



# FIRST NEWS

Your daily food industry update

**FoodONE**  
A division of Seafax, Inc.

## COLLECTIONS PLACED

Polarica USA, Inc. -- San Francisco, CA (#832680) -- \$1,684

## RATING CHANGES

Osage Food Products, Inc. -- Washington, MO **R to L**  
(#602629)

Quantum Foods, LLC -- Bolingbrook, IL (#825860) **R to L**

**R=Recommended L=Limited I=Inconclusive C=Cautionary Status**  
**H=High Risk T=Too New to Score S=Significant Event U=Unable to Score**

## SPECIAL UPDATE

**Avco Meat Company -- Gadsden, AL** -- A representative of Avco Meat Company told SEAFAX that the company is still dealing with its insurance carrier and a tentative date to re-open the plant has not been established -- A fire occurred at the Avco Meat pork processing plant on May 22 -- The representative said Avco Meat's plant has been aired out and inspected for structural issues -- In early June, the Avco Meat representative estimated that the facility would re-open in 45 to 60 days -- Steve Contris, the owner and plant manager of Avco Meat, told local media after the fire that the plant suffered cosmetic damage and would be checked for structural damage and would need restoration work before it could re-open -- Contris explained to local media that investigators determined the fire likely started in the lobby area where product is weighed -- The fire chief said the blaze has been called suspicious following a similar fire recently in the area -- Founded in 1976 by members of the Contris family, Avco Meat Company slaughters, process and sells a variety of fresh and frozen pork products, including boneless ham, loins and spareribs (#38421)

**Morgan Foods, Inc -- Austin, IN** -- Morgan Foods Inc issued a recall July 13 for 94,850 pounds of corn chowder soup products as they that may contain foreign materials, according to the the U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS) -- The problem was discovered when the company received two consumer complaints about finding pieces of a marker pen in the product -- Neither the FSIS nor the company have received reports of injury or illness at this time --The products subject to recall are 18.8-ounce cans of Hill Country Fare branded chunky chicken corn chowder, Wegman's branded chunky chicken corn chowder, Chef's Cupboard branded chunky chicken corn chowder and America's Choice branded chunky chicken corn chowder with "best-by" date of "01 Mar 2014" stamped on the bottom of the can -- The cans are also distributed in trays of 12 with a case code of "B2912" on the case tray -- The products subject to recall bear the establishment number "P-1469" inside the USDA mark of inspection on the label and were produced on February 29, 2012 -- The FSIS said the Hill Country Fare branded product was shipped to retail stores in Texas, the Wegman's branded product was distributed to retail stores in New York, the Chef's Cupboard product was distributed to retail stores in Illinois, Indiana, Kansas, Minnesota, Missouri, Ohio, Tennessee, Texas and Wisconsin and the America's Choice branded chunky chicken corn chowder product was distributed to retail stores in Connecticut, Maryland, New York, New Jersey, Pennsylvania and Virginia (#63831)

## NEWS DIGEST

**Giant Food Stores, LLC dba Giant Food Stores -- Carlisle, PA** -- Giant Food completes acquisition Genuardi's stores

Giant Food Stores LLC, a wholly owned subsidiary of Ahold U.S.A., Inc, said July 13 that it successfully completed its acquisition of 15 Genuardi's stores located in the greater Philadelphia area from Safeway Inc.

Giant Food Stores revealed in early January that it entered into an agreement with Safeway to acquire 16 Genuardi's locations for a sum of \$106 million. However, under the terms of a consent order approved by the Federal Trade Commission, the Genuardi's unit located in Newtown, PA must be sold to an unrelated third party.

Giant Food Stores previously conveyed that store will be acquired by Newtown Market LLC, which is an affiliate of Princeton Market Inc, and operated as a McCaffrey's supermarket.

Upon announcing the acquisition, Giant Food Stores stated it planned to convert the Genuardi's stores to the Giant Food Stores banner. The company announced July 8 that five of the acquired stores have already opened under the Giant banner and it plans to complete the conversion of the remaining stores by July 22.

In November, 2010 Giant Food Stores acquired two Genuardi's supermarkets from Safeway.

In addition to the sale of the 16 Genuardi's locations, Safeway stated in January that it plans to close three Genuardi's stores and sell its remaining eight Genuardi's stores, which it will continue to operate while it works with potential buyers.

Safeway acquired the assets and liabilities of Genuardi's Family Markets Inc's 39 stores in February, 2001 for a sum of \$530 million.

Giant Food Stores operates nearly 200 stores under the names of Giant Food Stores and Martin's Food Markets throughout Pennsylvania, Maryland, Virginia and West Virginia. (#605961)

**Mexicali Cheese Corp. -- Woodhaven, NY** -- FDA says Mexicali Cheese failed to comply with consent decree

The U.S. Food and Drug Administration (FDA) issued a warning July 13 warning consumers not to purchase or consume any products from Mexicali Cheese Corp after finding the bacterium *listeria monocytogenes* in the company's finished products.

The FDA's July 13 warning also conveys that Mexicali Cheese Corp failed to comply with the requirements of a consent decree of permanent injunction entered into earlier this year which directed the company to stop manufacturing and distributing any articles of food until it completed FDA-approved measures to correct food

safety deficiencies, decontaminate its facility and take other steps needed to comply with the law. The consent decree was entered after the U.S. Department of Justice (DOJ) filed a complaint against Mexicali Cheese Corp citing a history of insanitary conditions and of producing cheese in a facility contaminated with *listeria monocytogenes* bacteria.

The FDA's July 13 warning states Mexicali Cheese Corp's products were distributed in the New York City area, New Jersey, Pennsylvania and Connecticut, but warns that consumers may have moved the products beyond those states.

The New York State Department of Agriculture and Markets issued warnings related to the recall of specific Mexicali Cheese Corp products in late June and early July, however the FDA's July 13 warning is related to any and all Mexicali Cheese Corp products.

The DOJ informed the federal court in its complaint filed in late January that Mexicali Cheese Corp introduced its cheese products into interstate commerce by shipping to grocery stores and markets in New Jersey and Connecticut.

In addition to the FDA's own inspections conducted from September, 2010 through June, 2011, the complaint alleged that the New York State Department of Agriculture and Markets' division of milk control and dairy services found similar unsanitary conditions at the company's facility.

According to the complaint, the FDA issued a warning letter to Edinson Vergara, the company's president and chief executive officer, in October, 2010 citing insanitary conditions observed during a past inspection of Mexicali Cheese Corp's facility. In November, 2010, the business responded to the warning letter, listing a number of corrective actions that were taken in response to the violations noted in the warning letter. However, the complaint alleged that during inspections conducted in 2011, FDA investigators again observed numerous insanitary practices and conditions at Mexicali Cheese Corp's facility, many of which were the same or similar to those the FDA had observed in prior inspections.

Specifically, the complaint said environmental samples taken during an inspection in August, 2010 revealed five samples that tested positive for *listeria monocytogenes*, while the June, 2011 testing found 30 positive samples.

The consent decree for permanent injunction directed Mexicali Cheese Corp and Vergara to cease manufacturing and distribution food until the company can bring its operations into full compliance with the Federal Food, Drug and Cosmetic Act and FDA food safety regulations.

In addition, the consent decree called for Mexicali Cheese Corp to retain, at its own expense, an independent laboratory which is qualified to collect product and environmental samples from within the company's facility and analyze those samples for the presence of *listeria monocytogenes*.

The consent decree also directed Mexicali Cheese Corp to develop a written *listeria* monitoring program and to report to the FDA in writing the actions the company has taken to bring its operations into compliance with the Federal Food, Drug and Cosmetic Act and all applicable regulations.

The consent decree stated that within 30 days of the April order, Mexicali Cheese Corp had to destroy, under the FDA's supervision,

all in-process and finished articles of food in the company's custody, control or possession and recall, to the retail level, all food distributed since June 1, 2011, at the entity's own expense. (#849306)

## BANKRUPTCY NEWS UPDATE

**AFA Foods, Inc. -- King of Prussia, PA -- AFA's asset sales approved, more time needed for plan**

The U.S. Bankruptcy Court for the District of Delaware authorized AFA Foods Inc and its affiliates to sell their Pennsylvania and Texas assets to CTI King of Prussia LLC and Cargill Meat Solutions Corporation, respectively, at a hearing held July 12.

SEAFAX has not been able though to obtain complete details as the formal order was not yet on the court docket Friday.

CTI King of Prussia, an affiliate of Wilder, ID-based CTI - SSI Food Services LLC, agreed to acquire the debtors' Pennsylvania assets for the sum of \$4.7 million plus the estimated closing inventory amount, the estimated closing receivables amount and the estimated prepaid expense amount. The debtors' Pennsylvania affiliates include AFA Foods Inc, American Foodservice Investment Company LLC, American Fresh Foods Inc, American Fresh Foods LLC, AFA Investment Inc, and American Foodservice Corp.

The Texas affiliate is Texas American Food Service Corporation. Cargill Meat Solutions Corporation will acquire the debtors' Texas assets for \$14.1 million plus working capital to be adjusted at closing and subject to cap, for a total purchase price estimated to be valued at \$38.8 million.

Commenting on the pending acquisition, Cargill said it plans to retain the approximately 250 full-time ground beef production positions at the Fort Worth, TX facility to be acquired and to invest appropriately to ensure the plant's ongoing competitive viability. Cargill stated the Fort Worth plant will produce ground beef patties and a variety of ground beef packaged products for both the retail and foodservice sectors.

The sales of the Pennsylvania and Texas assets are expected to be completed between July 16 and July 20.

AFA Foods and its affiliates have already completed the sale of two of their affiliates, Thomasville, GA-based American Fresh Foods LP and Los Angeles, CA-based United Food Group LLC to FPL Food LLC and Tri West Investments LLC, respectively, after receiving court approval in late June.

According to the purchase and sale agreement related to the Georgia assets, FPL Food, headquartered in Augusta, GA, acquired American Fresh Foods LP's assets for \$4.5 million in cash, subject to adjustment and the assumption of certain assumed liabilities. The debtor said the assumed liabilities do not include products manufactured or sold prior to closing, including customer returns and allowances with respect to products sold prior to closing.

The purchase and sale agreement related to the Los Angeles assets states Tri West Investments, which operates from the same address as does Central Valley Meat Co., Inc, agreed to acquire United Food Group's assets for \$4.4 million. The purchased assets include all machinery, equipment, trucks, vehicles, inventory and

supplies and other assets used for the operation and maintenance of the business.

The June orders state that all proceeds of the sales of the purchased assets will be escrowed in a manner acceptable to the debtors, the first lien agent and the official committee of unsecured creditors until a final sale hearing related to the debtors' remaining assets has concluded.

The debtors are continuing to market the assets of their New York facility for sale.

AFA Foods and its affiliates filed a motion July 11 requesting an extension of their exclusive periods to file a Chapter 11 plan and to solicit acceptances thereof to October 29 and December 27, respectively.

The debtors informed the court that since the commencement of their Chapter 11 cases April 2 they have pursued an expeditious sale process to maximize value for their estates and stockholders. The debtors said this process has involved multiple sales of individual facilities, effectively requiring them to manage separate sales for each of the five operating locations.

The debtors said from the outset, they have been forthright about the significant challenges they confront in their cases, particularly given that they may not be able to pay all secured claims in full and are subject to a significant amount of pre-petition priority claims asserted under section 503(b)(9), or so called 20-day claims.

Despite the challenges, AFA Foods and its affiliates told the court they believe that a feasible plan can be confirmed and implemented. However, the debtors added the development of such a plan likely will require the negotiation and resolution of various issues among the primary stakeholders in the cases, including the unsecured creditors' committee, the pre-petition first and second lien lenders and the post-petition lenders.

The debtors said with the sale process nearing completion, all parties are now in a position to better understand the outcome of the sale proceeds, which will assist them in negotiating appropriate resolutions of open issues.

The bankruptcy court will hold a July 25 hearing to consider the debtors' request for more time to present a bankruptcy plan and accompanying disclosure statement.  
(#820159)

***Allen Family Foods, Inc. dba Allen's -- Seaford, DE -- Allen Family Foods seeks to pay 20-day claims after reaching settlement***

Allen Family Foods Inc and its affiliates, J C R Enterprises Inc and Allen's Hatchery Inc, along with the official committee of unsecured creditors, filed a motion July 10 requesting that the bankruptcy court enter an order authorizing the debtors to pay 503(b)(9) claims, or so called 20-day claims.

As reported, Harim USA Ltd acquired the debtors' assets last July after receiving bankruptcy court approval, at which time the debtor-in-possession facility was fully paid.

Thereafter, a portion of the sale proceeds representing the proceeds of the senior secured lender group's pre-petition collateral

was paid to MidAtlantic Farm Credit, but another portion of the sale proceeds totaling about \$30 million is being held in trust pending an adversary proceeding which challenges the senior lender group's lien position. Specifically, the committee disputed MidAtlantic Farm Credit's rights to the proceeds held in trust and asserted that said funds allocated to the debtors' machinery and equipment were not subject to a valid and perfected security interest.

Since the commencement of the adversary proceeding, the debtors, the committee and MidAtlantic Farm Credit have engaged in discussions and reached a resolution of all issues and entered into a settlement. The terms of the settlement call for \$5 million of the \$30 million held in trust to be turned over to Allen Family Foods and its affiliates.

The debtors currently hold funds in the amount of \$2.8 million which are not proceeds of collateral securing the pre-petition indebtedness to MidAtlantic Farm Credit.

Under the motion, the debtors seek to pay 503(b)(9) claims which currently total nearly \$2.4 million.

The debtors also filed a motion July 10 asking the bankruptcy court to approve the settlement agreement entered into between them, the committee and MidAtlantic Farm Credit.

The bankruptcy court scheduled a July 31 hearing to consider the approval of both the 503(b)(9) claims motion and the settlement request.

The debtors were recently granted a third extension of their exclusive periods in which to file a Chapter 11 plan and solicit acceptances to such a plan to August 2 and October 31, respectively.

The debtors told the bankruptcy court that a third extension of time was needed as they have continued to focus on transferring operations to Harim USA.

The debtors added that they were diligently evaluating the validity of each claim filed against their estates in an effort to ensure an accurate reconciliation of their pre-petition and post-petition obligations. In particular, the debtors said the official committee of unsecured creditors resolved a sizable administrative expense claim filed by the Pension Benefit Guarantee Corporation.

Additionally, the debtors said that, in consultation with the committee, they will determine the most efficient means for bringing the Chapter 11 case to a conclusion once the claims reconciliation process has run its course and other administrative issues have been addressed and resolved.

The debtors also informed the bankruptcy court of their understanding that the committee was actively negotiating with their pre-petition secured lenders regarding the validity of certain pre-petition secured liens that encumber a significant portions of the debtors' remaining assets.

The debtors stated that a further extension was needed in order to form a more accurate understanding of the available asset pool which may be available to creditors holding both unsecured and priority claims.  
(#20567)

**RCF Kitchens Indiana, LLC dba The Really Cool Foods Company, LLC -- Cambridge City, IN** -- RCF Kitchens Indiana allowed post-petition funding

The U.S. Bankruptcy Court for the Southern District of Indiana entered an oral order July 11 authorizing RCF Kitchens Indiana LLC, which conducted business as Really Cool Foods before closing its doors last November and which sought Chapter 11 bankruptcy May 30, to obtain post-petition financing in an amount up to \$400,000.

The debtor informed the bankruptcy court the post-petition financing will be used to fund costs for the sale of its assets, security for its assets, wages or compensation for its sole employee and business representative, utilities and professional fees.

RCF Kitchens Indiana entered into an asset purchase agreement with Sugar Creek Packing Co that, among other requirements, called for the debtor to file a Chapter 11 petition to complete the sale. According to the purchase agreement, Sugar Creek Packing Co, headquartered in Washington Court House, OH, agreed to acquire the debtor's assets, excluding the Really Cool Foods trademark, for the sum of \$13 million.

In connection with the debtor's proposed sale, the bankruptcy court entered an order in late June approving auction procedures to sell substantially all of RCF Kitchens Indiana's assets and naming Sugar Creek Packing as the stalking horse bidder. An auction will be held August 15 and a final sale hearing will take place August 21.

Joe Meyer, the vice president of finance for RCF Kitchens Indiana and its affiliates, The Really Cool Food Company LLC, Really Cool Foods Kitchens LLC and Really Cool Foods Kitchens 2 LLC, informed SEAFAX last November that the companies were closing immediately and liquidating their assets due to severe cash flow problems experienced by the businesses over the past prior months.

None of RCF Kitchens Indiana's affiliates have filed bankruptcy petitions as of July 13.

A financial advisor retained by RCF Kitchens Indiana and its affiliates issued a letter to the companies' creditors in early 2012 stating the Really Cool Foods entities hired an outside firm to assist in selling the companies' plant and equipment, either as a turn-key operation or as a liquidation of assets.

The financial advisor's letter stated that once all of the Really Cool Foods entities' assets were liquidated, they hoped to be in a position to make a distribution to their creditors on a pro rata basis in the order of priority under applicable law.

According to court documents, RCF Kitchens Indiana worked to identify a buyer for its business operations or assets prior to its closure, but was unable to do so. The debtor added that with its secured lenders unwilling to advance additional funds which would have allowed the business to operate in the normal course, it ceased operations, terminated the employment of its work force and engaged a real estate company to assist with the marketing and eventual sale of its assets, including its plant located in Cambridge City, IN. (#813507)

## BANKRUPTCY BRIEFS

**Michael's Market, Inc. dba Michael's Fresh Market -- Chicago, IL** -- Michael's Market Inc, along with its affiliated entities, filed a motion with the bankruptcy court July 10 asking to set August 31 as the general bar date for creditors to submit proofs of claims -- According to the debtors, the general bar date should be set on August 31 in order to evaluate the nature and scope of all potential claims, including claims, if any, entitled to administrative priority under section 503(b)(9) of the bankruptcy code -- On June 29, Michael's Market and its affiliated entities filed a motion with the bankruptcy court requesting an extension to the periods in which the debtors may file a plan of reorganization and gain acceptances of that plan -- The bankruptcy court had mandated that the debtors file their plan of reorganization by June 29 and obtain acceptances of the plan by August 29, but the debtors now ask that the deadline to file a plan be extended until August 3 and the period to solicit acceptances be extended until October 2 -- The bankruptcy court has not yet ruled on the extension motion -- Michael's Market and its affiliates, 2820-30 North Cicero LLC, DMM Produce Inc, Jenor LLC, Mayfair Market Place Inc, North Avenue Fresh Market LLC, CP No. 3 Inc and 4815 W. Wolfram LLC, all filed Chapter 11 bankruptcy petitions in late December -- The bankruptcy proceedings are being jointly administered under Michael's Market Inc (#848575)

## INDUSTRY NOTES

**Santa Monica Seafood Company -- Rancho Dominguez, CA** -- Dave Little, Santa Monica Seafood Company's senior vice president of sales, announced July 13 the company promoted Jay Gallagher to regional vice president of sales -- In addition to Gallagher's promotion, Little said Santa Monica Seafood Company hired Blake Wheeler as regional sales manager - north (#140987)

## MARKETPLACE

### National Sales Managers

Best Foodstuff USA Inc. is looking for two experienced national account sales managers. The successful candidates should have a minimum of 3-5 years sales experience selling to multi-unit restaurant accounts or multi-unit supermarket accounts. We are looking for results oriented individuals with proven track records. The positions will be mainly developing business with the top restaurant chains and top supermarkets in the U.S. Excellent salary plus commission with an attractive benefits package for the right candidates.

Please submit resumes to: [graham@chinabestgroup.com](mailto:graham@chinabestgroup.com).

**Questions or tips regarding First News items are encouraged. Please send email to [news@seafax.com](mailto:news@seafax.com) or contact us at 1-888-777-3533**