

Eastern seals multimillion \$ Leprino purchase

SYRACUSE, NY — Stanley A. Korona, President of Eastern Milk Producers Cooperative, recently announced his organization has completed a multi-million dollar loan package for the purchase of two highly efficient and modern cheese manufacturing plants located at Waverly and Horseheads, New York.

Korona said Eastern is paying \$24.4 million to purchase the plants from Leprino Foods Company, of Denver, Colorado, and has borrowed \$19 million from General Electric Credit Corporation to complete the 20-year transaction.

The financing and purchase of the plants by Eastern is part of a long-term milk supply arrangement the cooperative has with Leprino, in which more than 650 million pounds of milk are provided annually by Eastern to manufacture Italian cheeses in the southern tier of New York State.

The plants were built in May of 1979 by Leprino, following Eastern's agreement to supply the milk. Purchase of the plants by the cooperative, with a lease-back agreement by Leprino, culminates the arrangement as it was envisioned by both parties about four years ago.

Eastern General Manager, Michael Donovan said, "Ownership of the plants by our dairy farmer members puts the organization in an excellent position for both financial growth and membership growth in years to come. We now own two excellent cheese manufacturing facilities, which will generate substantial income over the next 20 years."

"Eastern ownership of the plants helps our members in a direct and immediate way — while helping to balance overall supplies in the Northeast", Donovan said.

Eastern's purchase was accomplished with \$2 million of member equity already invested, a \$3.4 million dollar subordinated loan from Leprino, and \$19 million borrowed from GECC, a credit subsidiary of the General Electric Corporation. Both plants, prior to installation of a \$2 million waste pre-treatment facility at Waverly, were MAI appraised at \$25.6 million. Adding Waverly improvements, the plants now are worth approximately \$27.6 million.

Eastern's purchase of the plants at this time requires no additional dues or equity investment from the membership. Additionally, the lease-back by Leprino provides

sufficient revenue to cover both physical and interest obligations each year of the twenty-year agreement. For this reason ownership is expected to have no negative effect on Eastern's marketing costs, while substantially improving the equity position of the balance sheet.

President Korona describes the financing package as one providing "fast amortization" of the loan. Early in the schedule most of Eastern's payments to GECC accrue to principal, which rapidly builds equity; later in the period, Eastern will realize several million dollars as income. At the termination of the 20-year period Eastern members will own the facilities without capital indebtedness.

Leprino Foods, lessor of the plants, is the nation's largest manufacturer of high quality natural cheeses for use in major fresh pizza and Italian food markets. Pizza Hut, Godfather's Pizza, Kraft Foods, L.D. Schreiber, and Burger King are among the firm's major mozzarella customers.

"It is important to remember,"

says Donovan, "that Leprino products move in commercial markets, which are largely unaffected by the level of government purchases of surplus cheese, butter and milk powder. Markets for Eastern milk have an opportunity for commercial growth while government pur-

chases are being squeezed."

Early in May the cooperative is planting an "Open House Pizza Party" for the members of Eastern. It will be an opportunity for farmers to visit and tour their newly acquired facilities at Waverly and Horseheads.



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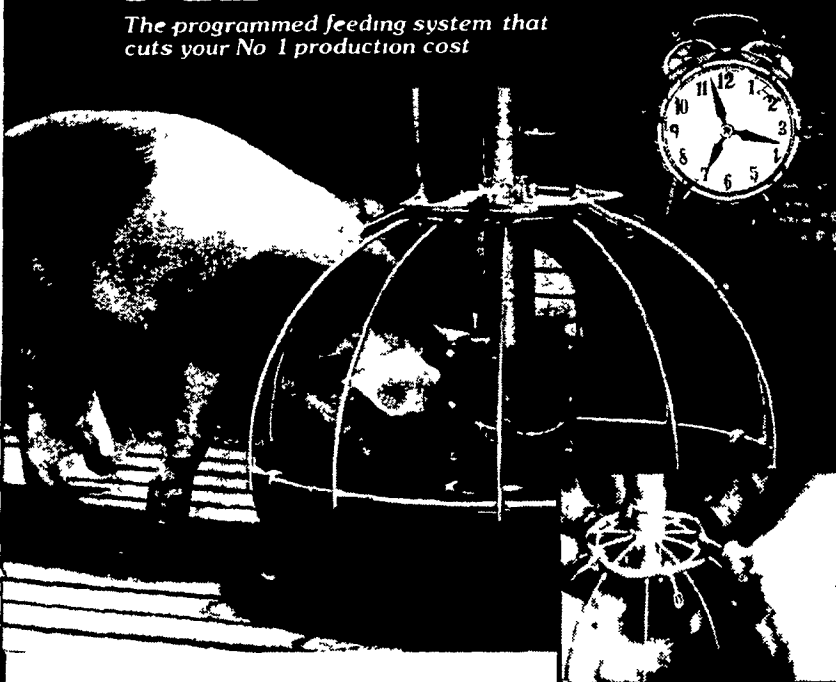
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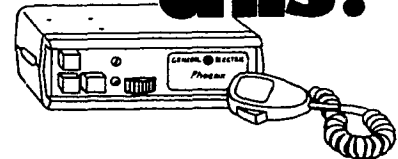
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