



## Development Specialists, Inc.

Advisory and Fiduciary Services • Corporate Restructuring and Workouts • Interim Management • Insolvency Services

July 1, 2014

*e-mail address: msorenson@dsi.biz*

TO THE CREDITORS AND SHAREHOLDERS OF  
CONTESSA PREMIUM FOODS, INC., A DELAWARE CORPORATION:

4000 NOAKES STREET  
CITY OF COMMERCE, CA  
AND  
1603 CARMODY COURT, SUITE 302  
SEWICKLEY, PA 15143

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

As we previously advised, Contessa Premium Foods, Inc., a Delaware corporation, hereinafter referred to as “Contessa” or “Assignor”, executed a general assignment for the benefit of creditors in favor of Development Specialists, Inc., (the “Assignee”) on Wednesday, April 30, 2014.

Immediately upon accepting the general assignment, the Assignee began to field inquiries as to Contessa’s assets. A number of companies executed non-disclosure agreements with the Assignee and toured the Contessa facilities. At the end of a 23-day process, the Assignee accepted an offer from O.F.I., an affiliate of Aqua Star, to acquire substantially all of Contessa’s assets, including brand names, inventory, equipment and certain accounts receivable. The purchase price for the assets was approximately \$21,500,000. The sale was approved by Contessa’s secured lenders, each of whom agreed to release its liens on its collateral as part of the sale.

Creditors will recall that General Electric Capital Corporation (“GECC”), as agent and lender under that certain Credit Agreement, dated July 15, 2011 among Contessa, GECC and the other parties thereto (the “Credit Agreement”), had asserted a security interest in all of Contessa’s assets. GECC and Farm Credit Mid-America, PCA f/k/a Farm Credit Services of Mid-America, PCA, also asserted liens over certain of Contessa’s equipment arising from equipment financing agreements with Contessa. Sun Premium Foods Finance, LP also asserted a junior lien in all of Contessa’s assets. The Assignee and its counsel spent considerable time reviewing the secured lenders’ security agreements and have confirmed the validity of the asserted liens against the Assignor’s assets, therefore entitling the secured lenders to the proceeds of the O.F.I. sale.

Prior to executing the Assignment, the aggregate outstanding principal balance due and owing by Contessa to GECC under the Credit Agreement was approximately \$16,625,000. The equipment financing lenders were owed approximately \$13,100,000. Sun Premium Foods Finance, LP was owed approximately \$3,000,000. The sum of all secured claims is approximately \$32,725,000.

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Further and as we noted in our first notice to creditors, the Assignee has received notices for approximately \$1,200,000 of claims under the Perishable Agricultural Commodities Act ("PACA"), which claims are against the proceeds of the sale of the PACA suppliers' products and held in trust under PACA for those suppliers. The Assignee has already begun processing PACA creditor claims and paying those claims from funds segregated from other assignment estate assets.

The Assignee will begin shortly its review of potentially recoverable "preferential transfers" (transfers made by the Company within the ninety days immediately prior to the making of the general assignment) as provided for under California law. To the extent that there are such claims, demand letters will be sent to the affected creditors and every effort made to resolve the demand without the need for litigation. Any such recoveries on preferential transfer claims are not subject to the secured creditor liens and would be available to address administrative claims, as well as priority and general unsecured creditor claims, to the extent possible.

Creditors were provided with a Proof of Claim form by which creditors can file their claims with the Assignee. Please note that pursuant to California law (*see* Code of Civil Procedure §1802) the last day to file proofs of claim in this estate is November 10, 2014. Creditors who fail to file their proofs of claim by that date will not be entitled to share in any distribution arising out of the liquidation of the Assignor's assets should there in fact be any funds available for distribution to unsecured creditors. The Assignee will accept proofs of claim via facsimile, e-mail, or thru its website so long as they are received by the claims bar date, November 10, 2014, and the original signed proof of claim is received by the Assignee within one week of the claims bar date. Creditors are reminded to include copies of any supporting invoices, statements or other documentation with the proof of claim. There is no guaranty, however, in light of the secured debt and the results of the sale of substantially all of Contessa's operating assets, that there will be any recovery for general unsecured creditors from this assignment estate.

The Assignee's next report will be sent to creditors in approximately ninety days with a further update as to the status of the assignment estate and liquidation of any remaining assets. Creditors are requested to advance their files accordingly

Very truly yours,

Development Specialists, Inc., solely in its capacity  
as Assignee for the Benefit of Creditors of



By: Matthew P. Sorenson