

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

Meeting Date: April 24, 2007

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

Prepared by: *Doreen Carle*

Issuer: California Municipal Finance Authority	Amount Requested: \$10,000,000 (TE)
Borrower: Contessa Premium Foods, Inc. and/or related entities	Application No.: 07-0007
User: Contessa Premium Foods, Inc. and/or its related entities	IR & FR No.: 07-0007
Location: Commerce (Los Angeles County), California	

Borrower/User/Background: Contessa Premium Foods, Inc. and/or related entities (“the Company” or “Contessa”) was incorporated in California in January 1984. The Company manufactures and distributes frozen food products. Customers of the Company include grocery stores, warehouse clubs, restaurant chains and hotels. The Company also manufactures for private labels such as Trader Joe’s and Albertsons. For the proposed Project, Contessa and its related entities will be both the Borrower of the Bond funds and the User of the Project.

Project Information: The Company leases and operates a 73,000 sq. ft. food processing facility in the City of Vernon. It also leases and operates a 23,376 sq. ft. office facility used for sales, marketing, accounting, research and development, and administration in the City of San Pedro. This financing request involves the acquisition and installation of new equipment in a leased building in the City of Commerce. This building is leased from Dedeaux Enterprises, LLC. The project location is less than three miles from Contessa’s existing processing facilities in Vernon. All employees currently working at the Vernon facility ultimately will be transferred to the new facility in Commerce. In addition, the Company expects to hire new employees to work at the Commerce facility, which is larger and therefore is suitable for Contessa’s growing operations. Once the move to the Commerce facility is complete, the Company will no longer operate the Vernon facility.

Anticipated Timeline: The Company began purchasing equipment for the Project in July 2006 and plans to have the acquisition and installation completed in August 2007.

Prior Actions/Financing: None

Statutory Criteria: 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. The points noted below have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

- 1) PUBLIC BENEFITS:** The staff assigned a total of 31 verifiable points to the Project, which are detailed below:

Community Economic Need (20 points):

Unemployment Rate of Project Area (10 points): The unemployment rate for the Project area is 8.8%, while the statewide average unemployment rate in California is 4.9%. Therefore, the unemployment rate for the Project area is 179% of the statewide rate.

Although the Company did not meet the minimum point threshold for job creation/retention, the Company represents it currently employs 13 individuals, who will be transferred to its new Commerce facility. The Company anticipates hiring not less than an additional 105 employees within two years of Project completion.

Poverty Rate of Project Area (5 points): The poverty rate for the Project area is 15.4%, which is 145% of the statewide average of 10.6%.

Median Family Income (5 points): The Project is located in the City of Commerce, where the median family income is \$36,532. Given that the median family income for the State of California is \$53,025, the median family income for the Project area is 68.9% of the statewide average.

Welfare-to-Work Plan (5 points): The Company anticipates creating 105 additional jobs within two years of Project completion and expects to fill some of the positions with referrals from the City of Commerce Employment Business and Development Center. Staff received a letter from the Center stating that it will assist the Company by hosting a recruitment day to identify, screen, and prepare clients who have the potential to fill the new positions. (See Attachment A.) The Employment Business and Development Center is a free service offered to businesses and local residents to aide in their mutual employment needs. The City of Commerce does not have a “Welfare to Work” program.

Average Hourly Wage (1 point): The Company’s average hourly wage is \$16.01, while the Metropolitan Statistical Average (MSA) for the City of Commerce has an average manufacturing wage of \$ 14.54. Therefore, the Company’s average hourly wage is 110% of the MSA average manufacturing wage for Commerce.

Land Use/Energy Efficiency (5 points): The Project is located within one quarter mile of the City of Commerce Municipal Bus Line which provides service throughout Commerce. The area is also serviced by, and has connections to, the Los Angeles Metropolitan Transportation Authority (MTA), the City of Montebello Bus Line, and Metrolink train system.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will be relocating approximately three miles from the City of Vernon to the City of Commerce. The Company provided a letter from the Acting Executive Director for the Redevelopment Agency of the City of Vernon, which acknowledges the

relocation and states that the City of Vernon does not object to the relocation of the Company (Attachment B).

- 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 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 Permit/Other Required Approvals:

- The California Municipal Finance Authority approved the Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on November 3, 2006.
- The Borrower submitted a verification of zoning and local approvals from the City of Commerce.
- A TEFRA hearing was held by the City of Commerce on March 20, 2007, and no comments in support of or in opposition to the Project were received.

Financing Details: The tax-exempt Industrial Development Bonds (IDBs) will be issued on a private placement basis with GE Capital Public Finance, Inc. The bonds will be fixed rate, repayable over a 10 year period, and secured by the equipment purchased with the bond proceeds.

Financing team:

Issuer: California Municipal Finance Authority
Bond Counsel: ~~Kutak Rock, LLP~~ Squire, Sanders & Dempsey, LLP
Underwriter/Private Placement Purchaser: GE Public Finance, 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 No. 07-0007 in an amount not to exceed \$10,000,000 in tax-exempt bonds for Contessa Premium Foods, Inc. and/or related entities, which is subject to staff analysis and approval of final bond documents, including receipt of bond counsel opinions and CDLAC allocation approval as set forth in the Initial and Final Resolution.

**Borrower/User: CONTESSA
PREMIUM FOODS, INC. AND/OR
RELATED ENTITIES**
Total Bond Amount: \$10,000,000 (TE)
California Municipal Finance Authority
(CMFA)
City of Commerce (Los Angeles County)
Application No. 07-0007

STAFF SUMMARY – CIDFAC

Prepared by: *Doreen Carle*

ISSUE:

On behalf of Contessa Premium Foods, Inc. and/or related entities (the “Borrower”), the California Municipal Finance Authority (the “Issuer”) requests approval of the Initial and Final Resolution No. 07-0007 for an amount up to \$10,000,000 in tax-exempt bonds. Bond proceeds will be used to finance the purchase of food-processing equipment, which includes equipment for blending, conveying, measuring, metal detection, packaging, and palletizing.

CDLAC. CDLAC allocation will be requested at the May 2007 allocation meeting.

TEFRA. A TEFRA hearing was held by the City of Commerce on March 20, 2007, and no comments were received in support of or in opposition to the project.

BORROWER/USER:

Contessa Premium Foods, Inc. was incorporated in California in January 1984. The major shareholders (10% or more) are John Z. Blazeovich, Donald Kanner, and Louis S. Wang. For the proposed Project, Contessa and/or related entities 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.

Prior Actions and Financings. None.

PROJECT INFORMATION:

The Company leases and operates a 73,000 sq. ft. food processing facility in the City of Vernon. It also leases and operates a 23,376 sq. ft. office facility used for sales, marketing, accounting, research and development, and administration in the City of San Pedro. This financing request involves the acquisition and installation of new equipment in a leased building in the City of Commerce. This building is leased from Dedeaux Enterprises, LLC. The project location is less than three miles from Contessa’s existing processing facilities in Vernon. All employees currently working at the Vernon facility ultimately will be transferred to the new facility in Commerce. In addition, the Company expects to hire new employees to work at the Commerce

facility, which is larger and, therefore, is suitable for Contessa's growing operations. Once the move to the Commerce facility is complete, the Company will no longer operate the Vernon facility.

Anticipated Timeline. The Company began purchasing equipment for the Project in July 2006 and plans to have the acquisition and installation completed in August 2007.

Permitting and Environmental Approvals. The Company provided verification from the City of Commerce that the Project meets local land use and zoning requirements and that all construction permits are in place.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. The points noted below have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 31 verifiable points to the Project, which are detailed below:

Community Economic Need (20 points):

Unemployment Rate of Project Area (10 points): The unemployment rate for the Project area is 8.8%, while the statewide average unemployment rate in California is 4.9%. Therefore, the unemployment rate for the Project area is 179% of the statewide rate.

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new positions (Attachment A). The Employment Business and Development Center is a free service offered to businesses and local residents to aide in their mutual employment needs. The City of Commerce does not have a “Welfare to Work” program.

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Land Use/Energy Efficiency (5 points): The Project is located within on e quarter mile of the City of Commerce Municipal Bus Line which provides service throughout Commerce. The area is also serviced by, and has connections to, the Los Angeles Metropolitan Transportation Authority (MTA), the City of Montebello Bus Line, and Metrolink train system.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will be relocating approximately three miles from the City of Vernon to the City of Commerce. The Company provided a letter from the Acting Executive Director for the Redevelopment Agency of the City of Vernon, which acknowledges the relocation and states that the City of Vernon does not object to the relocation of the Company (Attachment B).
- 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 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 CMFA will issue the tax-exempt bonds on a private placement basis. GE Capital Public Finance, Inc., which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission’s (SEC) Rule 144A, will purchase the bonds. The bonds will be fixed rate, repayable over a 10-year period, and secured by the equipment purchased by the bond proceeds.

The bonds will be issued in accordance with CIDFAC’s private placement policy, which have the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A,
- The Sophisticated Investor must sign a “traveling” Sophisticated Investor Letter outlining the requirements and restrictions, which will “follow the deal” in the event the bonds are sold or traded at a later date,
- The private placement debt must be secured by collateral provided by the Borrower, and
- The bonds will be issued in minimum denominations of \$250,000.

FINANCING TEAM:

Issuer: California Municipal Finance Authority
Bond Counsel: ~~Squire, Sanders & Dempsey, LLP~~
~~Rock, LLP~~
Private Placement ~~GE Public Finance, Inc.~~ ~~GE Public~~
Purchaser: Underwriter: ~~Finance~~

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution No. 07-0007 for an amount not to exceed \$10,000,000 in tax exempt bonds for Contessa Premium Foods, Inc. 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 the Initial and Final Resolution.

Attachment A

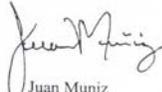


City of Commerce
Department of Community Services

Robert Chavez
Director

To: Whom it May Concern
From: Juan Muniz
Re: Employee Recruitment
Date: February 22, 2007

This serves notice to all interested parties that Contessa Premium Foods will be working in conjunction with the Employment Business & Development Center in their competitive search for qualified candidates. As such, we will host a recruitment day in our facility and assist in any capable means. The Employment Business & Development center is a free service offered to the businesses and local residents to aide in their mutual employment needs. If you have any questions or concerns, please feel free to contact our offices at (323) 887-4461.



Juan Muniz

Job Developer

5550 Harbor Street
Commerce, CA 90040
Phone: 323-887-4460
Fax: 323-888-2483

"Where Quality Service Is Our Tradition"

Attachment B



REDEVELOPMENT AGENCY OF THE CITY OF VERNON

4305 Santa Fe Avenue, Vernon, California 90058 (323) 583-8811 FAX: (323) 826-1438

Thursday, April 12, 2007

ATTN: CIDFAC

To whom it may concern:

The Redevelopment Agency of the City of Vernon is happy to see that Contessa Premium Foods is outgrowing the space they lease in Vernon. The City and the Redevelopment Agency work very hard at providing an environment where businesses can prosper and grow.

While we are saddened to see this growth cause Contessa Premium Foods to leave the City of Vernon, we certainly understand it, and can't possibly object to it. The City of Vernon is currently experiencing a shortage of available space, which occasionally causes growing companies to leave. We hope that Contessa Premium Foods continues to grow and develops a need for an even larger facility in the future – a need we would like to see them fill by moving back to Vernon.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert J. Toering', is written over a light blue rectangular stamp.

Robert J. Toering
Acting Executive Director

DIRECTORS: Lewis C. Mulburg, Chairman; H. "Larry" Gonzales, Vice Chairman; Wm. "Bill" Davis, Director
Thomas A. Ybarra, Director; W. Michael McCormick, Director; **ACTING EXECUTIVE DIRECTOR**
Robert J. Toering; **LEGAL COUNSEL** Jeff A. Harrison; **ACTING SECRETARY** Manuella Giron

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR No.: 07-0007

WHEREAS, California Municipal Finance Authority (Authority) has transmitted the application of Contessa Premium Foods, Inc. and/or related entities (Applicant) for the issuance of \$10,000,000 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 Los Angeles 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 10,000,000; 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) Escrow Agreement,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution, and
- (v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

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(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.