

**Ulster County Economic Development Alliance**  
**Ulster County Revolving Loan Fund**  
**Loan Committee Report**

**Applicant:**  
**The Farm Bridge**

**Date of Application:**  
**2/27/2017**

**TABLE OF CONTENTS**

1.0 APPLICATION SUMMARY ..... 2

2.0 PROJECT OVERVIEW ..... 3

    2.1 Description of the Company and the Principals ..... 4

    2.2 Owners and Key Management..... 4

    2.3 Company Operations ..... 4

3.0 PROPOSED USES OF FUNDS ..... 6

4.0 PROPOSED SOURCES OF FUNDS ..... 6

5.0 UNDERWRITING REPORT ..... 7

    5.1 Adjusted Cash Flow Analysis & Coverage ..... 7

    5.2 Value of Proposed Collateral..... 8

    5.3 Net Worth of Guarantors ..... 9

6.0 CONCLUSION ..... 10

7.0 APPLICATION TRACKING SUMMARY ..... 11

**1.0 APPLICATION SUMMARY**

**BORROWER:** The Farm Bridge  
 James Hyland  
 750 Enterprise Drive  
 Kingston, NY 12401  
 Phone # 845-343-1761

**LOAN AMOUNT:** \$150,000

**RATE:** 4.0%      **TERM:** 7 years

<b><u>Use of Funds</u></b>	<b><u>RLF Loan</u></b>	<b><u>Equity</u></b>	<b><u>Bank/Other</u></b>	<b><u>Total</u></b>
Purchase of capital equipment	\$150,000	\$0	\$50,000	\$200,000
Working capital	\$0	\$0	\$200,000	\$200,000
<b>TOTALS</b>	<b><u>\$150,000</u></b>	<b><u>\$0</u></b>	<b><u>\$250,000</u></b>	<b><u>\$400,000</u></b>

**Security**      A) Lien (first position) on equipment purchased with loan proceeds  
                      B) Lien (subordinated) on additional existing capital equipment  
                      C) Personal guarantee by Jim Hyland

**Jobs:**  
 Existing:            42 full time                      8 part-time                      46 FTE  
 New:                6 full-time                        4 part-time                      8 FTE

## 2.0 PROJECT OVERVIEW

The Farm Bridge is a NYS-registered B-Corporation, formed in 2015 with the merger of Farm to Table Co-Packers and Winter Sun Farms. The corporate mission is to support local farms and revitalize local economies by bridging the gap between producers and markets. The Farm Bridge has developed a unique business model, unlike other regional co-packers, which resolves inherent problems of seasonality and scale. Though it is young, The Farm Bridge has built on the previous successes of Farm to Table Co-Packers and Winter Sun Farms to achieve profits of \$320,000 on total revenues of \$4.2 million in 2015.

As the company looks ahead, it plans to develop product lines that satisfy demonstrated customer demand across several market opportunities, including value-added products, craft food products, institutional purchasing, online meal providers, and distributors and processors looking for supply-chain transparency.

**Value-Added Products (VAP)** – According to a 2016 report, nearly \$300 million per year in fruit and vegetable waste could be diverted by developing processing infrastructure to enable VAP.

**Craft Production** – Over the past 10 years, food consumption has driven dramatic changes in the marketplace, with the top 25 food companies losing \$18 billion in market share, while organic food sales expanded three-fold. This shift in consumer preferences toward specialized, local and sustainable food products has created approximately \$335 million in unmet demand for locally-grown processed food in the Hudson Valley alone.

**Institutional Food Needs** – Schools, hospitals and other institutions have a growing interest in local procurement of foods and food products, but need year-round availability, suitable variety, and sufficient quantities – all at competitive cost. In the Northwestern US, a consortium of 56 institutions reported a 300% growth rate in local purchasing over a year. Closer to home, the Farm to Institution New England network reports that 9 out of 10 distributors believe that sales of local food to institutions will continue to increase.

**Online Meal Providers** – Companies like Blue Apron, Hello Fresh, and Plated are at the forefront of the new trend in meal kits and recipe delivery services, and they are eager to expand their sourcing for local and sustainable products. Over the next 10 years, the meal kit market is projected to grow by \$3-\$5 billion. The large providers have recently secured over \$500 million in capital to fund their expansion to meet this new and growing market.

**Supply Chain Transparency** – As regulations catch up with the rapid growth of the “local” food movement, they are demanding increasing transparency in the supply chain. Similarly, consumers are increasingly attentive to where their food comes from and associate “local” foods with higher quality, better value and improved safety. One major national restaurant chain is already in discussions with The Farm Bridge to source clean, local ingredients that can be traced back to their origins.

To capture these opportunities, The Farm Bridge will seek out a strategic position at the middle of the market, offering a wide variety of copacking, production and processing services at a scale large enough to satisfy high-volume clients but small enough to maintain the flexibility needed to adapt to changes as the local food industry continues to mature.

To enable it to achieve its strategic goals, The Farm Bridge is seeking to raise ~\$5 million in new capital over the next two years. By mid-2017, the company seeks to raise between \$600,000 and \$750,000 to meet immediate equipment needs, make improvements in operational efficiency, and create a cash cushion for working capital needs, including growth of its sales, operations and finance teams. By early 2019, The Farm Bridge plans to purchase a new facility, add new equipment to increase production capacity, and build its sales/marketing and R&D teams to spur continued revenue growth.

With these investments, The Farm Bridge expects to see revenues grow from \$4.28 million in 2015 to \$5.22 million by the end of 2017 due to an increased focus on marketing and sales. At the same time, process improvements and new capital equipment will increase efficiencies, holding operating costs down as revenues grow.

## 2.1 Description of the Company and the Principals

**BORROWER NAME:** The Farm Bridge

**ADDRESS:** 750 Enterprise Drive, Kingston, NY 12401

**PHONE #:** 845-343-1761

**FAX #:** 845-802-0374

**TAX ID#:** 47-3115722

**Organizational Structure:** B-Corporation

**Borrower Size:** \$4,276,833 in  
Including revenue (2015)  
Affiliates

## 2.2 Owners and Key Management

**Name:** James Hyland

**Address:** 195 Huguenot St  
New Paltz, NY 12561

**Phone #:** 845-255-1699

**SS#:** 094-66-5714

**% Owned:** 100%

**Title/Role in Business:** CEO

## 2.3 Company Operations

In 2006, with a small state grant, Jim Hyland founded Winter Sun Farms with the simple notion of making food from local farms available all year long. Jim's idea came from his experience freezing the surplus produce from his Community Supported Agriculture (CSA) share so his family could continue to enjoy local food during the winter.

"I started my journey into local food chasing the wonderful taste and quality of the produce that our farms grew, but I was also seeing the struggle the farms were going through," Jim says. "I was inspired by the food, but moved to action by the farmers and workers who were growing it. I was inspired to build a business that would support these farms and be part of the local food movement."

Winter Sun Farms started working with small local farms to freeze their produce and then distribute it through membership in a winter CSA program. By 2009, the growth of Winter Sun Farms and the lack of regional food processing kitchens led Jim to convert an old IBM cafeteria into a 30,000 square foot processing kitchen called Farm to Table Co-Packers. Besides producing Winter Sun Farms products, the kitchen offers freezing, pickling, hot-fill jars, packing and product development services to farmers and food entrepreneurs throughout the region.

In 2015, Jim combined his two businesses to form The Farm Bridge, which is serving as the anchor of a food hub that fulfills multiple needs in the sustainable food community. The facility works with more than 60 regional farms in the preservation of their own harvests through value-added products under their own labels, and also sources from many of those same farms in the creation of an expanding offering of proprietary products for retail and institutional outlets.

“I believe The Farm Bridge has tremendous potential to make a significant impact in the Hudson Valley, but we can also take this model we have created and spread it to other regions of the country,” Jim says. “I would love to see farming become a great career choice, not just a labor of love. I want to see families supporting themselves by farming, and for farmers to get as much out of farming as they put in.”

The Farm Bridge works with an eye toward innovation and meeting customers’ needs, as seen in the development and success of its five-gallon 'bag-in-the-box' shelf-stable pizza sauce, made entirely from local tomatoes. The local products made at The Farm Bridge can be found all over the region: in local stores, farm markets, CSAs, colleges, restaurants and about any place where good food is served. The Farm Bridge has become a model both in New York State and across the country for how to operate a for-profit, sustainable Food Hub.

The Farm Bridge will enable Jim to further his original mission of enjoying and providing local food throughout the year and has set the stage for future growth and for doing even more to support local farms.

“Climate change, scarcity of water, and soil health will all play crucial roles in where farming goes. I think technology will continue to change and evolve farming, but one of the biggest changes will be people’s understanding of farming and the importance of food to their life and health,” says Jim. “We will continue to see a value shift to clean, healthy, source-identified food and I know we will have the farmers and entrepreneurs ready to respond to this demand in many diverse ways.”

While The Farm Bridge’s own operations generate economic impacts on the local and regional economy, they also contribute in less direct ways. For example, The Farm Bridge helps farmers by providing access to new markets (shelf-stable/frozen/minimally-processed), which can mean the difference between a failing farm and a sustainable farm business. They help growing food processors by providing a fully-equipped, state of the art facility for contracted use, which can allow these business to scale up quickly and without the immediate need for large capital investments. They also support and guide growing food processors to help them meet the requirements of scale and of the latest food industry regulations, which can lead to a higher success rate as these businesses move from fledgling startups to viable food businesses. Finally, they also help regional and main-line distributors, restaurants and end consumers access local food products by serving as a single point-of-contact with the ability to aggregate from food producers to meet volume, quality and traceability needs.

### 3.0 PROPOSED USES OF FUNDS

The Company proposes to use the proceeds of funds from the UCRLF for a combination of capital equipment purchases and working capital for business expansion. Capital equipment to be purchased will enable the Company to close on pending deals with new or existing clients and to continue the expansion of its operation. The equipment to be purchased may include: a pallet wrapper, floor cleaner, scales, sealers, conveyor belts, high-speed server, metal detector, Keyence – coder, dicer, rolling racks, hot jar filler, label machine, food pumps, pulpier finisher, dicer/chopper. Working capital will enable the business to expand its marketing and sales operation by increasing advertising buys, attending events and tradeshow, etc. In addition, the availability of cash is critical to allow the Company's continued growth in 2018 and 2019 as it prepares to move to a new facility or expand at its current location.

Uses of Funds	
Uses	Amount
Capital equipment purchases	\$200,000
Working capital	\$200,000
<b>Total Uses</b>	<b>\$400,000</b>
FinancialAnalysis_TheFarmBridge_FINAL.xls	

### 4.0 PROPOSED SOURCES OF FUNDS

The Company is seeking funding from two sources, including the UCRLF and NYBDC (SBA loan). It is anticipated that all sources will be debt financing.

Sources of Funds						
Source	Amount	Partic. %	Interest Rate	Term (years)	Est. Monthly P+I Payment*	Est. Annual P+I Payment*
UCRLF (term loan)	\$150,000	38%	4.00%	7	(\$2,050.32)	(\$24,603.85)
SBA/NYBDC	\$250,000	63%	5.75%	7	(\$3,622.25)	(\$43,467.01)
<b>Total Sources</b>	<b>\$400,000</b>				<b>(\$5,672.57)</b>	<b>(\$68,070.86)</b>
FinancialAnalysis_TheFarmBridge_FINAL.xls						

\* For LoC, assumes interest-only payments, \*\* Assumes full amount is drawn each year

**\* Note: Terms for all sources subject to change until final commitments are issued by lenders.**

## 5.0 UNDERWRITING REPORT

Based on analysis of the Company's financials and other information provided in the loan application, this borrower's request was evaluated to determine its classification under UCEDA's "Underwriting Criteria for Ulster County Loan Funds."

Our analysis indicates that **the project is classified as IA+**. This classification indicates that the loan exceeds the underwriting criteria, and that there is a high degree of confidence that the loan will be repaid.

Adjusted Cash Flow		Discounted Collateral		Adjusted PNW	
CLASS	QUALITY	CLASS	QUALITY	CLASS	QUALITY
<b>I</b>	Existing CF is $\geq 1.0 : 1$	<b>A</b>	1.0+ : 1	+	$\geq$ loan amt.
<b>II</b>	Projected CF is $\geq 1.0 : 1$	<b>B</b>	.85 to 1.0 : 1	-	< loan amt.
<b>III</b>	Secondary (non-SBC) Source of Repayment	<b>C</b>	$\leq .84 : 1$		

### 5.1 Adjusted Cash Flow Analysis & Coverage

Over the period from 2013 through 2016, The Farm Bridge has grown from \$2,250,000 in gross receipts to \$4,360,000 in 2016. In 2013, the business saw a net loss of \$25,000, but since 2014 the business has been profitable, generating net income (EBITDA) of \$255,000 in 2014, \$453,000 in 2015 and \$171,000 in 2016.

Looking forward to the next three years, the company expects to see continued sales growth, driven in part by new equipment purchases and additional sales and marketing staff funded through this loan package, which will allow the business to pursue existing sales leads. Projected gross revenue is \$5.2M in 2017, \$5.9M in 2018 and \$6.7M by 2019.

While sales are projected to grow, the combination of increasing COGS, depreciation and interest expense will put pressure on net income. In 2017, without the addition of new working capital, the business would likely be forced to seek short-term financing to meet cash obligations.

Based on the "Underwriting Criteria for Ulster County Loan Funds," Adjusted Existing Cash Flow is calculated as follows:

$$\text{Earnings Before Taxes} + \text{Depreciation} + \text{Interest Payments} = \text{Adjusted Existing Cash Flow}$$

In order to be classified as a "Class I" deal, the guidelines state that the Cash Flow Coverage Ratio must be  $\geq 1:1$ , or, stated another way, that the Adjusted Existing Cash Flow must be greater than or equal to the total debt service payments.

$$\text{Cash Flow Coverage} = \text{Adjusted Existing Cash Flow} \div \text{All Proposed Debt Service (P+I)}$$

In this case, as the table below shows, Cash Flow Coverage has exceeded the 1:1 threshold for all of the past three years.

Statement of Cash Flows	ACTUAL			
	2014		2015	2016
<b>Earnings Before Taxes</b>	\$254,980		\$453,079	\$170,983
+ Depreciation	\$0		\$0	\$0
+ Interest Expense	\$43,872		\$51,073	\$51,254
<b>Adjusted Existing/Projected Cash Flow</b>	\$298,852		\$504,152	\$222,236
<b>Debt Service</b>				
UCRLF	(\$24,604)		(\$24,604)	(\$24,604)
SBA/NYBDC	(\$43,467)		(\$43,467)	(\$43,467)
Other existing debt service	(\$43,872)		(\$51,073)	(\$51,254)
<b>Total Cash for Debt Service</b>	(\$111,943)		(\$119,144)	(\$119,325)
<b>Cash flow margin</b>	<b>\$186,909</b>		<b>\$385,008</b>	<b>\$102,912</b>
<b>Cash flow coverage</b>	<b>2.67 :1</b>		<b>4.23 :1</b>	<b>1.86 :1</b>

As a result, the underwriting criteria indicate that this project is classified as a “**Class I**” deal.

Though the underwriting criteria do not require a review of projected cash flows, the table below shows that in 2018 and 2019, the business is also anticipated to generate sufficient cash to cover debt service obligations. In 2017, the projections indicate a cash short-fall, but it should be noted that the working capital portion of this application will allow the business to meet its cash obligations during the year.

Statement of Cash Flows	PROJECTED			
	2017		2018	2019
<b>Earnings Before Taxes</b>	(\$262,522)		(\$120,456)	(\$332,692)
+ Depreciation	\$235,317		\$292,475	\$774,256
+ Interest Expense	\$99,672		\$113,088	\$156,691
<b>Adjusted Existing/Projected Cash Flow</b>	\$72,467		\$285,107	\$598,255
<b>Debt Service</b>				
UCRLF	(\$24,604)		(\$24,604)	(\$24,604)
SBA/NYBDC	(\$43,467)		(\$43,467)	(\$43,467)
Other existing debt service	(\$99,672)		(\$113,088)	(\$156,691)
<b>Total Cash for Debt Service</b>	(\$167,743)		(\$181,159)	(\$224,762)
<b>Cash flow margin</b>	<b>(\$95,276)</b>		<b>\$103,949</b>	<b>\$373,494</b>
<b>Cash flow coverage</b>	<b>0.43 :1</b>		<b>1.57 :1</b>	<b>2.66 :1</b>

## 5.2 Value of Proposed Collateral

This loan is secured by the following collateral:

- Lien (first position) on equipment purchased with loan proceeds
- Lien (subordinated) on other business assets



## c) Personal guarantee by James Hyland

<b>Collateral</b>						
<b>Asset</b>	<b>Type (See UW Guidelines)</b>	<b>Fair Market Value</b>	<b>Prior Lien Loan Amt</b>	<b>Available Value</b>	<b>Discount Rate</b>	<b>Discounted Value</b>
New capital equipment		\$200,000	\$0	\$200,000	50%	\$100,000
Existing capital equipment		\$489,013	\$274,134	\$214,879	50%	\$107,440
Accounts Receivable		\$372,021	\$372,021	\$0	20%	\$0
Inventory		\$284,724	\$284,724	\$0	20%	\$0
						\$0
						\$0
						\$0
<b>Total Collateral Value</b>						<b>\$207,440</b>
<b>Value of UCRLF Loan</b>						<b>\$150,000</b>
<b>Excess Collateral Value</b>						<b>\$57,440</b>
<b>Coverage Ratio (LTV)</b>						<b>1.38</b>
FinancialAnalysis_TheFarmBridge_FINAL.xls						

Based on the “Underwriting Criteria for Ulster County Loan Funds,” the adjusted value of the proposed collateral is \$207,440.

Since the value of the collateral is in excess of the value of the loan amount, this project’s collateral value is **classified as “A.”**

### 5.3 Net Worth of Guarantors

Name	Stated Net Worth	Adjusted Net Worth	Credit Score
James Hyland	\$852,000	\$492,500	

Since the adjusted net worth of the guarantors is in excess of the loan value, the adjusted personal net worth is **classified as “+.”**

## 6.0 CONCLUSION

The Farm Bridge's application exceeds the underwriting criteria set forth by the Ulster County Revolving Loan Fund, with a classification of IA+, the highest rating possible under the UCRLF's criteria. While this fact may be sufficient by itself to justify support of the project, it is worth noting that the business has several indirect impacts on the County's economy.

By providing a local co-packing facility, which focuses on processing and packaging locally-grown products, The Farm Bridge fills an important role in strengthening our region's agriculture sector. As an example, when a local farm recently had a major order for cherry tomatoes pulled by the customer at the last minute, The Farm Bridge was able to step in to cut, freeze and package the surplus tomatoes, which prevented a total loss for the farm.

Additionally, The Farm Bridge serves as a valuable resource in Ulster County's efforts to attract and expand food and beverage-related businesses. As small food or beverage manufacturers from the NYC metro area achieve success, they often must look for ways to scale-up, while keeping overhead costs low. This often leads them to look to the next ring of communities outside the metro area. And it also may lead them to look for a partner who can run their production operation while they focus on marketing, branding, sales and new product development.

The Farm Bridge's presence here helps Ulster County maintain a competitive advantage in attracting these businesses. They have the opportunity to contract with The Farm Bridge, at lower costs than setting up their own production facility. Additionally, these businesses themselves see an advantage in having a partner that can work with local farms to source ingredients, since this both reduces transportation costs and increases the resilience of their supply chain.

As The Farm Bridge continues to grow, Ulster County has the opportunity to help shape and support that growth, and, in turn, to help support and shape the growth of our region's food and beverage sector as a whole.

## 7.0 APPLICATION TRACKING SUMMARY

Applicant Name:	Jim Hyland				
Business Name:	The Farm Bridge (f/k/a Farm 2 Table Co-Packers)				
Initial Inquiry Date:	11/21/2016		Loan Amount:	\$150,000	
Initial Application Date:	12/13/2016		Loan Fund(s):	USDA IRP/UCRLF	
Loan Purpose:	\$150,000 primary request for purchase of capital equipment to expand production capabilities and efficiency to meet increasing customer demand.				
Office of Economic Development Tasks			Underwriting Tasks		
Task	Date	Initials	Task	Date	Initials
App received	12/13/2016	TW			
App forwarded to UW	12/13/2016	TW	App received by UW	12/13/2016	
			Questions due	12/27/2016	
Questions received by OED	1/13/2017	TW	Questions sent to OED	1/13/2017	
Questions sent to Applicant	2/2/2017	TW			
Response rec'd	2/13/2017	TW			
Application finalized	2/27/2017	TW			
Response due to UW	3/6/2017		Response received	3/6/2017	
			Determination due	3/16/2017	
			UW Determination	Approved	
Applicant notified					
Determination due	4/1/2017				
RLF Meeting Date	3/20/2017				
EDA Meeting Date	3/28/2017				
RLF Recommendation	Approve / Deny				
EDA Determination	Approve / Deny				
USDA Determination Due	4/1/2017				
USDA Determination	Approve / Deny				