

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION  
INDUSTRIAL DEVELOPMENT BONDS

Meeting Date: July 24, 2007

Request for Initial and Final Resolution for Tax Exempt Bond Approval

Prepared by: Michael Smith

<b>Issuer:</b> California Statewide Communities Development Authority (CSCDA)	<b>Amount Requested:</b> \$10,000,000
<b>Borrower:</b> Fiorella Investments LLC and/or its affiliates	<b>Application No.:</b> 07-0010
<b>User:</b> Cantaré Foods, Inc. and/or its affiliates	<b>IR &amp; FR No.:</b> 07-0010
<b>Location:</b> San Diego, CA (San Diego County)	

**BORROWER/USER/BACKGROUND:** Fiorella Investments LLC, the Borrower, is a California Limited Liability Company formed June 1, 2001. Cantaré Foods, Inc., the User, is owned by the owners of Fiorella Investments (collectively the “Company”). Cantaré Foods manufactures food products such as baked brie, tapenades, olive salsas, fresh Italian cheeses and marinated salads. Operations include seasoning, baking, cooking, cutting, stretching, blending, and packaging products for further sale through grocery stores. Major customers of the Company’s products include Vons, Ralphs, Safeway, Albertsons, Trader Joe’s, Sam’s Club, and Costco.

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**PROJECT INFORMATION:** Cantaré Foods occupies two facilities, one in the City of Baldwin Park (Los Angeles County) and another in the City of San Diego (San Diego County). Earlier this year, the Company closed a manufacturing facility in the northern portion of the City of San Diego and transferred all equipment and all employees to a facility which consists of a new, two story building with approximately 72,500 square feet, located in the Otay Mesa area of the City of San Diego (“Otay Mesa Facility”). The Company owns the Otay Mesa land and facility. The Company also anticipates purchasing and installing new production equipment at the Otay Mesa Facility.

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Later this year, the Company will relocate some manufacturing equipment from the City of Baldwin Park facility to the Otay Mesa Facility. At the Baldwin Park facility, the Company will continue the production of hand-wrapped, custom items and will conduct distribution operations. As a result of these changes, 10 of the current 46 employees at the Baldwin Park facility will transfer to the Otay Mesa Facility. Another six (6) positions will be transferred from the Baldwin Park facility to the Otay Mesa Facility without the employees as these six employees did not wish to transfer. Total employees at the Baldwin Park facility after the transfer will be 30, 20 of whom will be in manufacturing positions and 10 of whom will be in distribution positions.

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According to the Borrower and the finance team, the average wages for the manufacturing positions at the Baldwin Park facility are on par with the average wages for the distribution positions. Cantare will offer relocation assistance and re-training to the Baldwin Park facility employees who will transfer to the Otay Mesa Facility. According to the Borrower and the finance team, Baldwin Park is an area with a significant number of manufacturing employment opportunities for those Baldwin Park facility employees who choose not to relocate to the Otay Mesa Facility.

**Anticipated Timeline:** The Company is currently occupying and manufacturing in the Otay Mesa Facility. The Company anticipates bond issuance in October 2007.

**Prior Actions/Financing:** None.

**Local Government Support:** None.

**STATUTORY CRITERIA:** 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. Staff assigned points to the Project based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

**Public Benefits:** Consistent with CDLAC guidelines, staff has awarded a total of 35, verifiable points to the Project. Five of the 35 points assigned are based upon the retention of 102 jobs and the creation of 89 jobs.

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**Relocation of Company Operations (No point evaluation required):** The Company reports that it has closed its facility in the northern portion of the City of San Diego and moved all equipment and transferred all employees to the new facility located in the Otay Mesa area of San Diego. The City of Baldwin Park site will remain open, as described above. Therefore, there is no relocation of the Company's operations associated with this Project.

**Qualification of Bond Issuance (No point evaluation required):** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes 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 Statewide Communities Development Authority approved the Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on May 9, 2007.
- The Borrower submitted a verification of zoning and local approvals from the City of San Diego.
- A TEFRA hearing was held by the City of San Diego on June 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 30 years. The bond rating will be at least "F-1/A+" from Fitch or another nationally recognized rating agency.

**FINANCING TEAM:**

**Issuer:** CSCDA

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**Bond Counsel:** Gilmore & Bell  
**Underwriter:** BNY Capital Markets

**LEGAL QUESTIONNAIRE:** Staff has reviewed the Borrower's/User'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. 07-0010 for an amount not to exceed \$10,000,000 in tax-exempt bonds for Fiorella Investments, LLC and/or its affiliates, subject to staff analysis and approval of final bond documents, including receipt of bond counsel's opinion, and CDLAC allocation approval, as set forth in Initial and Final Resolution No. 07-0010.

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**FIGRELLA INVESTMENTS LLC,  
CANTARE FOODS INC. OR AN  
AFFILIATE**

**Bond Amount: \$10,000,000**  
City of San Diego (County of San Diego)  
Application No. 07-0010  
July 24, 2007

**STAFF SUMMARY – CIDFAC**

**Prepared by:** *Michael Smith*

**ISSUE:**

On behalf of Fiorella Investments LLC and/or Cantaré Foods, Inc. or an affiliate thereof (the “Company”), the California Statewide Communities Development Authority (“CSCDA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 07-0010 for an amount up to \$10,000,000. Bond proceeds will be used for the purchase of land, the construction of a manufacturing facility, and for the purchase and installation of equipment.

**CDLAC.** The Company anticipates receiving allocation at the July 25, 2007 **CDLAC** meeting.

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**BORROWER/USER:**

Fiorella Investments LLC, the Borrower, is a California Limited Liability Company formed June 1, 2001. Cantaré Foods, Inc., the User, is owned by the owners of Fiorella Investments (collectively the “Company”). Cantaré Foods manufactures food products such as baked brie, tapenades, olive salsas, fresh Italian cheeses and marinated salads. Operations include seasoning, baking, cooking, cutting, stretching, blending, and packaging products for further sale through grocery stores. Major customers of the Company’s products include Vons, Ralphs, Safeway, Albertsons, Trader Joe’s, Sam’s Club, and Costco.

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The principal stockholders of the Company are as follows:

<u>Name</u>	<u>Fiorella Investments LLC</u>	<u>Cantare Foods, Inc.</u>
Robert Fischer .....	75.0%	62.0%
Olivier Fischer-Morelle .....	16.0%	19.5%
Christophe Megevand .....	9.0%	16.5%
Guylaine Fischer .....	0.0%	2.0%
<b>Total: .....</b>	<b>100%</b>	<b>100%</b>

**Legal Questionnaire.** Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Prior Actions and Financings.** None

**PROJECT INFORMATION:**

Cantaré Foods occupies two facilities, one in the City of Baldwin Park (Los Angeles County) and another in the City of San Diego (San Diego County). Earlier this year, the Company closed

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a manufacturing facility in the northern portion of the City of San Diego and transferred all equipment and all employees to a facility which consists of a new, two story building with approximately 72,500 square feet, in the Otay Mesa area of the City of San Diego (“Otay Mesa Facility”). The Company owns the Otay Mesa land and facility. The Company also anticipates purchasing and installing new production equipment into the Otay Mesa Facility.

~~Later this year, the Company will relocate some manufacturing equipment from the City of Baldwin Park facility to the Otay Mesa Facility. At the Baldwin Park facility, the Company will continue the production of hand-wrapped, custom items and will conduct distribution operations. As a result of these changes, 10 of the current 46 employees at the Baldwin Park facility will transfer to the Otay Mesa Facility. Another six (6) positions will be transferred from the Baldwin Park facility to the Otay Mesa Facility without the employees as these six employees did not wish to transfer. Total employees at the Baldwin Park facility after the transfer will be 30, 20 of whom will be in manufacturing positions and 10 of whom will be in distribution positions.~~

**Deleted:** Later this year, the Company will move manufacturing equipment currently at the City of Baldwin facility to the Otay Mesa Facility to consolidate all manufacturing operations under one roof; however, the City of Baldwin site will remain open as a distribution facility.¶

~~According to the Borrower and the finance team, the average wages for the manufacturing positions at the Baldwin Park facility are on par with the average wages for the distribution positions. Cantare will offer relocation assistance and re-training to the Baldwin Park facility employees who will transfer to the Otay Mesa Facility. According to the Borrower and the finance team, Baldwin Park is an area with a significant number of manufacturing employment opportunities for those Baldwin Park facility employees who choose not to relocate to the Otay Mesa Facility.~~

The anticipated Project costs are listed below:

Land .....	\$1,131,000
New building.....	6,179,000
Equipment purchase and installation .....	<u>2,690,000</u>
<b>Total: .....</b>	<b><u>\$10,000,000</u></b>

~~**Anticipated Timeline.** The Company is currently occupying and manufacturing in the Otay Mesa Facility. The Company anticipates bond issuance in October 2007.~~

**Deleted:** The Company is currently occupying and manufacturing in the New Facility. The Company anticipates bond issuance in October 2007.

**Status Of Permit/Other Required Approvals:**

- The California Statewide Communities Development Authority approved the Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on May 9, 2007.
- The Borrower submitted a verification of zoning and local approvals from the City of San Diego.
- A TEFRA hearing was held by the City of San Diego on June 26, 2007, and no comments in support of or in opposition to the Project were received.

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**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:** Staff assigned a total of 35 verifiable points to the Project, which are detailed below:

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**Job Creation and Job Retention (5 points):**

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The Company represents it currently has 56 full-time employees at its Otay Mesa Facility. The Company anticipates hiring not less than 89 additional employees for the Otay Mesa Facility within two years of Project completion.

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**Community Economic Need (5 points):**

**Project located in a Special Designation Area (5 points):** The project is located in the San Diego Regional Enterprise Zone.

**Welfare-to-Work Plan (5 points):** The Company anticipates creating 89 additional jobs within two years of Project completion. Cantaré Foods, Inc. will be participating in the Welfare to Work program through Maximus, Inc. to meet its staffing needs (see Attachment A).

Deleted: **Unemployment Rate of Project Area (0 points):** Although the Company did not meet the minimum point threshold for job creation and retention, the Company represents it currently employs 54 full or part-time individuals at its current San Diego facility (Otay Mesa Facility). The Company anticipates hiring not less than 41 additional employees for the New Facility within two years of Project completion.¶

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**Health Care Benefits (5 points):** The Company provided documentation of its contribution to the medical and dental insurance for 38 of its 56 Otay Mesa Facility employees and their families. The contribution translates into an average \$358.96 per month toward the health care benefits for each participating employee. The 18 employees who are not participating in the Company’s health plan opted out for personal reasons.

**Average Hourly Wage (5 points):** The Company’s average hourly wage is \$20.41, while the Metropolitan Statistical Area (MSA) for the City of San Diego has an average manufacturing hourly wage of \$14.96. Therefore, the Company’s average hourly wage is 136% of the MSA wage.

**Land Use/Energy Efficiency (10 points):** The Company is using land that was previously vacant. The Project is located in the San Diego Metropolitan Transit System with a bus stop within one quarter mile of the Otay Mesa Facility.

**2)RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company reports that it closed its facility in the northern portion of the City of San Diego and moved all equipment and transferred all employees to the new facility located in the Otay Mesa area of San Diego. The City of Baldwin Park site will remain open, as described above. Therefore, there is no relocation of the Company’s operations associated with this Project.

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**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 CIDFAC for the proposed Project, staff believes 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

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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 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 30 years. The bond rating will be at least "F-1/A+" from Fitch or another nationally recognized rating agency.

**FINANCING TEAM:**

**Issuer:** CSCDA  
**Bond Counsel:** Gilmore & Bell  
**Underwriter:** BNY Capital Markets

**RECOMMENDATION:**

Staff recommends approval of Initial and Final Resolution No. 07-0010 for an amount not to exceed \$10,000,000 in tax-exempt bonds for Fiorella Investments, LLC or an affiliate, subject to staff analysis and approval of final bond documents, including receipt of bond counsel's opinion, and CDLAC allocation approval, as set forth in Initial and Final Resolution No. 07-0010.

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INITIAL AND FINAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
INDUSTRIAL DEVELOPMENT BONDS  
IR/FR No. 07-0010

WHEREAS, the California Statewide Communities Development Authority (CSCDA) (Authority) has transmitted the application of Fiorella Investments LLC and/or a related entity (Applicant) for the issuance of up to \$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 City of San Diego 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.

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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;

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(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.

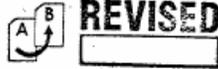
Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

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.

# MAXIMUS

HELPING GOVERNMENT SERVE THE PEOPLE

June 11, 2007



Reggie Colotario  
Cantara' Foods Inc.  
Human Resources / Payroll  
7651 St. Andrews Ave  
San Diego, CA 92154

Dear Mr. Colotario:

This is to confirm that Cantara' Foods Inc. will be participating in the Welfare to Work program through MAXIMUS Inc. starting in September 2007 with the intent to hire clients from the program to meet staffing needs at Cantara' Foods Inc.

When you are ready to start staffing, please contact Joan Walker, Lead Job Facilitator in South Bay at 619-409-4777 to set up recruitments.

Thank you again for your commitment.

Sincerely,

John Rogers  
Acting Project Director  
MAXIMUS Inc.

cc: Joan Walker