



Grand Forks Growth Fund, a Jobs Development Authority
Staff Report
Growth Fund Committee – May 19, 2025
JDA – June 2, 2025

APPROVED & ACCEPTED
by City Council

06/02/2025

Maureen Storstad
Maureen Storstad
City Auditor

Agenda Item: FlexPACE Loan Request from Johnstown Bean Company

Submitted by: Andy Conlon, Economic Development Manger

Prepared by: Anna Henningsgard, Planner

Staff Recommended Action:

1. Approve request for FlexPACE loan of \$8,436 to buy down the interest rate on commercial loan;
 2. Hold a public hearing on this request at the JDA meeting on June 2, 2025;
 3. Authorize JDA officials to execute necessary documents.
-

Committee Recommended Action: Osowski moved to approve the request, second by Crary. Motion carried unanimously with Wolf recused.

JDA Action: Motion by Sande, second by Berg to approve. Motion carried unanimously.

Johnstown Bean Company is a primary sector certified, family-owned processing facility located north of Gilby, North Dakota in Grand Forks County. The company processes raw agricultural products, primarily pinto and black beans from local and regional growers, into high-quality food products for both wholesale and retail markets around the world. In addition to processing, Johnstown Bean Company specializes in international export operations, managing the complex logistics and documentation required to comply with the specific regulations of each destination country.

To enhance the efficiency of its bean processing operations, the company plans to purchase and install a robotic palletizer. This automated system will replace the traditional, labor-intensive method of manually handling and transporting heavy bags and will increase packaging speed, improve workplace safety, and offer greater flexibility in packaging options. These equipment upgrades will further strengthen the company's ability to adapt to evolving global market demands and regulatory requirements. The company is seeking FlexPACE assistance to buy down the interest on an Alerus loan.

Job/Compensation Information: Johnstown Bean Company expects this project will help retain 17 FTE's with an average hourly compensation of \$31.31 in wages and benefits.

Sources:		Uses:	
Owner Equity	\$ 30,000	Equipment/Machinery	\$ 530,000
Alerus Loan	<u>\$ 500,000</u>		
TOTAL:	\$ 530,000	TOTAL:	<u>\$530,000</u>
FlexPACE Interest Subsidy:			
	BND Grant	\$ 47,803	
	JDA Loan	\$ 8,436	

Terms: Payment and interest accrual will be deferred 5 years; thereafter it will be repaid in 12 monthly payments at 2.5%.

Security: Subordinate blanket UCC on equipment, corporate guaranties from North Central Commodities Inc. and L&K Leasing, Inc., as well as personal guaranties from James Karley and Denise Karley.

ANALYSIS AND FINDINGS OF FACT:

- As proposed, the JDA loan would be subordinate to an Alerus loan of \$500,000 and approx. \$2.3 million in existing debt; overall loan-to-value is approximately 49.80%.
- 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

Program Overview

Completed by office@johnstownbean.com on 3/11/2025 1:33 PM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

Program Overview

Please provide the following information.



City of Grand Forks
PACE/Flex PACE
Interest Buy Down
Program Application

Grand Forks Region EDC
120 N. 4th Street
Grand Forks, ND 58203
(701) 746-2724
kevinh@grandforks.org

Program Overview

PACE Loan

Through the Participating in Assisting Community Expansion (PACE) program, the Grand Forks Growth Fund may provide a no-interest, deferred loan up to \$269,000 to leverage a Bank of North Dakota grant up to \$500,000 to collectively reduce the interest paid on a loan used to acquire land or equipment or for working capital. Projects considered for PACE are those that result in the creation of new jobs. Applicants must be primary sector certified through the North Dakota Department of Commerce.

Flex PACE

For companies that do not fit the traditional definition for the PACE program, FlexPACE may be an option. The Grand Forks Growth Fund may provide a loan up to \$107,000 to leverage Bank of North Dakota support up to \$200,000. The FlexPACE program is used for a variety of project types including childcare centers and quality of life investments.

A. Contact Information

Completed by jon.rentz@alorus.com on 4/15/2025 3:27 PM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

A. Contact Information

Please provide the following information.

A.1. Business Name

Johnstown Bean Company

A.2. Federal Tax Identification Number

A.3. Primary Contact Name

Dylan Karley

A.4. Title

General Manager

A.5. Phone

(701) 869-2680

A.6. Email

dylan@johnstownbean.com

A.7. Date Business Established

04/03/1980

A.8. Legal Structure

Corporation

A.9. Business Address

3295 Johnstown St PO Box 5 Gilby, ND 58235

A.10. Company Description

Johnstown Bean Company (JBC) is a family-owned processing facility that transforms raw agricultural products, specifically pinto and black beans sourced from local and regional growers, into high quality food products ready for wholesale and retail markets to meet the needs of our global customer base. In addition to processing, JBC specializes in international exportation, handling the complex logistics and documentation necessary to meet specific requirements of each country we export to.

A.11. What loan type are you applying for?

FlexPace

B. Project Information

Completed by jon.rentz@alorus.com on 4/15/2025 3:28 PM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

B. Project Information

Please provide the following information.

B.1. Project Description

Johnstown Bean Company is seeking support through the Flex PACE Program for the installation of a robotic palletizer at our bean processing facility. This significant investment will replace manual palletizing processes, which are currently labor-intensive and require lifting and carrying of heavy bags. The new automated system will enhance our packaging speed, improve operational safety, and provide flexibility in packaging configurations. This investment will position JBC for future growth by improving production efficiency and helping us remain adaptable to global market demands and regulatory changes.

B.2. Project Address

3295 Johnstown Street Gilby, ND 58235

B.3. Current Number of Employees

17

B.4. Projected Number of Employees (within 24 months)

17

B.5. Current Average Hourly Wage Plus Benefits

\$31.31

B.6. Projected Average Hourly Wage Plus Benefits

\$31.31

B.7. Describe the benefits that will be offered.

Johnstown Bean Company offers a 401k Plan, paid holidays, and optional individual health insurance to all employees.

LENDER INFORMATION

B.8. Primary Lender

Alerus Financial

B.9. Lender Contact Person

Jon Rentz

B.10. Lender Phone

(701) 795-2631

B.11. Lender Email

Printed By: Anna Henningsgard on 5/6/2025

jon.rentz@alorus.com

C. Sources & Uses

Completed by kevinh@grandforks.org on 4/23/2025 10:12 AM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

C. Sources & Uses

Please provide the following information.

C.1. Sources

	Lender/Source Name	Rate	Months Amortized	Term Months	Amount
Equity	Johnstown Bean Cash	0.00%			\$30,000.00
Source A	Alerus Financial	6.63%	60	60	\$500,000.00
Source B		0.00%			\$0.00
Source C		0.00%			\$0.00
Source D		0.00%			\$0.00
Source E		0.00%			\$0.00
Source F		0.00%			\$0.00
	Debt Financing Total				\$530,000.00

C.2. Uses

Use of Funds	Equity	Source A	Source B	Source C	Source D	Source E	Source F	Total Uses
Working Capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inventory	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Machinery/Equipment	\$30,000.00	\$500,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$530,000.00
Building Fit-Up	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Acquistion/Land	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New Bldg.Construction	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Sources	\$30,000.00	\$500,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$530,000.00

NOTE: Include a detailed explanation of uses of funds, including specific equipment (if applicable), on a separate page.

C.3. PACE Buydown Information

Lending Entity	Term Months	Amortization Months	Rate	Amount
Bank of North Dakota (Rate: 0% - Months Amortized: 0)				\$0.00

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Grand Forks Growth Fund (Rate: 1% - Months Amortized: 12)				\$0.00
Bank of North Dakota	60	60	2.5	\$47,802.63
Grand Forks Growth Fund	60	72	2.5	\$8,435.79
Bank of North Dakota				\$0.00

D. Valuation & Security

Completed by kevinh@grandforks.org on 4/23/2025 10:02 AM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

D. Valuation & Security

Please provide the following information.

D.1. How will the loan be secured?

- Mortgage
- UCC Equipment Lien
- Corporate Guaranty
- Personal Guaranty
- Other

VALUE OF COLLATERAL

D.2. Value

\$5,747,411.42

D.3. Proposed Growth Fund Security Position

2nd lien position to Alerus Financial who is in 1st- Collateral Value represents value of business assets under UCC-1 as collateral.

D.4. Address of Secured Property

3295 Johnstown St Johnstown , ND 58235

D.5. Private Debt Secured by Property (include existing & proposed private debt) - Select "Add a Row" to complete the table

Creditor	Amount
Alerus Financial	\$2,853,889.32
Total Private Debt Secured by Property	\$2,853,889.32

D.6. Proposed Growth Fund PACE/FlexPACE Loan

\$8,435.79

D.7. Total Proposed Debt Secured by Property

\$2,862,325.11

D.8. Proposed Growth Fund Loan-to-Value

49.80%

EQUITY

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D.9. Describe equity sources and how they will be obtained and appraised.

Equity source will be in the form of cash from Johnstown Bean Company. They maintain deposit accounts with Alerus, and liquidity of company has been verified for the equity. Very strong collateral position with blanket UCC-1 filing and the client has paid mainly cash for other asset investments over the past few years.

GUARANTY

D.10. List all guarantors in the table below. Select "Add a Row" to complete the table below.

Name	Amount
James J Karley	\$2,862,325.11
Denise L Karley	\$2,862,325.11
North Central Commodities Inc	\$2,862,325.11
L & K Leasing, Inc.	\$2,862,325.11

E. Additional Company Information

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

Completed by jon.rentz@alorus.com on 4/15/2025 4:13 PM

E. Additional Company Information

Please provide the following information.

E.1. Company Ownership

Name	% Ownership	Address	Phone
Jim Karley	50.00%	3042 31st Ave NE, PO Box 8, Gilby, ND 58235	218-779-0677
Denise Karley	50.00%	3042 31st Ave NE, PO Box 8, Gilby, ND 58235	218-779-0332

E.2. Company Management

Name	Title	Address	Phone
Dylan Karley	General Manager	3286 Johnstown St, Gilby, ND 58235	218-779-2840

E.3. Key Advisors

	Name	Firm/Company	Email	Phone
Attorney				
Accountant	Steve Ulven	Brady Martz	steve.ulven@bradymartz.com	701-738-2716
Insurance Agent	Sean Bertie	Bell Insurance	sbertie@bell.insurance	701-741-2662

NOTE: All persons for whom contact information has been provided may be contacted as part of the Grand Forks Growth Fund's review and evaluation of this application.

F. Required Documents

Completed by jon.rentz@alorus.com on 4/15/2025 4:18 PM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

F. Required Documents

Please provide the following information.

Documentation

Business Plan / Business Opportunity Summary *Required

JBC Business Opportunity Summary.pdf

Commitment Letter from your bank relating to financing project *Required

BND Pace Financing and Line of Credit Renewal Letter_Alorus Financial.pdf

Commitment Letter from your bank relating to working capital line of credit *Required

BND Pace Financing and Line of Credit Renewal Letter_Alorus Financial.pdf

Federal Tax Returns for previous 3 years for all entities on application *Required

2021 Tax Return - L&K LEASING INC.pdf

2022 Tax Return - L&K LEASING INC.PDF

2023 Tax Return - L&K LEASING INC.pdf

Interim Financial Statements (Balance sheet & income statement) *Required

JBC Balance Sheet - 03.31.25.pdf

JBC Income Statement - 03.31.25.pdf

Key Person Insurance *Required

Key Person Insurance 4.15.25.pdf

Personal Financial Statement (for all guarantors) *Required

Personal Financial Statement - Jim & Denise Karley.pdf

Pro Forma *Required

JBC Pro Forma - FY2025.pdf

G. Company Disclosures

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Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

G. Company Disclosures

Please provide the following information.

G.1. Will the loan be secured by equipment/business assets?

Yes

If yes, provide detailed descriptions of said equipment/assets.

Alerus maintains a 1st lien position on all business assets (UCC-1 filing in state of ND) on borrower Johnstown Bean as well as related entities L&K Leasing, Inc. and North Central Commodities, Inc. Alerus has the relationship cross collateralized from a UCC-1 standpoint across all three entities as well as cross guaranties with L&K Leasing, Inc. and North Central Commodities, Inc. guarantying the debt of Johstown Bean as well as the two 50% owners James and Denise Karley. Collateral consists of Accounts Receivables, Inventory, and Equipment.

G.2. Has the company or any of its principals ever been involved in bankruptcy or insolvency proceedings?

No

G.3. Is the company or any of its principals involved in any pending lawsuits?

No

G.4. Does the company buy from, sell to, or use the services of any company in which someone in the company has a significant financial interest?

No

G.5. Are any of the company's existing loans delinquent?

No

G.6. Are there any judgments against the company or any of its principals?

No

Submit

Completed by office@johnstownbean.com on 4/16/2025 2:51 PM

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

Submit

Please provide the following information.

The undersigned specifically acknowledge(s) that: (1) verification or re-verification of any information contained in the application may be made at any time by the Grand Forks Growth Fund, a Jobs Development Authority (Growth Fund), its agents, successors, and assigns; either directly or through a credit reporting agency from any source named in this application and the original copy of this application will be retained by the Growth Fund, even if the request is not approved; (2) the Growth Fund, its agents, successors, and assigns will rely on the information provided in this application and I/We, the undersigned, have a continuing obligation to amend and/or supplement the information provided in this application if any of the materials facts which I/We have represented herein should change prior to closing; and (3) in the event my/our payments indicated in this application become delinquent, the Growth Fund, its agents and assigns may, in addition to all their other rights and remedies, report my/our name(s) and account information to a credit reporting agency.

I/We, the undersigned, understand and acknowledge that this application is considered public record and the information contained herein may be discussed at public meetings. Conditions limiting public disclosure of certain proprietary and/or confidential information are outlined and governed by North Dakota Century Code Sections 44-04-17 through 44-04-20

I/We, the undersigned, authorize the Growth Fund, its agents, successors, or assigns, to make all inquiries it deems necessary to verify the accuracy of the information contained herein and to determine the credit worthiness of the undersigned.

I/We, the undersigned, authorize all lenders named herein, and their agents, successors, and assigns, to release information relevant to this application to the Grand Forks Growth Fund and the Grand Forks Region EDC. I/We further authorize the Grand Forks Growth Fund and Grand Forks Region EDC, and their agents, successors, and assigns, to release information regarding this application to those lenders named herein.

I/We, the undersigned, certify that the information provided in this application is true and correct as of this date and that I/We am/are duly authorized to submit this application and understand the conditions set forth herein.

Signature

Dylan Karley

Electronically signed by office@johnstownbean.com on 4/16/2025 2:49 PM

Date

04/16/2025

Equal Opportunity Lender. The Grand Forks Growth Fund, a Jobs Development Authority, does not discriminate against credit applicants on the basis of race, color, religion, national origin, sex, gender, sexual orientation, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Checklist

No data saved

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

Checklist

Please review and confirm the following items.

	Date	
Application Review	Completed	Notes

Threshold Review
Complete

Threshold Approval Email
Sent

Status Updated

	Date	
Approved Applications	Completed	Notes

Environmental Review
Completed

Agreement Full Executed

Purchase Order Received

	Date	
Monitoring	Completed	Notes

Risk Assessment
Completed

Monitoring Completed

Monitoring Follow-up (if
applicable)

Admin Documents

No data saved

Case Id: 30478

Name: Johnstown Bean Company - 2025

Address: 3295 Johnstown Street, Gilby, ND 58235

Admin Documents

Please provide the following information.

Documentation

ACH Transfer Confirmation

***No files uploaded*

Approved Staff Report/Minutes

***No files uploaded*

Corporate Guaranty

***No files uploaded*

Key Person Insurance

Key Person Insurance 4.15.25.pdf

Ledger Entry

***No files uploaded*

Loan Agreement

***No files uploaded*

Mortgage

***No files uploaded*

Personal Guaranty

***No files uploaded*

Promissory Note *Required

***No files uploaded*

Security Agreement *Required

***No files uploaded*

Signed Term Sheet *Required

***No files uploaded*

UCC Filing

***No files uploaded*