CITY OF VINELAND, N.J.

RESOLUTION NO. 2014-274

A RESOLUTION APPROVING THE USE OF **SECOND GENERATION** ENTERPRISE ZONE ASSISTANCE FUNDS FOR **ECONOMIC DEVELOPMENT LOAN TO BRIDOR USA, INC.**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated June 24, 2014, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to Bridor USA, Inc.;** and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Second Generation Enterprise Zone Assistance Funds be utilized for the above-mentioned project; now, therefore,

BE IT RESOLVED by the City Council of the City of Vineland that said Council does hereby approve the use of Second Generation Enterprise Zone Assistance Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

Economic Development Loan to
Bridor USA, Inc. **$5,000,000.00**

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

President of Council

ATTEST:

City Clerk

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VINELAND New Jersey
Discover The Difference

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RECEIVED
JUN 24 2014
CITY OF VINELAND
BUSINESS ADMIN.

MEMORANDUM

TO: City Council President and Members

FROM: City of Vineland Revolving Loan Fund
Second Generation Loan Committee

SUBJECT: **Applicant:** Bridor USA, Inc.
Loan Amount: $5,000,000.00

DATE: June 24, 2014

Dear Council President Fanucci, Councilmen Procopio, Spinelli, and Councilwomen Calakos and Gonzales:

On behalf of the City of Vineland Revolving Loan Fund Second Generation Loan Committee, please accept this letter recommending a commitment be given to the above applicant for a second generation loan in the amount as stated herein above.

Please note that the committee finds that the purpose of the loan meets the criteria set forth in the Statute made and provided governing Urban Enterprise Zone Loans. The committee further finds that the loan will promote economic development, creation of jobs, and/or tax ratables that will benefit the City of Vineland.

Further, please note that based on the information provided, the applicant has the present ability to repay said loan and the loan would be properly protected in that the pledged collateral has a net value which equals or exceeds the amount of the requested funding.

Respectfully submitted,
Sandra Forosisky
Sandra Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file

Special arrangements for persons with disabilities may be made if requested in advance by contacting the Business Administrator's office at 856-794-4144.

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VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL

Date: 04/11/2014

Borrower Name and Address (s): Bridor USA, Inc.
2260 Industrial Way
Vineland, New Jersey 08360

Request: $5,000,000 permanent commercial term loan for equipment purchase relating to new manufacturing line and building expansion (+-45,000 sq. ft. addition to existing building). The total project cost is +-$32,070,000.

Interest Rate: 4.00% **Term of Loan:** 20 years

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1. **Background:** Bridor, Inc. ("Bridor") is a manufacturer and marketer of high quality, raw and par-baked, gourmet and Artisan breads and pastries for the foodservice and retail markets in Canada & the United States since 1982. Bridor is a wholly owned subsidiary of Holding Le Duff SA ("HLD") (France), a privately held company with global sales in excess of $1.5 billion. HLD has approximately 8,000 employees worldwide. Louis Le Duff is the Chairman and Principal Owner of HLD, a holding company which owns Bridor, Inc. and LDA Holding ("LDA"). LDA is a holding company with interests in restaurant operating companies. La Medeleine, another subsidiary of LDA, owns and operates a over 1,200 restaurants including Brioche Doree and La Medeleine brands. HLD, through LDA, recently purchased and owns a company known as Le Bagel, Inc. which owns and operates Bruegger's Enterprises, Inc. in the USA, a bagel bakery – restaurant company and Threecaf Brands, a bagel bakery – restaurant compnay in Canada. LDA also acquired Mimi's Cafe, a bistro-restaurant style company operating in the United States.

Bridor USA Inc. "("Bridor USA"), will be a consolidated subsidiary of Bridor, Inc. Bridor USA was formed to own the real estate located in Vineland, New Jersey and the manufacturing operation in the United States. Senior level management of Bridor, Inc. is comprised of the following individuals: Jean-Francois Duquesne, CEO of Bridor, Inc.; Karolyn Ager, Chief Financial Officer; Pierre Mertelat V.P. Marketing and Sales; Jean-Pierre Hyancinthe, Chief Operations Officer; and Remy Gongraeu, Director of Human Resources.

Bridor currently employs 426 people. It operates 3 plants in Montreal, Canada. Bridor USA operates the plant in Vineland, New Jersey which employs 51 people. These plants generate combined annual sales of over $135 million. The plants are AIB (American Institute of Baking) certified, BRC (British Retail Consortium), CTPAT (Custom Trade Partners Against Terrorism) and is Kosher. Bridor's geographic reach covers a very broad area: it covers 2800 km North to South and 4800 km East to West in North America. The Eastern Region of North America alone offers a market of over 134 million people. Customers include top grocery chains such as Costco, Winn Dixie, Delhaize, Sobey's, and Loblaws. Foodservice customers include McDonalds, Walt Disney, Au Bon Pain, Dunkin Donuts and Starbucks.

In 2003, Bridor commenced operation (leased the facility from Pastridor) in Vineland, New Jersey and recruited sales and marketing personnel for the United States market. Bridor USA's total current capacity can generate over $100 million in sales. These sales comprise predominantly the products produced in and out of Vineland and Canada. Bridor has approved capital expenditures which could yield potential sales in excess of $200 million by 2018. These

I. **Background (continued):** expenditures include adding additional line(s) along with expansion of the Vineland facility. Improvements in quality and efficiencies associated with all manufacturing plants in Vineland and Canada are expected. Bridor has invested heavily to develop a United States market position and has attracted the interest of several large customers. Bridor purchased the Vineland facility in 2005 with the assistance of a Vineland UEZ loan. Bridor had an option to purchase the Vineland facility as part of its original lease with Pastridor, previous owner and operator at the subject site. Bridor excercised the option to purchase Vineland location in 2005 and it purchased the facility, real estate and all equipment in Vineland for $10.5 million. The facility in Vineland consists of a 132,275 sq. ft. building on 16.33 acres of land located in the Vineland Industrial Park.

Bridor expanded the business operation with an additional equipment purchase in 2006 which was financed via a Vineland UEZ loan. The equipment purchased in 2006 was valued at approximately $8,000,000. Bridor is operating at full capacity at its Montreal, Quebec plants. The Montreal plants are located 35 miles north of the United States border. The Bridor plant in Quebec currently has six (6) manufacturing lines. The Vineland plant has four (4) lines operational prior to this expansion. One (1) new line of equipment will be added as a result of this expansion.

In 2007, Bridor entered into an agreement with WalMart Stores to supply frozen par-baked artisan bread nationally from the Vineland, New Jersey plant. Bridor had been producing test market quantities of the product in a facility in France and had shipped the product to WalMart in the United States in October 2005. The test market went very well. As a result, Bridor installed a line of MecaTherm equipment in the Vineland facility. The cost to install this equipment and machinery was approximately $8 million (previously mentioned). The expansion generated new sales and added manufacturing capacity for Bridor USA at the Vineland facility. The equipment installed in Vineland was the first of its kind in North America and expanded capacity in Vineland by up to 60%. This capacity increase was completely utilized by January 2007 as a result of the WalMart agreement. The subject building expansion and line equipment acquisition is for two, possibly three new, customers and will involve breakfast pastries.

Current employment at Bridor's Vineland facility is fifty (50) employees. This consists of hourly employees (consisting of two shifts) and various management personnel at the site. Bridor also has some temporary work staff (hourly, part-time work force) of ten (10) employees. The hourly employees are compensated in the range of $13 per hour plus benefits. Projected employment at the Vineland facility upon completion of the expansion is anticipated to add at least 98 employees translating into an almost tripling of the workforce in the Vineland plant.

Bridor believes the North Amercian Bakery Market is undergoing and has undergone significant change primarily as a result of the consumer. This has created a need to reduce bakery labor costs as well as dealing with the difficulty of finding skilled workers to fill needs. The traditional in-store bakery and retail bakery segments we are accustomed to is a declining segment, according to Bridor representatives. The growth segments include: WalMart Grocery, fast casual restaurants, bakery cafes, and specialty grocery stores. Bridor's management also indicated that scratch products, mixes, frozen dough and white flour are considered declining product categories. The growth categories are: anything organic and nutritional, anything low-carb (although this category has slowed), artisan breads, pre-poofed, par-baked, and premium products. According to Jean-Francois Dusquene, Bridor is committed to building Bridor USA and the parent company, GLDA continues to invest capital to reach its goals. Bridor USA has achieved profitability. In addition, Mr. Dusquene states Bridor USA has continually reinvested and has hired experienced sales persons to increase sales in the United States. He also stated that sales at Bridor USA have demonstrated significant growth over the past several years.

This will allow the company to produce high quality products for new customer(s) and allow for production in Vineland rather than importing product from France and Canada.

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1.Background (continued):

Project Scope:

The scope of the subject project involves the expansion to an existing plant of +-45,000 sq. ft. and installation of pastry line (equipment) for the production of croissants and Viennese pastries.

	Project Cost:		Project Funding:	
Building Expansion	$12,000,000	Borrower	$ 7,070,000	
Equipment/line(s)	20,000,000	UEZ	5,000,000	(new money)
Misc. & closing	70,000	NBC	20,000,000	
Total	$32,070,000	Total	$ 32,070,000	

NBC = National Bank of Canada

2. **Collateral:** a.) Subordinate mortgage lien position on the real estate located at 2260 Industrial Way, Vineland, Cumberland County, New Jersey a/k/a Block 1004, Lot 3.
   b.) Assignment of rents and leases.
   c.) Subordinate UCC-1 filing on all machinery, equipment and business assets of Bridor Inc. as they may pertain to the Vineland, New Jersey operation (general filing State and County).
   d.) UEZ and CEZ will be required to subordinate their exiting mortgage and UCC filing positions as a result of this new project financing.
   e.) UCC-1 filing (specific filing on equipment being purchased) subordinate to National Bank of Canada and Credit Agricole.
   f.) Commitment to reflect the following negative covenants:
      1.) Dividends and distributions shall be limited to $2.4 million per annum.
      2.) Change to nature of business, corporate structure or control of Borrower.
      3.) HLD to own directly or indirectly at least 75% of Bridor, Inc.
      4.) Minimum EBITDA before Holding fees at $20 million at Dec. 31, 2015, $22.6 million at Dec. 31, 2016, and TBD for the following years in order to permit Borrower to finance capital expenditures, long term plan and if the forecasted EBITDA results are delayed by more than one year, the additional capital expenditures line ($17 million in 2016, and $10 million in 2017 would be postponed and/or other sources of capital would be invested to finance these future capital expenditures).
      5.) Covenants to be tested quarterly or as necessary based on long term consolidated basis: Funded debt (including UEZ loans) – EBITDA < 3.25x (stepping down to 2.50x at December 31, 2016, and thereafter). Fixed Debt Service coverage > 1.25x.
      6.) Other usual and customary for a loan of this type, including but not limited: (a.) Execution of legal and collateral documents necessary to settle loan.

3. **Guarantor(s):** Bridor, Inc.

4. **Lien Position:** UEZ currently has a first and second mortgage lien on real estate located in Vineland Industrial Park. The proposed loan will require new loan documents and subordination of the mortgage liens will be necessary to National Bank of Canada which will require primary positions. The UEZ and CEZ will have subordinate liens behind National Bank of Canada for specific equipment which is being purchased as part of this request.

5. **Dollar Amount and Holder of Prior Liens:** National Bank of Canada.

6. **Size of Parcel:** 16.33 acres.

7. **Improvements Thereon:** A 132,275 sq. ft. food processing / manufacturing facility.

8. **Location of Property:** 2260 Industrial Way, Vineland, Cumberland County, New Jersey a/k/a Block 1004, Lot 3.

9. **Appraisal Information:** Informational purposes only. The City of Vineland recent revaluation demonstrates a valuation of $6,361,100 (land value of $1,046,500.00 and building/improvements value of $5,314,600). Based on this value, the anticipated real estate tax revenue is +-$145,000 annually.

   The equipment in the building was valued in excess of $5 million when the original sale transaction took place. The book value of this equipment on the balance sheet is $6,531,661 (additional line etc).

   Historical information - An appraisal on file prepared by Christopher Hall of Binswanger demonstrates a value of the real estate property at $6,250,000 as of February 2, 2005.

Real Estate Value - Vineland	$ 6,361,000 (Assessed Value)
Exist. mach. & equip. – Vineland	6,535,000 (Book Value)
Total Value of Vineland Real Estate and Equipment	$ 12,896,000
Total Proposed Project Cost	$ 32,070,000

Loans outstanding for the Vineland Facilty and Proposed Project

UEZ (1st) loan outstanding	$ 5,580,000+-*
UEZ (2nd) loan outstanding	1,440,000+-*
CEZ loan outstanding	318,000 +-
Proposed new UEZ funds	5,000,000
Proposed new NBC	20,000,000
Total Loans	$32,338,000

Total UEZ and CEZ Funding Outstanding and Proposed $12,020,000 (Vineland facility).

*The UEZ has existing loan relationships with Bridor USA, Inc. which are secured with a mortgage liens on the Vineland real estate. The original amount of loan #1 was $8,000,000.00 (current balance of +-$5,580,000). This loan was interest only until 7/2006 and thereafter went into amortizing status. The UEZ subsequently filed a second mortgage lien on the same real estate as part of the collateral package for a second request to finance equipment. This loan has an approximate outstanding balance of $1,440,000.00. The Cumberland Empowerment Zone ("CEZ") partnered with the UEZ on that project with a participating loan and the CEZ loan has a balance of +-$318,000 (original amount was $360,000).

The total outstanding UEZ exposure to this one Borrower will be in the amount of +-$12,000,000 with the the approval of this subject loan (in subordinate positions to National Bank of Canada).

10. **Financial:**

11. Substantiation: DSCR = 1.29x, LTV = N/A.

- Assist an existing manufacturing company in Vineland with expansion of plant and equipment.
- Real estate tax ratable creation leading to future tax revenue for the City of Vineland resulting from expansion/improvements to the manufacturing facility in Vineland.
- Increase employment by 50 jobs initially and upwards of an additional 48 jobs within 1 year. Total jobs to be created is 98. Bridor anticipates further increases to employment at its Vineland plant as a result of its future investment and growth which will take place over the next several years.
- Local construction jobs and purchases of construction materials from local vendors.
- Company has maintained an excellent repayment history with existing UEZ loans.

12. Recommendation: