents (2%), depreciation (2%), advertising (1%), and utilities (1%).

FSC First reports that revenue for the supermarket and grocery store industry “has grown over the five years to 2020, benefiting from a strengthening economy”. FSC noted that “as per capita disposable income has increased, many consumers have shifted to premium, organic and all-natural brands, helping

lift industry revenue. Over the next five years to 2025, industry revenue is anticipated to grow steadily, resulting from rising discretionary income and consumer preferences. As health concerns intensify, more consumers will likely seek all-natural and organic products.” This last point appears consistent with many of the priorities of the County Executive and County Council.

It is noted that the industry is experiencing “intensifying competition from alternative retailers”, such as warehouse clubs and supercenters. Also, “shifting demographics are anticipated to significantly influence the industry over the next five years”, as millennials have emerged as the most populous generation in the United States, with this generation considered more “health conscious and value driven.” Premium private label brands have become more popular among the millennial generation. Along with all grocery brands, Giant will need to be aggressive in staying abreast of these industry changes.

Recommendations: The EDC has endorsed Giant’s sales and merchandising expansion project and EDI Fund conditional loan. As an expansion project, this will promote economic development and growth of the Prince George’s County economy. The project will create new jobs for County residents, broaden the commercial tax base, and strengthen a now locally based corporation.

FSC First states that the project meets key eligibility factors for the EDI Fund, including assisting in the creation and retention of jobs, broadening of the commercial tax base and leveraging private investment dollars. FSC First is confident that based on maturity of the business, years within the industry, collateral, addition of jobs to Prince Georges County residents, historical financial performance of the borrower and strength of affiliate parent/subsidiary companies, this project will be an added asset to Prince George’s County.

The EDI Fund Transaction Summary, prepared by FSC First, and signed by Financial Advisory Committee (FAC) Acting Chair Timothy Sanders is attached.

Conclusion: For these reasons, we are pleased to endorse this EDI Fund conditional loan to support the sales and merchandising expansion project of Giant Food LLC. This EDI Fund conditional loan adds and retains jobs, increases County tax revenues and the County’s commercial tax base and meets multiple additional economic development priorities of Prince George’s County and the goals and requirements of the EDI Fund statute.

Please do not hesitate to contact me should you have any questions.

Sincerely,

David S. Iannucci

David S. Iannucci
President & CEO
Prince George’s County Economic Development Corporation

Attachment:

EDI Fund Conditional Loan Transaction Summary

cc: Tara Jackson, Acting Chief Administrative Officer
Angie Rogers, Deputy Chief Administrative Officer
Stanley Early, Director, Office of Management and Budget
Shelly Gross-Wade, President and CEO, FSC First
Stephen J. McGibbon, Director, Office of Finance
Robert William, Jr., Council Administrator, County Council
William Hunt, Deputy Council Administrator, County Council
Rhea Harris, Legislative Director
Sean Dixon, Deputy County Attorney

**ECONOMIC DEVELOPMENT INCENTIVE FUND
PRINCE GEORGE’S FINANCIAL SERVICES CORPORATION**

CONDITIONAL LOAN – TRANSACTION SUMMARY

Date: 11/18/2020
Underwriter: Brenda Billington

Company Name(s): Ahold Delhaize America Holding, Inc.
Ahold U.S.A, Inc.
Giant Food LLC
Giant Food of Maryland LLC
Giant Delivery, LLC

Project Name: Giant Food in Landover

Website: www.aholddelhaize.com
Company Contact: Diane Ridenour, Director
Tax Planning & Projects

Project Address: 8301 Professional Pl
Landover, MD 20785

District #: 4
Type of Business: Grocery/Food Distribution
Entity Type: LLC
Loan Request: \$250,000

Loan Type: EDI Conditional Loan

Leasehold: Yes No

Program Purpose: Assist in Retention/Creation of Jobs: Yes No
Projected Jobs Created: Yes No **70 – FTE in Year 1.**
Promotes local, small or minority business: Yes No
Located in developed tier or gateway community: Yes No
Located in a Revitalization Area: Yes No
Located in a State Sustainable Community: Yes No
Located in a State Priority Funding area: Yes No
Special Assistance for Local Entrepreneurship Qualified: Yes No
Economic Development Corporation Recommendation to Fund: Yes No

Corporate Overview/Project Summary:

Koninkilijke Ahold Delhaize is one of the world’s largest food retail groups, leader in supermarkets and e-commerce located in the Netherlands; which is the global parent to Ahold Delhaize America Holding, Inc.

Ahold Delhaize America Holding, Inc. is the United States consolidated parent company which holds 100% ownership of Ahold U.S.A. Inc and Giant Food, LLC.

Ahold U.S.A., Inc. is a member of the United States consolidated group Ahold Delhaize American Holding, Inc. This Company holds several supermarket branded chains including Stop & Shop with 413 stores, Food Lion with 1,029 stores, Giant Martin's with 186 stores, Hannaford with 182 stores, Giant with 163 stores and the Peapod e Commerce delivery system. Combined this entity supports over 201,000 associates in 23 states and the District of Columbia.

Giant Food LLC (Borrower) is a single member limited liability company incorporated in 2000 which directly owns, operates, and employs the workforce for the Giant Food supermarket brand. This company is wholly owned by Ahold U.S.A., Inc. The company currently leases 56,556 s/f at 8301 Professional Place in Landover, MD which houses the corporate headquarters through an affiliate, The Stop & Shop Supermarket Company, LLC. It should be noted in 2004 this subsidiary was integrated from Ahold U.S.A., Inc to Giant Food, LLC. The proposed project will allow the company to grow their sales and marketing operations by expanding the square footage of their existing leased location by 30,940 s/f in the eastern part of the building for a total of 87,496 s/f including 331 parking spaces, complete leasehold improvements for \$776,000 and purchase of furniture/fixtures/equipment to outfit the office space for \$1,655,000 for total project cost of \$2,431,000. Approximately, \$1,931,000 or 79.4% will be derived from borrowers' expenditures towards eligible project costs including leasehold improvements, purchase of furniture, fixtures, and equipment. EDI and State of Maryland (MEDAF) are financing \$250,000 (10.3%) each which will be used to reimburse expenditures towards eligible project costs including leasehold improvements (see sources/uses). The company currently has 250 FTE employees with plans to hire 70 FTE employees within the first year of expansion for the sales and marketing team by the end of 12/2020.

An amended lease dated 12/19/2019 between METRO EAST LLC (Landlord) and The Stop & Shop Supermarket Company, LLC was provided to include the additional square footage, rent for the additional space only is \$630,557.16 annually/\$52,546.43 monthly. The existing rent is \$1,102,182.48 annually/\$91,848.54 monthly. The combined total is \$1,732,739.64 annually/\$144,394.97 monthly, which the Company has more than enough cash flow available to absorb. The new term is from 12/19/2019 with a 10-year term expiring on 12/19/29 with two renewal options of 5 years. This is a triple net lease. Provided the tenant is not in default under the lease beyond any applicable notice and cure periods base rent for the **expansion premises only** shall be abated for the first 10 months following the expansion premises commencement date. Landlord did provide allowance for "test fit allowance" to ensure the expansion premises scope of work was correct at \$0.12 per rentable s/f which was to be reimbursed directly to the architect. Landlord at their own cost/expense made the following improvements to the building: (i) ensure that all light fixtures on the exterior of the building and parking lot are in working order, with replacement bulbs if needed. (ii) remove wallpaper from front stairwell and paint standard color (iii) replace carpet in stairwell with standard carpet (iv) install security cameras along the perimeter of building in locations recommended by Landlord's vendor and mutually agreed upon; (v) repair roof leaks in front vestibule of building/kitchen cafeteria area; (vi) restripe/repair parking lots on east side of building and (vii) replace toilet fixtures in restrooms. All landlord and leasehold improvements have been completed.

Giant of Maryland, LLC (www.giantfood.com – Operating Company) is a single member limited liability company incorporated in 1999 wholly owned by Giant Food, LLC. This entity operates 163 supermarkets in Maryland, Virginia, Delaware, and the District of Columbia. Included within the 163 stores are 154 full-service pharmacies. Giant opened their first supermarket in the District of Columbia in 1936 and operates their business with a single goal in mind to deliver unmatched selection, quality, value and service. With flexible options and convenient solutions Giant Food fits all the ways today's busy consumers want to shop – whether in store, via Giant

pickup, or home delivery. At Giant, local is a commitment, not just a label. Each of their local products represents the cities and communities they are proudly part of Giant serves approximately 2.6MM customers weekly.

Giant Delivery, LLC is a single member limited liability company incorporated in 2018, wholly owned by Giant Food, LLC for the purpose of delivery of groceries from the Giant brand.

Economic/Community Impact: The company plans to increase their workforce by committing to 70 FTE associates with an average yearly salary of \$76,000 to expand their sales and marketing operations by 12/31/2020. The type of positions is managerial, analytical and clerical. Additionally, approximately 20-25 jobs will be filled by County residents.

Giant has a commitment to the communities where they are located donating \$960K and over 5 million pounds of food to Feeding America food bank partners including: Capital Area Food Bank, Maryland Food Bank, Food Bank of Delaware, Fredericksburg Regional Food Bank and Blue Ridge Area Food Bank. The monetary donation that Giant donates to each food bank was used as grants to support fighting child hunger.

The community will benefit by (i) retaining existing industry and commerce in the County; (ii) creating new jobs for county residents; (iii) broadening the local tax base, particularly the commercial tax base; (iv) promoting economic development and the growth of the County particularly in a developed tier; (v) encouraging transit oriented development as the project is within a half mile from the New Carrollton Metro Station; and (vi) encouraging a balanced local economy. The company has committed to 35% of furniture, fixtures, equipment and leasehold improvements costs/purchases will be through an LSMBE and 36% (25 county residents/70 new employees) of new jobs will be held by County residents. The Company will use best efforts to use Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore for its shipping, transportation; utilize Maryland contractors for leasehold improvements, construction or renovation of the project site. Resource Allocation Model (RAM) estimates a Net Present Value of \$484,554 in local tax receipts for this project. RAM shows a break-even point of 0.49 years using a 3% discount rate.

LOAN NARRATIVE – LOAN APPLICATION TERM SHEET

Loan Amount: \$250,000

Purpose: Reimbursement of eligible project costs including leasehold improvements and purchase of furniture, fixtures, equipment for the proposed office space.

Terms: EDI
Rate: 3.0% per annum, compounding monthly, accrual to begin upon disbursement.

Term: 10 Years

Amortization: 10 Years

Estimated

Payment: Interest payments will be deferred, and payment thereof subsequently forgiven if Borrower meets conditions and performance measures for forgiveness set forth herein.

Sources & Uses:

Use of Proceeds	EDI - FSC First	Owner's contribution	MEDAF	Total Project
Land & Building	\$ -	\$ -	\$ -	\$ -
Construction	-	-	-	-
Leasehold Improvements	250,000	276,000	250,000	776,000
FF/E	-	1,655,000	-	1,655,000
Inventory	-	-	-	-
Accounts Payable	-	-	-	-
Business Acquisition	-	-	-	-
Refinance Debt	-	-	-	-
Working Capital	-	-	-	-
Other (list)	-	-	-	-
Total	\$ 250,000	\$ 1,931,000	\$ 250,000	\$ 2,431,000
Percent of total, per funding source	10.3%	79.4%	10.3%	100.0%

Other financing terms:

- Maryland Economic Development Assistance Fund Loan (MEDAF) will fund \$250,000 @3% with a term of 10 years; towards reimbursement of eligible project costs towards the expansion on site located at 8301 Professional Place, Landover, MD 20785. Eligible project costs may include leasehold improvements, purchase and installation of machinery/equipment. All principal and interest would be deferred over the term of the loan. In the event that all of the performance criteria of the loan are met over the term, all outstanding principal and accrued interest would be forgiven at the end of the loan term. In the event of any performance criteria are not met, the loan would be repayable as described under conditions. The loan would be disbursed for up to 70% of on-site incurred eligible project costs. Guarantor(s) and collateral have yet to be provided for Commerce's portion of the transaction.
- Prior to disbursement of loan proceeds, borrower will have directly expended at least \$400M of eligible project cost at site, not otherwise reimbursed by the Landlord or other third party; and Borrower to provide evidence and documentation satisfactory to Lender of capital expenditures totaling \$1,931MM by 12/31/20. This may include invoices, quotes, contracts, canceled checks to third parties, wire(s) etc.

Collateral: An irrevocable Standby letter of credit in the amount of \$250M will be required for the life of the loan. The proposed conditional loan is fully collateralized. If all conditions and performance criteria are met at the end of 7 years, collateral will be released. Further, an assignment of the existing lease is required.

Guarantors: As the parent company and subsidiaries are (i) publicly traded existing businesses (ii) all reflect strong financial performance with strong cash flow available to finance the project without EDI assistance and management thus there will be no corporate guarantees.

Conditions prior to disbursement(s):

- Borrower to provide evidence that it leases approximately 87,496 s/f of space at the project site for a term not less than the term of the loan (7 years), including lease extensions. This requirement has been satisfied.
- The borrower will have directly expended \$400,000 of eligible project costs at the project site, not otherwise reimbursed by the Landlord or other third party.
- The borrower will provide satisfactory evidence that it employs at least 250 FTE employees at the project site.

Performance Criteria:

1. The Borrower will employ at least 250 permanent FTE employees at the project site and retain at least that amount for the term of the loan.
2. The Borrower will employ at least 320 permanent FTE employees (250 original employee count plus 70 new employees) at the project site by 12/31/20 and retain at least that amount for the remaining term of the loan.

Full-time employment will be measured annually as of 12/31 of each year, with employment reports due to the department by 1/31 of the following year with the first reporting beginning on the first 12/31 following disbursement. The Company will initially provide an employment report prior to closing and disbursement of the loan.

Full time employment means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage, as adjusted from time to time, and is eligible for an employer subsidized health care benefits package. A new permanent full-time position at the project site would be a net new position to the State and would not include movement of existing company employees at other locations in the State, or employees of a company acquired after this date, if the employee's place of employment immediately before the acquisition was elsewhere in the State.

"Permanent" means that the employee is on the payroll of the company and not employed under a contract relationship.

3. The borrower will invest or cause to be invested at least \$1,931,000 at the project site by 12/31/20.
4. The borrower will maintain its headquarters and corporate office operations at the project site for the term of the loan.

5. The borrower will remain in compliance with the terms of the County's incentive as described above during the term of the loan.
6. Financial reporting is required including annual corporate tax returns from Giant of Maryland, LLC.

Conditions for forgiveness:

- (A) If at any time after 12/31/20 the Borrower does not meet performance criteria number 2 above, the borrower will repay a pro rata portion of the principal (\$2,414.02) plus the associated portion of accrued interest for each position less than 320.
- (B) If the borrower does not meet performance criteria for numbers 1, 3, 4, or 5 above all principal and accrued interest under the loan will be repaid.
- (C) The loan will close and be fully funded by 12/31/20.

Income Statement Summary:**Giant of Maryland, LLC**

\$ Millions				
	2017	2018	2019	2020
	Tax Return	Tax Return	Tax Return	Projected
	Accrual	Accrual	Accrual	
Sales	\$5,506,019,028	\$5,478,339,093	\$5,688,099,076	\$ 5,688,099,076
COGS	\$3,973,582,545	\$3,928,641,868	\$4,039,908,639	\$4,095,431,335
Gross Profit	\$1,532,436,483	\$1,549,697,225	\$1,648,190,437	\$ 1,648,190,437
Operating Expenses	\$1,588,317,774	\$1,498,178,574	\$1,588,905,235	\$ 1,594,225,235
Total	\$ (55,881,291)	\$ 51,518,651	\$ 59,285,202	\$ 53,965,202
Other Income	\$ 40,144,098	\$ 48,106,865	\$ 42,866,218	\$ 42,866,218
NOI	\$ (15,737,193)	\$ 99,625,516	\$ 102,151,420	\$96,831,420
Plus:				
Depreciation/Amortization	\$ 281,492,087	\$ 231,759,876	\$ 230,457,453	\$ 230,457,453
Interest	\$ 12,062	\$ 76,439	\$ 309,042	\$ 309,042
Extraordinary Gain/Loss	\$ (3,307,994)	\$ (672,120)	\$ (1,264,604)	\$ (1,264,604)
Cashflow for Debt Service	\$ 262,458,962	\$ 330,789,711	\$ 331,653,311	\$ 326,333,311
Existing/Proposed Debt	\$ 650,907	\$ 650,907	\$ 650,907	\$ 1,281,464
Debt Service Ratio	403.22	508.20	509.53	254.66%

Comments: The historical financial analysis is based upon tax returns on an accrual basis for Giant of Maryland, LLC, Operating Company. This entity operates 163 supermarkets in Maryland, Virginia, Delaware and the District of Columbia. As the OC would be responsible for repayment of conditional debt if warranted, it is important to reflect upon their direct results on a local level. It should be noted, Giant Food, LLC, Giant of Maryland LLC, Giant Delivery LLC are all considered disregarded limited liability companies. A disregarded entity is a business that is separate from its owner which elects to be disregarded as separate from the business owner for federal tax purposes. These three entities are all considered either a subsidiary or a parent subsidiary-controlled group such as Ahold U.S.A., Inc. Ahold Delhaize America Holding, Inc. is the United States consolidated parent company which files a tax return including all operating results from all subsidiaries capturing all brands. An interim period financial statement for Giant of Maryland, LLC was not available, as those results are included in the United States segment of the publicly traded company. The publicly traded company in Netherlands, Koninklijke Ahold Delhaize, N.V. has provided 2nd Quarter financial results ending June 2020 for the United States reflecting sales up by 20.6% compared to the same period of time in the prior year driven by an increase from online grocery sales and COVID19. The company has invested in personal protective equipment, safety measures, they are working with supply chain vendors to ensure prompt restocking and enhancing their digital capabilities to remain competitive in the online marketplace through Peapod.

Positive sales trend: Historically revenues remained flat between the years of 2017 and 2018. In 2019, revenues increased by 3.83% due to the growth of consumer online sales with expanded pickup/delivery options. Other income consists of net interest, gross rents, and net gains/losses.

Positive gross margin trend: The cost of goods sold consists of purchases, trade discounts, vendor allowances, loss/damage expense, inventory reserve, shrinkage and LIFO (last in first out) reserve. The cost of goods sold averages 72% of revenues resulting in gross profit of 28% through all periods analyzed which exceeds the RMA industry average of 24% for gross profit.

Operating expenses are stable: The largest operating expenses are salaries/wages (11% of revenues), rents (2%), depreciation (2%), advertising (1%) and utilities (1%). OPEX has averaged between 27%-28% of revenues in 2018 and 2019 respectively. However, in 2017, there was a rise in depreciation for \$117,024,693 (2%) compared to \$76,179,363 (1%) in 2018 due to the addition of qualified property placed in service during the tax year and MACRS (accelerated depreciation). Other miscellaneous expenses is reported for \$281,492,087 (5%) in 2017 compared to \$231,759,876 (4%) in 2018 mostly attributed to the inclusion of restricted stock which led to a net loss during that year. The projected operating expenses include salaries for 70 employees with an average salary of \$76M.

Net profit on upward or stable trend: With the exception of 2017, net profits have averaged 2% of revenues which exceeds the RMA industry average of 1.70%.

Existing/Proposed debt schedule:

DEBT SCHEDULE									
Date:	12/31/2019								
Creditor	Original Debt Amount	Original Date	Outstanding Balance	Interest Rate	Monthly	Annual	Maturity	Collateral	Status
					Payment	Payment			
Maryland Economic Development Assistance Fund	\$ 250,000	11/30/20	\$ 250,000	3.00%	\$ 2,414	\$ 28,970	11/30/2030	Unsecured	Pending Approval
Morgan Stanley	\$ 8,000,000	3/21/11	\$ 6,807,329	5.83%	\$ 47,000	\$ 564,000	4/10/2021	Unsecured	Current
Total	\$ 8,250,000		\$ 7,057,329		\$ 49,414	\$ 592,970			
TOTAL DEBT OUTSTANDING:	\$ 7,057,329				\$ 49,414	\$ 592,970			

As reflected above, there is more than enough capacity to repay the proposed debt. The proforma debt includes the additional lease expense for the expansion.

Balance Sheet summary:

BALANCE SHEET	2017	2018	2019
Total Assets	\$ 2,904,934,458	\$ 2,109,978,828	\$ 343,424,487
Total Liabilities	\$ 3,282,782,519	\$ 2,376,253,946	\$ (811,639,793)
Equity	\$ (377,848,061)	\$ (266,275,118)	\$ 1,155,064,280
Liab. + Equity	\$ 2,904,934,458	\$ 2,109,978,828	\$ 343,424,487

Comments: As of 12/31/19, total assets are \$343,424,487 mostly consisting of accounts receivable, inventory, fixed assets (net property/equipment), and other long-term assets. Due to operations being included in the consolidated parent company, accounts receivable/payable aging were not available. However, days receivable are every 4 days which is acceptable, although there is no industry comparable. Total liabilities are (\$811,639,793) consisting of accounts payable, other current liabilities, and long-term debt with Morgan Stanley resulting in \$1,155,064,280 equity. *Other Current liabilities are reflected as a credit due to an intercompany payable of \$2,578,756,283.

RATIO ANALYSIS	12 mos.	12 mos.	12 mos.	RMA mos.
	2017	2018	2019	0
Sales Increase/(Decrease)	n/a	-0.50%	3.83%	100.00%
Current Ratio	0.59	0.44	0.80	1.30
A/R Days	4.75	4.74	4.54	0.00
Inv Days	23.23	24.58	24.33	24.80
A/P Days	39.25	40.59	40.01	0.00
Debt/NW	-8.69	-8.92	-0.70	2.60
Gross margin	27.8%	28.3%	29.0%	24.1%

DNBi reporting/Public Filings:

The Dun & Bradstreet report for Giant Food, LLC does not report a rating as there is not enough available information. The paydex score is 66, reflecting accounts are paid 19 days past due within the previous 24 months. There are no bankruptcies, 2 judgments, 0 liens, 3-UCCs, and 5 suits common to corporations of this size and type. The company is aware of all judgments and lawsuit activity. They do have in house legal counsel representing them in all matters.

Conclusion

Justify Pricing: The proposed pricing and loan structure is based on maturity of the business, years within the industry, fully secured, addition of jobs to Prince Georges County residents, historical financial performance of borrower and strength of affiliate parent/subsidiary companies. The rate of 3.00% is also influenced by existing headquarters and employees, support of expansion with the company required to remain within the County. The 10 year term will allow for stabilization of the project.

Summary & Recommendation:



- Retains existing industry and commerce in the County;
- Supports the County’s commercial tax base;
- Assists in supporting the creation/attraction of 70 full-time jobs;
- Supports LSMBE;
- Supports hiring of County residents;
- Promotes economic development and the growth of the County particularly in a developed tier;
- Stable financial performance of primary borrowers, domestic/international parent companies.
- Fully secured.
- More than adequate cash flow if conditions are not met.
- Leverage dollars with MEDAF.

Based on existing business experience, successful track record, free cash flow available if needed for debt repayment and fully secured collateral coverage, and a risk rating of 2, the underwriter recommends an approval as presented.

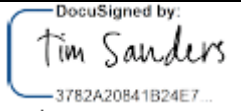
Risk Rating	
Rate	
1	Substantially Risk Free

2	Minimal Risk
3	Acceptable Business Risk
4	Special Mention

Based on these factors, the underwriter recommended approval as presented.

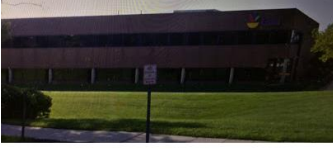
Underwritten by:	Signature	Date
Brenda Billington, Senior Loan Underwriter		11/14/20
Reviewed by:	Signature	Date
Dawn Medley, Senior Vice President & EDI Fund Manager		11/14/20

Approved by Financial Advisory Committee (FAC) and certified by:

FAC Approval Certification By:	Signature	Date
Timothy Sanders, Senior Investment Officer, Ventas, Inc., Acting FAC Chair		12/3/2020

LOCATION:

8301 Professional Pl, Landover, M



8301 Professional Pl

Bus stop

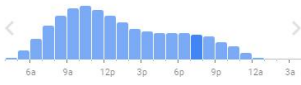
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Landover, MD 20785

W4XP+WQ New Carrollton, Maryland

Suggest an edit

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21

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