



Grand Forks Growth Fund, a Jobs Development Authority
 Staff Report
 Growth Fund Committee – May 18, 2020
 JDA – June 1, 2020

Agenda Item: FlexPACE Loan Request from Associated Potato Growers, Inc.

Submitted by: Andy Conlon, Senior Community Development Planner

Staff Recommended Action: EDC Board and staff recommend:

1. approve request for FlexPACE loan of \$22,885 to buy down the interest rate on commercial equipment loan;
2. hold a public hearing on this request at the JDA meeting on June 1, 2020;
3. authorize JDA officials to execute necessary documents.

Committee Recommended Action:

JDA Action:

Associated Potato Growers, Inc. is one of the largest grower-owned potato packaging cooperatives in the Midwest and supplies customers throughout the United States. The company operates three packaging facilities in the region and is aiming to update packaging equipment at its Grand Forks facility to improve capacity and efficiency. Associated Potato Growers, Inc. is seeking FlexPACE assistance to buy down the interest on a \$430,000 commercial loan for the purchase of one packaging machine to achieve this. The commercial lender is Bremer Bank.

Job/Compensation Information: Associated Potato Growers, Inc. expects to create 15 new FTE’s with an average hourly compensation of \$14.00 in wages plus \$2.00 in benefits (\$16.00/hr. total).

Sources:

Bremer Bank Loan	<u>\$ 430,000</u>
	\$ 430,000

Uses:

Equipment/Machinery Purchase	<u>\$ 430,000</u>
	\$ 430,000

FlexPACE Interest Subsidy Loan:	BND Grant	\$42,500
	JDA Loan	\$22,885

Terms: Payment and interest accrual will be deferred 7 years; thereafter it will be repaid in 12 monthly payments at 1%.

Security: Second position UCC filing and corporate guaranty.

ANALYSIS AND FINDINGS OF FACT:

- As proposed, the JDA loan would be subordinate to a Bremer Bank loan of \$430,000, putting loan-to-value at just over 100%.
- The request complies with Growth Fund policies and procedures.
- Confidential financial documents are available to Growth Fund Committee and JDA members upon request.

SUPPORTING MATERIAL:

- Business Financing Application



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BUSINESS FINANCING APPLICATION

Date/Time Field 04/27/2020
 Company Name Associated Potato Growers, Inc.
 Location Grand Forks, ND
 Mailing Address 2001 N 6th ST
 City Grand Forks State ND Zip 58203

COMPANY DESCRIPTION

Farmers of the Red River Valley in North Dakota and Minnesota formed this Cooperative in 1948 as a way to efficiently meet customer demand for their product. Associated Potato Growers, Inc. is one of the largest grower owned red potato packing co-operatives in the Midwest. There are more than 40 active growers represented by Associated Potato Growers, raising top quality red and yellow potatoes and supplying them to customers throughout the USA. The climate controlled packing and storage facilities are located in Grand Forks, Grafton, and Drayton, offering service to both wholesale and retail markets. Their advanced sorting systems allow them to package and deliver potatoes that are graded and sized to their customers needs and demands.

PROJECT DESCRIPTION

The company's three wash plants are currently inefficient in regards to packaging capacity. The machines are old and outdated. Newer technology is available and is very desirable for Associated which would allow them to fill smaller packages which are far more profitable for the company. The project would involve purchasing one new packaging machine for the Grand Forks Plant which will be the second of the three plants to upgrade the packaging equipment.

FINANCING DESCRIPTION

Associated Potato Inc is seeking Flex PACE financing to buy down the interest rate on a 7-year loan of \$430,000 at 5% financed by Bremer Bank. The loan request of the growth fund is for \$22,885 to buydown the interest rate down to 1% and to leverage a BND buy-down of \$42,500.

EMPLOYMENT DESCRIPTION

Full - time Equivalents ¹	NUMBER	AVERAGE COMPENSATION/HR		
		EARNINGS ²	BENEFITS	TOTAL
EXISTING <i>at time of application</i>	15	\$14/hour	\$2/hour	\$16/hour
CREATED <i>within 2 years of project completion</i>				

Neither created nor retained (FlexPACE only)

¹ "Full-time Equivalent" positions work at least 32 hours/week
² "Earnings" include wages, salary, bonuses, commissions

List Position(s) Created:

List Position(s) Retained:

Company Provided Benefits: (check all that apply)

INSURANCE : Health Dental Vision Life Disability

Company Provided Benefits: *(check all that apply)*

- LEAVE : Vacation Sick Leave Paid Holidays
 ALLOWANCES : Housing Transportation
 OTHER : Profit Sharing Employee share payroll tax Other

USES AND SOURCES OF FUNDS

Uses

FIXED ASSETS

Aquisition	
Land Improvements	
New Building Construction	
Building Improvements	
Purchase of Machinery/Equipment	\$ 430,000.00
Contingency	
Total Fixed Assets	\$ 430,000.00

OPERATING CAPITAL

Inventory	
Other	
Total Working Capital	\$ 430,000.00
Total Uses	\$ 430,000.00

Sources

EQUITY FINANCING

- Owner Equity
- Other Equity
- Total

DEBT FINANCING

	Rate (%)	Months Amortized	Term Months	Amount
Growth Fund <i>(not PACE)</i>				
Bank: Bremer Bank	5.00 %	84	84	\$ 430,000.00
Other:				
Other:				
Other:				
Debt Financing Total				\$ 430,000.00
Total Sources				\$ 430,000.00
Total Surplus/(Deficit) of Funding				\$ 0.00

PACE Financing (Internal Use)

Source	Rate (%)	Months Amortized	Term Months	Amount
Bank of North Dakota:	0.00 %	84	84	\$ 42,499.95
Bank of North Dakota:				
Grand Forks Growth Fund:	1.00 %	12	96	\$ 22,884.60

Source	Rate (%)	Months Amortized	Term Months	Amount
Grand Forks Growth Fund:				
Total PACE				\$ 65,384.55

Special Conditions

VALUATION & SECURITY

REAL ESTATE

VALUE
Describe how value was determined *(Please attach supporting documentation .)*

DEBT SUPERIOR TO GROWTH FUND
 Existing: Proposed:

List creditors and amounts superior to Growth Fund.

Creditor	Amount
Total:	

Proposed Growth Fund Loan to Value

Equipment

VALUE \$ 2,192,139.85
Describe how value was determined *(Please attach supporting documentation .)*
 Accounts Receivable balance sheet value as of 7/31/19 per Brady, Martz audit was \$854,749; Equipment value per the same audit was \$1,968,381; and Inventory value per the same audit report was \$1,304,725. Discounting AR at 65%; Equipment at 50%; and Inventory at 50% provides the value listed above.

Note: SBA PPP loan below is expected to be forgiven. Without this loan factored into the Loan to Value (LTV) calculation, the LTV would be 78.22%

DEBT SUPERIOR TO GROWTH FUND
 Existing: \$ 1,969,300.00 Proposed: \$ 430,000.00

List creditors and amounts superior to Growth Fund.

Creditor	Proposed:
Bremer Bank - Blanket Commercial UCC Filing	\$ 1,000,000.00
Bremer - Equipment Loan	\$ 430,000.00
SBA PPP	\$ 539,300.00
Total: \$ 1,969,300.00	

Proposed Growth Fund Loan to Value 100.63


Equity

Equity source(s) description. *Describe source(s) of equity for the project including how it will be obtained and appraised.*
 The new equipment will be completely financed by Bremer.

Guaranty(ies)

Guaranty(ies)	
Name Corporate Guaranty	Amount Unlimited

The undersigned affirms that (s)he has reviewed the uses and sources of funds and statements of valuation and security contained herein, and that they accurately represent project financials in substance and in fact.



 Lead Lender Signature

4-27-2020

 Date

COMPANY INFORMATION

Contact Person: Mike Torgerson **Title:** Manager
Phone: 701-360-3267 **Email:** mt@apgpsud.com
Federal Tax ID 45-0221996 **Federal Employer ID** _____
State Employer ID _____
Legal Structure Other
Business Type Value Added Agriculture **Established** 1948
Maturity of Company Established (5+ years)

Location (s) Headquartered in Grand Forks, ND. Wash plants located in Grand Forks, Grafton and Drayton, ND.

Major Customers

Name	Location	Percentage
Walmart	Bentonville, AR	
Various repacking and/or end users	Various	

Major Suppliers

Name	Location	Percentage

If Corporation PRESIDENT _____
VICE PRESIDENT _____
SECRETARY _____

Ownership *Please list company owners and ownership percentage for those with interests of 20% or more.*

Name	Percentage
Various owner/growers	100.00 %

Primary Bank Bremer Bank **Line of Credit** \$ 1,000,000.00

ADDRESS 3100 S Columbia Road
 PHONE 701-795-4500
 CONTACT PERSON Rick Robinson
 EMAIL RHRobinson@Bremer.com

Company Attorney Vogel Law Firm
 ADDRESS 2825 36th Ave South Suite A, Grand Forks, ND 58201
 PHONE 701-203-8760
 CONTACT PERSON _____
 EMAIL _____

Company Accountant Brady, Martz & Associates
 ADDRESS 401 Demers Ave
 PHONE 701-775-4685
 CONTACT PERSON Dan Monson
 EMAIL _____

NOTE: Your attorney and accountant may be contacted unless you request otherwise.

Has the company or any of its principals ever been involved in bankruptcy?

Yes No

REQUIRED ENCLOSURE

- Business Plan.**
 A full business plan if business has been in operation for less than five years OR A business opportunity summary if the business has been in operation five or more years.
- Financial Statements** for the past three years, including:
 Balance sheets
 Income statements
 Statements of changes in financial position
 Notes to financial statements
 If unaudited, the statements must be signed and dated by an authorized financial officer of the company.
OR
Federal Tax Returns for the past three years if applicant does not have audited or reviewed financial statements.

Comments

- Most recent **Interim Financial Statements** (balance sheets, income statements)

Comments

- Signed **Personal Financial Statement** as of the date of the application for any person with a 20% or more ownership interest in the company.

Comments

- Pro Forma** balance sheet, income statement, and cash flow statement for the 24 months following loan closing that show the financial position of the business including proposed financing.

Comments

- Key person insurance** to secure loans; include supporting information as available.

REQUIRED ENCLOSURE

Comments

- Information concerning any pending or threatened **litigation** or administrative proceeding, or any administration orders, judgments, or injunctions.

Comments

- Commitment Letter** from your bank regarding any financing it will provide for this project.

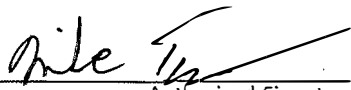
Comments

- Copy of the **last commitment letter** from your bank indicating your working capital line of credit.

Comments

This application is required to assess the applicant firm's qualifications for a Growth Fund business incentive loan. As these loans are made with public funds, this application is public record and will be discussed at public meetings. There are, however, exemptions that limit public disclosure regarding (1) the identity, nature, and prospective location of the applicant when such has not been previously publicly disclosed; and (2) subsequent to this, trade secrets and commercial or financial information, marketing strategies and other marketing information that would cause a substantial risk of competitive injury if disclosed. (See North Dakota Century Code §44-04-17 through §44-04-20.)

The undersigned affirms that (s)he is duly authorized to submit this application and the information contained herein; that (s)he has read the same and is familiar with the statements contained herein; and that (s)he verifies the same are true in substance and in fact.



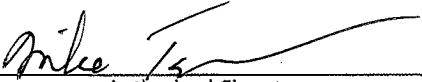
Authorized Signature
Officer or Owner

4-29-2020
Date

Authorized Signature (Officer or Owner)

Title:

I hereby authorize the lender(s) named herein, and their authorized agents, to release information relevant to this application to the Grand Forks Growth Fund and the Grand Forks Region EDC. I further authorize the Grand Forks Growth Fund and Grand Forks Region EDC, and their authorized agents, to release information regarding the status of this application to those lenders. This information will be used to assess eligibility for Growth Fund assistance.



Authorized Signature
Officer or Owner

4-29-2020

Date