



**COUNTY OF DANE
COMMERCIAL REVITALIZATION LOAN FUND
CREDIT REQUEST
June 6, 2023**

BORROWER: Paoli Cheese Factory Association, LLC (dba. 7 Acre Dairy Company, Seven Acre)

BUSINESS: Paoli Cheese Factory Association, LLC

ADDRESS: 6858 Paoli Rd, Belleville, WI 53508

PRINCIPALS: Dr. Nic Mink

CREDIT REQUEST: \$240,000

AMORTIZATION: 5-year maturity, 25-year amortization.

RATE: 8.50% fixed (Prime + 0.25)

PURPOSE: Provide funding for Phase II of construction and expansion of Seven Acre.

COLLATERAL: Third position on business assets of Paoli Cheese Factory Association, LLC. Second Mortgage on the subject property located at 6858 Paoli Rd, Belleville WI (junior to Bank of Sun Prairie and Nuveen). Unlimited Personal Guarantee by Dr. Nic Mink and Danika Laine.

DISADVANTAGED BUSINESS

___ MBE
 ___ WBE
 ___ L-M-I Ownership
 ___ Other _____

TYPE OF BUSINESS

___ Basic
X Neighborhood
 Years in Operation: 1.5

LOCATION

Census Tract # 0126.00

No Targeted L-M-I Census Tract

CDBG ENVIRONMENTAL REVIEW

Required: Yes X No _____

Date Requested: [] 2023

JOB IMPACT

8 Number of Jobs Created

OTHER FUNDING

- BANK OF SUN PRAIRIE, NUVEEN (C-PACE), MADREP, CASH

	<u>Job Classification</u>	<u>Salary</u>	<u>#Hrs/Week</u>
1.	Administrative	\$20-25/hr	40+
2.	Labor	\$16-20/hr	40+
3.	Service	\$12-20/hr	40+



BACKGROUND

Paoli Cheese Factory Association, LLC (d/b/a 7 Acre Dairy Company, Seven Acre) established in 2021, is a new hospitality concept, agri-tourism destination and dairy manufacturing plant in rural Dane County in the downtown of unincorporated Paoli.

Eighteen months ago, the building that houses Seven Acre, a dairy manufacturing plant that produced butter, cheese, and milk between 1888-1980-was nearing blight; today, the property is on the National Register of Historic Places as an exceptional example of a building that reflects the contours of change in the 20th century Wisconsin dairy industry. The building also now houses a thriving business, bringing thousands of visitors to Paoli.

PROJECT DESCRIPTION

Seven Acre is on 8 acres of land in a revitalized 21,000sq.ft. historic dairy factory. The dairy factory was near blight in 2021. The building is now rehabilitated.

This credit request to the Dane County Commercial Revitalization Loan Fund represents a critical piece of gap financing for the project and important Phase II expansion for Seven Acre. The project's name is "Seven Acre Event, Sustainable Agriculture, and Bicycle Transportation Improvement Project." Besides providing more eco-friendly food and transportation choices for visitors at Seven Acre, this Phase II Project is expected to create at 8 full-time employees and increase revenue by 20%. More specifically, Phase II is expected to accomplish the following:

1. Create more outdoor event and recreation space and provide the infrastructure to support those guests. The expansion will:
 - a. Build an indoor/outdoor greenhouse seating area to accommodate up to 50 guests for private dining and corporate events.
 - b. Develop a 100-person outdoor seating area to accommodate weddings and larger social and professional gatherings. This would include a concessionaire and the necessary catering and seating for infrastructure.
 - c. Transition of about 30 parking spots from crushed gravel to asphalt.
2. Build a ½ of an acre Indigenous horticulture plot to be used for guest education, internal use by food service outlets, catering on property, and retail sales.
3. Purchasing and installing 9 B-Cycle electric bikes at Seven Acre. These electric bikes will be connected to the larger Dane County B-Cycle network and will offer both an important alternative transportation method to Seven Acre from adjacent Dane County communities as well as a new guest amenity for visitors to the site. The company estimates approximately 500 of its guests in 2024 to choose B-Cycle as their mode of transportation to the property. This investment in alternative and sustainable transportation infrastructure will allow Paoli



and its businesses to be a leading destination for non-motorized transportation tourism in Dane County.

BUDGET

The project budget is outlined as follows:

Uses of Funds:	Amount	Sources of Funds:	Amount
Three Sister Agriculture Plot	\$25,000	Dane County RLF	\$240,000
Bicycle Transport Improvement	83,000	MadRep	100,000
Event Space Expansion	279,000	Cash (Shareholders)	147,000
Total	\$487,000	Total	\$487,000

MANAGEMENT

Dr. Nic Mink, Managing Member – Dr. Mink earned a PhD in history from UW–Madison. He spent more than a decade in academia before entering the business world full-time. He taught in the fields of food systems, environmental studies, and history, holding appointments at Northwestern University, Butler University, Knox College, and campuses in the University of Wisconsin system.

Dr. Mink has helped establish food businesses and policy initiatives in the Pacific Northwest and Midwest. Among other activities, he was a founding member and manager of the Indianapolis Food Policy Council, where he worked with state agencies and private businesses to create and launch initiatives aimed at improving Indiana’s “Good Food” ecosystem. In 2011, he co-founded and acted as the first CEO of Sitka Salmon Shares, a leading direct-to-consumer provider of wild Alaskan seafood. At Sitka, he took the start-up from an idea to a company that is forecasted to profitably generate \$25M in revenue. In 2015, he oversaw the Company’s acquisition and merger with Big Blue Fisheries LLC, in Sitka, Alaska, and oversaw multiple financing rounds and securities issues. Mink’s work with Sitka has been featured in a wide range of regional, national, and international media that extolled Sitka’s product, including *Forbes.com*, *Bon Appetit*, *Martha Stewart*, *Rachel Ray Magazine*, *Madison Magazine*, *Indianapolis Monthly*, *Entrepreneur*, *The Alaska Journal of Commerce*, *Monocle*, *WBEZ* (Chicago Public Media), and *Pacific Fishing*. In 2014, he was named one of America’s top food artisans by *Food and Wine*.

OWNERSHIP STRUCTURE

Paoli Cheese Factory Association, LLC is owned 54.21% by Dr. Nic Mink and Danika Mink. 26.6% by 8 investors with proprietor units. 17.48 % by 14 investors with association units. And 1.66% by 6 investors with supporter units.

Seven Acre is registered and in good standing with the Department of Financial Institutions. A UCC Search shows multiple lien holders including Central State Bank, Bank of Sun Prairie, and BB Community Leasing Services, Inc. MadRep is also expected to file a lien on certain business assets and the real estate.



SUMMARY OF FINANCIAL STATEMENTS

Historical financial statements were provided for 2022 and interim through April 2023. In addition, a summary of the projections was prepared and incorporated as **Exhibit A**. These are estimated through 2025. The financials provided show slower than projected revenues in 2022 and early 2023 but suggest an upward trend as summer approaches and the company creates other revenue verticals. Total sales in 2022 were nearly \$35,265, but there has been a sharp increase in 2023 as the project stabilizes. As of April 2023, the company reports \$230,938 in total income. An increase from \$206,952 in March. And \$734,491 year-to-date.

As of April 2023, current assets totaled \$897,766. Of this \$708,566 in cash. However, \$650,000 is restricted by Bank of Sun Prairie in a certificate of deposit account. The larger portion of liabilities include loans from Nuveen and Bank of Sun Prairie used for construction and improvements secured by the real estate. Other liabilities are unsecured or secured by business assets not including real estate. BB Community Leasing holds a lien only on the water heaters. MadRep plans to file a mortgage, but this would be subordinate to Dane County. A list of long-term liabilities and debt service estimates are included in the table below:

Paoli Cheese Factory Association, LLC							
Creditor	Loan Amount	Term	Rate	Payment	Interest-Only	Collateral	Est. Closing
BoSP	\$ 3,529,000	300	5.50%	\$ 21,671.1	\$ 16,174.6	Real Estate	8/8/2022
Nuveen (PACE)	3,027,000	312	5.83%	18,865	14,706	Real Estate	8/1/2023
Shareholders	548,250	6	7.75%	93,452	3,541	None	n/a
Dane County RLF	240,000	300	8.50%	1,933	1,700	Real Estate	5/31/2023
BB Community Leasing	32,524	36	n/a	1,139	1,139	Equipment	n/a
MadRep	100,000	84	4.00%	1,367	333	Real Estate	5/15/2023
Total	\$ 7,476,774			\$ 138,425.8	\$ 37,593.9		

Nick Speckman from Speckman, Inc. is the bookkeeper for the company. The treasurer (Scott Forester is CPA and reviews financials. Mr. Forester is also an investor in the project.

ECONOMIC IMPACT

Total Positions	2023	2024	2025
Full-Time Positions	23	27	27

The project is expected to create 8 new full-time positions within the first two years. The company currently has 19 full-time employees. These are expected to be hourly positions, and will include an events manager, grounds persons, café worker, cook and servers.

RISKS

Seven Acre continues to see an increase in sales and is expected to continue the trend upward through the summer, but this could level off if inflation and labor shortages persist.



Large amounts of debts with payments to commence later in 2023. At the current income levels, the company will not be able to service all creditors. The company reported net operating losses on average of for the first quarter but had a positive net operating income of \$17,205 in April 2023. Total debt service (interest-only) is estimated at \$37,593. Factoring in principal repayments, the monthly debt service payments will increase significantly. The company has reported a consistent increase in sales and expects a significant increase this summer and further capacity with this Phase II of the project.

Accounts Payables suggest nearly \$346,206 in overdue payments (60+) as of May 11, 2023. A large portion of this is owed to Bachmann Construction (\$266,386). The principal noted he is working with the contractor and expects to pay this off with the remaining PACE funds. Dr. Mink also emphasized Seven Acre is currently working with vendors to most of the overdue accounts have been due to delays in construction and expects to bring all current in the summer.

The founder has personally guaranteed most of the outstanding debt. Dr. Mink reports nearly 5M in personal guarantees.

Bank of Sun Prairie has restricted cash of \$650,000. These funds are expected to become available as Seven Acre reaches a break-even point.

COLLATERAL

Third position on business assets of Paoli Cheese Factory Association, LLC. Second Mortgage on the subject property located at 6858 Paoli Rd, Belleville WI (junior to Bank of Sun Prairie and Nuveen). Unlimited Personal Guarantees from Dr. Nic Mink and Danika Laine. Mr. Mink and Mrs Laine report a net-worth of \$1,950,800.

The subject property was purchased for \$1,000,000. An appraisal completed in June 2022 reported a market value in November 2022 at \$8,450,000 "As Complete." And \$10,270,000 "As Stabilized." Total debt secured by real estate is \$6,896,000, which results in loan-to-value ratio of 81% "As Complete" and 67% "As Stabilized."

INTENT AND PURPOSE

The Revolving Loan Fund offers low-interest loans to businesses located outside of Madison that commit to creating or retaining jobs for Dane County residents. Loans are generally intended for high-risk borrowers with difficulty in securing other funding sources. The Fund objectives are to:

- Promote infill development and commercial redevelopment in downtown and traditional business districts.
- Encourage the creation or retention of employment opportunities for low and moderate-income County residents.
- Leverage new private investment in downtown business districts and traditional business districts.
- Promote developments that are pedestrian friendly, that encourage a range of transportation options, and that enhance civic life.
- Implement Dane County and local community revitalization goals and objectives.



RECOMMENDATION

Based on the company's business plan, collateral available and owner's credit history, the project meets the criteria and the economic development goals of the program. This project is expected to benefit moderate-income residents of Dane County by retaining and creating jobs. The project is also expected to promote a development that is pedestrian friendly and encourage transportation options to enhance civic life.

Staff recommends approval of \$240,000 under the Dane County Commercial Revitalization Loan Fund. This recommendation is contingent on final approval by the Dane County CDGB Commission and County Board.



EXHIBIT A

PAOLI CHEESE FACTORY ASSOCIATION, LLC

SUMMARY OF FINANCIALS STATEMENTS

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>%</u>	<u>2023*</u>	<u>%</u>	<u>2024</u>	<u>%</u>	<u>2025</u>	<u>%</u>
Revenues										
Income	\$ -	\$ -	\$ 35,265	100%	\$ 3,536,078	100%	\$ 5,062,791	100%	\$ 5,373,240	100%
COGS			49,820	141%	2,137,448	60%	2,417,739	48%	2,514,031	47%
Gross Profit	-		(14,555)	-41%	1,398,630	40%	2,645,052	52%	2,859,209	53%
Operating Expenses	-		1,513,948	4293%	966,824	27%	1,209,847	24%	1,245,776	23%
Net Operating Income	-		(1,528,503)	-4334%	431,806	12%	1,435,205	28%	2,319,209	43%
Other Expenses	-		23,804	68%	505,200	14%	540,000	11%	540,000	10%
Net Income	\$-		\$ (1,552,307)	-4402%	\$ (73,394)	-2%	\$ 895,205		\$ 1,779,209	
Assets										
Current			\$ 838,298	8%	\$ 838,298	8%	\$ 838,298	8%	\$ 838,298	8%
Fixed	-	-	9,316,413	85%	9,316,413	92%	9,316,413	92%	9,316,413	92%
Other	-	-	829,642	8%						
Total Assets	\$-	\$-	\$ 10,984,353	100%	\$ 10,154,711	100%	\$ 10,154,711	100%	\$ 10,154,711	100%
Liabilities										
Current			\$ 1,880,162	20%	\$ 1,880,162	19%	\$ 1,880,162	19%	\$ 1,880,162	19%
Long Term			7,557,687	80%	7,897,687	81%	7,897,687	81%	7,897,687	81%
Total Liabilities	\$-	\$-	\$ 9,437,849	100%	\$ 9,777,849	100%	\$ 9,777,849	100%	\$ 9,777,849	100%
Equity	\$-	\$-	\$ 1,546,504		\$ 376,862		\$ 376,862		\$ 376,862	

- Based on actuals and projections submitted by the applicant. Actual Total Income through April 2023 is \$734,491. Gross Profit through April 2023 is \$329,908 and \$199,136 in Net Loss.