

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Greece (Finger Lakes Region – Monroe County) – LiDestri Food and Beverage Capital I – Empire State Economic Development Fund – General Development Financing (Convertible Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Borrower: LiDestri Food and Beverage, Inc. (“LiDestri” or the “Company”)

ESD* Investment: A convertible loan of up to \$1.5 million to be used for a portion of the cost of the purchase, renovation and equipping of a former Kodak building

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Locations: 1020 and 1050 Lee Road, Rochester, Monroe County**
815 West Whitney Road, Fairport, Monroe County
74 Seneca Street, Dundee, Yates County

** Project activity site; others are job-retention sites

Proposed Project: Acquisition and renovation of a building to house the relocation of LiDestri’s spirits unit, and to allow for future growth.

ESD Incentive Offers Accepted: October 15, 2009

Project Completion: December 2010

Number of Employees at Project Locations:

Initial employment at time of ESD Incentive Offer: 404
Current employment level: 532
Minimum employment on anniversary of loan closing in 2015: 504

Borrower Contact: David Stoklosa, Director, Business Development and Government Relations
815 West Whitney Road
Fairport, NY 14450
Phone: (585) 377-7700
Fax: (585) 388-4248

Anticipated
Appropriation
Sources: Empire State Economic Development Fund

ESD Project No.: W755

Project Team:	Origination	Kevin Hurley
	Project Management	Edward Muszynski
	Legal	Stephen Gawlik
	Affirmative Action	Helen Daniels
	Finance	Ross Freeman
	Environmental	Soo Kang

Regional Council: The Finger Lakes Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Real Estate Acquisition	\$2,900,000
Construction/Renovations	1,600,000
Infrastructure/Utilities	2,000,000
Machinery and Equipment	2,000,000
Soft Costs	<u>1,500,000</u>

Total Project Costs \$10,000,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$1,500,000	15%	3%/7 yrs./unsecured
Company Equity	<u>8,500,000</u>	<u>85%</u>	
Total Project Financing	<u>\$10,000,000</u>	<u>100%</u>	

III. Project Description

A. Background

LiDestri Food and Beverage, Inc. originated in Rochester, NY in 1975 as a pasta sauce producer. Today, the Company is the largest private-label manufacturer of tomato sauce and salsa in the U.S. The Company has plants and facilities in Fairport, NY, Dundee, NY (Yates County), Pennsauken, NJ, and Fresno, CA.

LiDestri serves companies that outsource their manufacturing. The Company's private label choices include tomato sauces, salsas, cheese dips, beverages, oils, and vinegars. The Company offers multiple sizes, standard packaging and organic products. Two of its major pasta sauce customers are Francesco Rinaldi and Newman's Own. LiDestri also manufactures spirits including vodka, rum and liqueurs. The Company acquired Ziegler's, whose ciders, teas and juices further expanded its range of offerings.

In 2009, LiDestri had to move its Yates County spirits production due to insufficient sewer capacity. Its Fairport plant was already operating at full capacity and could not accommodate the additional spirit manufacturing operations. As a result, LiDestri considered relocating the spirit manufacturing to Columbia, SC, where business costs were lower. In order to reduce costs and make the project feasible in New York, the Company approached ESD for financial assistance. ESD offered the Company a \$1.5 million convertible loan, which was accepted in October 2009. As a result of ESD's incentive, the spirits unit was relocated to a vacant Kodak building that LiDestri acquired in the Town of Greece, a Rochester suburb. Had the project gone to another state, 132 jobs from Fairport would have been moved, in addition to the 30 lost from the spirits unit. LiDestri has maintained its Yates County plant to produce olive oil.

ESD assisted LiDestri in 2004 with a \$200,000 capital grant for a facility expansion and again in 2007 with a \$250,000 MAP capital grant to enhance productivity. These projects took place at the Company's Fairport location. LiDestri met its job requirements and the grants have been fully disbursed.

B. The Project

LiDestri purchased former Kodak building #642 and has renovated the 625,000-square-foot facility to food manufacturing standards. The Company has made site improvements for railcar unloading, and performed landscaping and parking improvements. The Company relocated its spirits division and installed new manufacturing equipment for unloading, storage, blending, filling, and packaging. The project began in October 2009 and was completed in December 2010. The Company has already exceeded its goal to create 100 new jobs.

The project strengthens a major company in food processing, which is a key industry cluster in the Finger Lakes region.

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$1.5 million loan (\$15,000). In addition, at the time of closing, the Borrower will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Borrower will demonstrate no material or adverse changes in its financial condition prior to closing.
3. Guarantees: Personal Guarantees are required from any individual or family members together owning 50% or more of the Borrower, including Giovanni LiDestri.
4. The Borrower will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Up to \$1.5 million will be disbursed to the Borrower upon completion of the project substantially as described in these materials including documentation of \$10,000,000 in building acquisition/construction/renovations/machinery and equipment project costs, and documentation of the employment of at least 404 Full-time Permanent Employees at the Project Locations, assuming that all project approvals have been completed and funds are available. Expenses reimbursed by ESD's loan must be incurred on or after October 15, 2009 to be considered eligible project costs. Disbursement of the loan must be requested by August 1, 2012.
6. Prior to disbursement, the Borrower must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the tables below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Borrower's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Borrower's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Borrower to other employees with comparable rank and duties.
7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1.5 million for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
8. Rate/Term: 3% interest rate over 7 years (eighty-four months). Loan becomes

immediately due and payable if Borrower sells or closes the Project Locations.

9. Repayment Term: Eighty-four (84) monthly interest-only payments beginning after disbursement of the convertible loan, with outstanding principal due in the full on the 84th month, subject to any incremental reductions in principal based upon Borrower's achievement of Job Commitments and Loan Compliance (See Conversion Terms below).
10. Conversion Terms:
The loan principal may be subject to incremental reductions of 14.29% annually over the seven-year term of the loan for each respective year of the loan. Upon timely submission by Borrower of an annual Principal Reduction Request Form verifying Job Commitments and Loan Compliance as approved by ESD, the principal balance of the loan shall be reduced for such year by \$214,286

Each such approved reduction shall be deemed a prepayment of the Borrower's Promissory Note to ESD pursuant to the terms contained therein. If during the term of the loans, Job Commitments and/or Loan Compliance are not submitted and approved for any particular year, principal reduction will not occur for that year and the corresponding amount of principal, when added to any other unconverted principal, shall remain payable upon maturity. (See Job Commitments below.)

Job Commitments:

Baseline Employment	404
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A	B
Reporting Date	Employment Goals
Anniversary of Closing in 2013	404
Anniversary of Closing in 2014	404
Anniversary of Closing in 2015	504
Anniversary of Closing in 2016	504
Anniversary of Closing in 2017	504
Anniversary of Closing in 2018	504
Anniversary of Closing in 2019	504

11. The Borrower will submit to ESD annual reviewed financial statements and quarterly internal financial statements certified by an officer of the Borrower.
12. Financial Disclosure: Updated financial disclosure on Borrower and all guarantors acceptable to ESD must be provided prior to closings.
13. Lien/Collateral: Unsecured

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of project, the Company will maintain its employment level of 404 employees. In addition, the Company will create 100 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

The Company considered relocating its sprits operations to South Carolina. ESD's assistance helped to reduce costs and make the project feasible in New York.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$20,035,545;
- Fiscal cost to NYS government is estimated at \$1,473,741;
- Project cost to NYS government per direct job is \$3,882;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$1,793;
- Ratio of project fiscal benefits to costs to NYS government is 13.60:1;
- Fiscal benefits to all governments (state and local) are estimated at \$33,737,408;
- Fiscal cost to all governments is \$2,621,680;
- All government cost per direct job is \$6,907;
- All government cost per total job is \$3,190;
- The fiscal benefit to cost ratio for all governments is 12.87:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$171,720,819, or \$208,973 per job (direct and indirect);
- The economic benefit to cost ratio is 65.50:1;
- Project construction cost is \$5,100,000, which is expected to generate 48 direct job years and 34 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.17 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

VI. Environmental Review

The Town of Greece Planning Board, as lead agency, has completed an environmental review of the proposed project, pursuant to the requirements of the State Environmental Quality Review Act

("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be an Unlisted Action, which would not have a significant effect on the environment. ESD staff reviewed the supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

VII. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. LiDestri is encouraged to include minorities and women in any job opportunities created by the project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VIII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

IX. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Benefit-Cost Analysis

October 20, 2011

Greece (Finger Lakes Region – Monroe County) – LiDestri Food and Beverage Capital I – Empire State Economic Development Fund – General Development Financing (Convertible Loan) Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the LiDestri Food and Beverage Capital I – Empire State Economic Development Fund – General Development Financing (Convertible Loan) Projects (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Lidestri Food and Beverage, Inc. a loan for a total amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be,

subsequent to the making of the loan, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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October 20, 2011

Greece (Finger Lakes Region – Monroe County) – LiDestri Food and Beverage Capital I –
Empire State Economic Development Fund – General Development Financing (Convertible
Loan) – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the LiDestri Food and Beverage Capital I– Empire State Economic Development Fund – General Development Financing (Convertible Loan) Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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