

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: March 20, 2007

Request for Initial and Final Resolution and Tax-Exempt Bond Allocation Approval

Prepared by: *Michael Smith*

Issuer: Alameda County Industrial Development Authority	Amount Requested: \$3,300,000 (TE)
Borrower: Caravan Trading Company and its successors and assigns	Application No.: 07-0003
User: Caravan Trading Company and its successors and assigns	IR & FR No.: 07-0003
Location: Union City (Alameda County), California	

Borrower/User/Background: Caravan Trading Company (“the Company” or “Caravan”) was incorporated in California in July 1987. The Company is a commercial bakery that manufactures frozen and fresh baked bread, sweet goods, frozen pastry dough, and sweet fresh dough. Customers of the Company include George Washington Bakeries (Thomas Bagel brand), Otis Spunkmeyer Brand (bagels and sweet goods), United States Department of Defense (Combat Rations and Feeding Program), Burry Food Service, and Walmart Stores. For the proposed Project, Caravan and its successors and assigns will be both the Borrower of the Bond funds and the User of the Project.

Project Information: The Company owns and operates a 108,000 sq. ft. facility purchased in 1993 for the purpose of establishing a commercial baking facility. This equipment-only financing request involves the purchase of new, additional manufacturing machines and equipment which will be used to expand production capabilities so to meet increasing demand for the Company’s products. The Company is expanding in its current facility, and therefore this is not a relocation.

Anticipated Timeline: The Company began purchasing and installing the new equipment in January 2007, and it anticipates completion of the installation by the end of March 2007.

Prior Actions and Financings. The Borrower has no outstanding tax-exempt financings.

Statutory Criteria: 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification.

1) **PUBLIC BENEFITS.** The staff assigned a total of 40 verifiable points to the Project, which are detailed below.

Employment Benefits (Job Creation/Retention-25 points). The Company currently employs 256 direct, full-time employees. The Company will retain its current workforce and anticipates creating an additional 47 positions, which will include two management positions and 45 skilled/semi-skilled positions, within two years of completion of the Project. The retention of current employees and creation of additional jobs translates into a ratio of one job for every \$10,891 in bond proceeds.

Welfare-to-Work Plan (5 points). The Company anticipates creating 47 additional jobs within two years of Project completion and expects to fill some of the positions with

referrals from the Alameda County’s Welfare-to-Work program. The program will assist the Company in identifying, screening, and preparing CalWORKs clients who have the potential to fill the new positions. The Company expects to begin filling these positions in April 2007 (see Attachment A).

Health Care Benefits (5 points). The Company provided verification of its contribution to the medical insurance coverage for 26 of its 256 employees and their families. The Company’s current contribution is \$578 per month for each participating employee. The Company does not provide medical benefits to entry level/unskilled workers at this time.

Energy Conservation Benefits/Energy Efficiency (5 points): The Company is located within one-half block of a Union City Transit Route #3 bus stop. Union City Transit coordinates service with the Bay Area Rapid Transit System, AC Transit, and the Dumbarton Express to areas outside of Union City.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required).** The Company will remain at its current location.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required).** Based upon the proposed financial structure and based upon the application and other materials submitted to the Commission for the proposed Project, staff believe that the Bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status of Permits/Other Required Approvals:

- The Alameda County Industrial Development Authority approved the Inducement Resolution in an aggregate amount not to exceed \$4,000,000 for the Project on November 15, 2006.
- The Borrower submitted a verification of zoning and local approvals from the City of Union City.
- A TEFRA hearing was held by the County of Alameda on February 26, 2007 and no comments in support of or in opposition to the Project were received.

Financing Details: The Project will be funded with variable rate, tax-exempt Industrial Development Bonds (IDB’s) and issued with a Direct Pay Letter of Credit from Comerica Bank. The bonds will be repayable over a term not to exceed seven years. The bond rating will be at least “A/A1” from Standard & Poor’s or another nationally recognized rating agency.

Financing Team:

- Issuer:** Alameda County Industrial Development Authority
- Bond Counsel:** Lofton & Jennings
- Underwriter:** E.J. De La Rosa & Co., Inc.
- Financial Advisor:** Progressive Capital Associates, Inc.

Legal Questionnaire: The Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

Recommendation: Staff recommends approval of Initial and Final Resolution Nos. 07-0003 in an amount not to exceed \$3,300,000 in tax-exempt bonds for Caravan Trading Company and its successors and assigns, which is contingent upon staff analysis and approval of final bond documents, including receipt of bond counsel opinion as set forth in the Initial and Final Resolution.

Borrower/User: CARAVAN TRADING COMPANY and its SUCCESSORS AND ASSIGNS

Total Bond Amount: \$3,300,000 (TE)

Alameda County Industrial Development Authority

Union City (Alameda County)

Application No. 07-0003

March 20, 2007

STAFF SUMMARY –CIDFAC

Prepared by: *Michael Smith*

ISSUE:

On behalf of Caravan Trading Company and its successors and assigns (the “Company”), the Alameda County Industrial Development Authority (“Issuer”) requests approval of the Initial and Final Resolution No. 07-0003 for an amount up to \$3,300,000 in tax-exempt bonds. Bond proceeds will be used to purchase new, additional manufacturing machines and equipment which will expand production capabilities for the Company.

CDLAC. CDLAC allocation will be requested at March 21, 2007 meeting.

TEFRA. A TEFRA hearing was held by the County of Alameda on February 27, 2007, and no comments were received in support of or in opposition to the project.

BORROWER/USER:

Borrower/User: Caravan Trading Company collectively with respective successors and assigns (the “Company” or “Caravan”) was incorporated in California in July 1987, the shareholders are Joseph M. Maroun (44%), Joseph J. Maroun (28%), and William M. Maroun (28%). For the proposed Project, Caravan and its successors and assigns will be the Borrower of the bond funds and the User of the Project.

Legal Questionnaire: The Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

Type of Business/Background. The Company is a commercial bakery and manufactures frozen and fresh baked bread, sweet goods, frozen pastry dough and sweet fresh dough. Customers of the Company include George Washington Bakeries (Thomas Bagel brand), Otis Spunkmeyer Brand (bagels and sweet goods), United States Department of Defense (Combat Rations and Feeding Program), Burry Food Service, and Walmart Stores.

Prior Actions and Financings. The Borrower has no outstanding tax-exempt financings.

PROJECT INFORMATION:

Project Description.

The Company owns and operates a 108,000 sq. ft. facility purchased in 1993 for the purpose of commercial baking. Because demand for its bakery products is steadily increasing, the equipment-only financing request involves the purchase of new, additional manufacturing machines and

equipment which will be used to expand production capabilities. The Company is expanding in its current facility so this is not a relocation.

Anticipated Timeline. The Company began purchasing and installing equipment in January 2007, and anticipates completion by the end of March 2007.

Permitting and Environmental Approvals. The Company submitted a verification of zoning and local approvals from Union City.

STATUTORY CRITERIA:

1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification.

The points noted below have been awarded based on evaluation consistent CDLAC guidelines.

1) **PUBLIC BENEFITS:** The CIDFAC staff assigned a total of 40 verifiable points to the Project, which are detailed as follows:

Employment Benefits (Job Creation/Retention-25 points). The Company currently employs 256 direct full-time employees. The Company will retain its current workforce and anticipates creating an additional 47 positions, which will include 2 management position and 45 skilled/semi-skilled positions within two years of completion of the Project. The retention of current employees and creation of additional direct jobs translates into a ratio of one job for every \$10,891 in bond proceeds.

Welfare-to-Work Program (5 points): The Company anticipates creating 47 additional jobs within two years of Project completion and expects to fill some of the positions with referrals from the Alameda County’s Welfare-to-Work program. The program will assist the Company in identifying, screening, and preparing CalWORKs clients who have the potential to fill the new positions. The Company expects to begin filling these positions in April 2007 (see Attachment A).

Health Care Benefits (5 points): The Company provided verification of its contribution to the medical insurance coverage for 26 of its 256 employees and their families. The Company’s current contribution is \$578 per month for each employee. The Company does not provide medical benefits to entry level/unskilled workers at this time.

Energy Conservation Benefits/Energy Efficiency (5 points): The Company is located within one-half block of a Union City Transit Route #3 bus stop. Union City Transit coordinates service with the Bay Area Rapid Transit system, AC Transit, and the Dumbarton Express to areas outside of Union City.

2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location.

3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financing structure, and based upon the application and other materials submitted to the Commission for the proposed Project, staff believe that the Bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just and equitable to a purchaser of the Bonds; and, (c) will not work a fraud upon the Bond

purchasers. Final determination of qualification of the Bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The Project will be funded with tax-exempt Industrial Development Bonds (IDB's) and issued with a Direct Pay Letter of Credit from Comerica Bank. The bonds will be repayable over a term not to exceed seven years. The bond rating will be at least "A/A1" from Standard & Poor's or another nationally recognized rating agency.

FINANCING TEAM:

Issuer: Alameda County Industrial Development Authority
Bond Counsel: Lofton & Jennings
Underwriter: E.J. De La Rosa & Co., Inc.
Financial Advisor: Progressive Capital Associates, Inc.

RECOMMENDATION:

Staff recommends the approval of Initial and Final Resolution No. 07-0003 for an amount not to exceed \$3,300,000 in tax exempt bonds for Caravan Trading Company and its successors and assigns, subject to staff analysis and approval of final bond documents, including receipt of bond counsel opinion and CDLAC allocation approval as set forth in Initial and Final Resolution No. 07-0003.

**INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
IR/FR # 07-0003**

WHEREAS, Alameda County Industrial Development Authority (the Issuer) has reviewed the application of Caravan Trading Company and its successors and assigns (the “Applicants”) for the issuance of \$3,300,000 of tax-exempt bonds (the “Bonds”) and has found that said application complies with the provisions of the California Industrial Development Financing Act and has certified to the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such Bonds and that the Issuer has held a public hearing regarding the issuance of the Bonds and has approved the issuance of the Bonds and has transmitted said application to the Commission and the information necessary to permit review by the Commission; and

WHEREAS, the Commission has reviewed the application and the material submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the construction and use of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$3,300,000; and

(b) the completion of the project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (v) Letter of Credit, and
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #06-0004

WHEREAS, the California Statewide Communities Development Authority (CSCDA) (Authority) has transmitted the application of Caravan Trading Company and/or its affiliates, (Applicant) for the issuance of \$3,300,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the Commission) that it has adopted a resolution declaring its intention to issue such bonds and that the County of Alameda has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$3,300,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (vii) Letter of Credit, and
- (viii) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.