

LOAN REVIEW BOARD MEETING

July 15, 2015

Present: Liddicoat, Rich, Rockwood, Schwandt, Werch, Will
Absent: Staff Accountant Mashack

Will called the meeting to order at 3:02 p.m.

Approve meeting minutes – May 13, 2015

Liddicoat moved and Werch seconded a motion to approve the May 13, 2015 minutes as presented. Motion carried.

Request for new loan – Ernessi Organics

Bryan Ernst, Owner of Ernessi Organics and Geologist by trade, was present to address the Board. Ernessi Organics opened last summer, after relocating from Green Bay, and is located below Bluemkes. Over 60 different types of basil, microgreens and herbs are grown. Festival Foods is their biggest client, and Ernst is looking to expand the business. The loan request is for \$60,000 to assist with the expansion. Two part-time positions and 3 interns have been added so far. Eventually the business would like to expand to a point of sale, but is not ready yet. Rockwood complimented Ernst on the completeness of his application and inquired who does sales. Ernst stated he does sales. Werch inquired if Ernst has purchase orders, and Ernst replied not at this time. Due to high product demand the business is not able to fill full orders, and is providing less than customer requests. Dill and mint will soon be added, which is not in the projections. Timeframe is 3½ weeks from seed to harvest. Werch inquired if there is a difference in nutritional value. Ernst stated nutritional value is the same with natural lights versus grow lights, which provide only what the plants need. The business meets and exceeds FDA guidelines. The business is not a State licensed food processing facility, as it is considered a farm. Water is re-used. Electricity is their highest cost. Liddicoat inquired about insurance. Ernst stated he is fully insured, and has documented Standard Operating Procedures (SOP). Nutrients are purchased from New Zealand, in 6-month supplies. Liddicoat inquired about contaminants, such as bugs, mold, etc. Ernst explained treatment for contaminants. Each growing rack is separate as well. The mat for microgreens is made in India. Schwandt inquired if the \$60,000 of owner's equity is already invested, and Ernst stated yes. Werch inquired about the Bluemke's lease, and Ernst explained he has a one-year lease which converts to month-to-month. Electrical service was upgraded from 60 to 200. The building is all concrete; no wood. Rockwood inquired if the racks are adjustable and easy to move. Ernst replied yes. Werch inquired about power, and Ernst explained the plants wouldn't die without light, as their roots would still remain submerged in the nutrient system. Capacity is three times current storage for more product. Werch requested first year actual financials. Liddicoat requested if letters from customers were possible; Ernst explained demand fluctuates seasonally. Werch inquired about collateral. Ernst replied he has no liens.

Rockwood moved and Schwandt seconded a motion to recommend approval of the \$60,000 loan to Ernessi Organics with terms set at 4% interest for 7 years, with the condition to provide first year actual financial statements through June 30, 2015, a personal guarantee from Bryan Ernst, equipment as collateral, term life and disability insurance with the City of Ripon as Loss Payee, and a copy of the SOP's to be kept confidentially by the Board's independent outside accountant, Gary Born at Huberty & Associates. Motion carried 6-0.

With no other business before the Board, Schwandt moved and Werch seconded a motion to adjourn. Motion carried 6-0. Will declared the meeting adjourned at 4:35 p.m.

Respectfully submitted,
Lori Rich, City Administrator