

**NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT**

Board of Directors Meeting

NENEDD Offices

111 S 1<sup>st</sup> St, Norfolk, NE 68701

Wednesday, March 3<sup>rd</sup>, 2010 at 7:15 p.m.

Minutes

**I. Call to Order:** The Northeast Nebraska Economic Development District Board of Directors meeting was called to order at 7:46 p.m. by Jeff Scherer, Chairman. Jeff Scherer informed the public about the location of the Open Meetings Act LB 898 and that it is accessible to the public.

**II. Roll Call:** Tina Engelbart read roll call. The following were present:

Jeff Scherer, NENEDD Chairman, Smeal Fire Apparatus	Kelvin Wurdeman, NENEDD Vice-Chairman, Wayne County Commissioner	Hank Thieman, NENEDD Board Member, Boone County (By Phone)
Vicki Saunders, NENEDD Secretary/Treasurer, City of Norfolk	Kendrick Marshall, NENEDD Board Member, Nebraska Dept. of Labor	Skip Edwards, NENEDD Board Member, City of Fremont (By Phone)
Tina Welding, NENEDD Board Member, West Point Chamber of Commerce (By Phone)	John Lohr, NENEDD Board Member, City of Columbus (By Phone)	

**Board Members Absent:** Chris Miller

**Others Present:**

Gaylord Wilcox, NED, Inc. President, 1 <sup>st</sup> National Bank of Schuyler/Howells	Lisa Walters, NED, Inc. Vice President, Private Representative, Norfolk	Rick Uhlir, NED, Inc Board Member, Madison County
Tina Engelbart, NENEDD	Holly Quinn, NENEDD	Patsy Taylor, NENEDD
Judy Joy, NENEDD	Mickella Brabec, NENEDD	Scott Owen, NENEDD
Anne Thietje-Pantoja, NENEDD	Jeff Christensen, NENEDD	Lisa Hurley, NENEDD
Arnold "Skip" Oehlrich, Colfax County Commissioner		

**III. Secretary's Report:** Kelvin Wurdeman made a motion to approve the agenda and the January 2010 minutes as mailed. Kendrick Marshall seconded the motion. Motion carried.

**IV. Treasurer's Report:** Patsy Taylor presented the January 2010 Treasurer's Report. Skip Edwards made a motion to accept the January 2010 Treasurer's Report as presented. Tina Welding seconded the motion. Motion carried.

**V. Discussion Items**

**A. NENEDD & NED, Inc Annual Luncheon:** Tina Engelbart led discussion and asked board members to suggest locations to hold the annual luncheon and guest

speaker suggestions. The board members were also asked to check their July calendars and let Tom Higginbotham know of dates that will not work. Fremont was suggested as a possible location. Speaker suggestions were James B. Milliken, UNL, Pete Kotsiopoulos, UNL, and Ernest Gross, Creighton University.

## VI. Action Items

- A. Budget Amendment:** Tina Engelbart and Patsy Taylor led the discussion on the proposed budget changes. Due to personnel changes during the current fiscal year, salaries and wages and fringe benefits will decrease allowing for the purchase of needed equipment and software that were not in the original budget. With the hire of new staff we are also proposing an increase to the Travel-Staff expense to allow for necessary training and travel. The end result of the above changes show a total of \$56,425 under budget on the expenses that will be adjusted. Hank Thieman made a motion to approve the proposed changes to the 2009-2010 fiscal year budget. Skip Edwards seconded the motion. Motion carried.
- B. RLF – Loan Subordination Request for Loan #310003:** Jeff Christensen led discussion on the subordination request. NENEDD provided a \$35,000 loan to loan client #310003 that was approved on 9-23-09 and closed on 9-30-09. Client #310003 has approached us requesting additional funds in the amount of \$50,000 to cover overages in the project. These were primarily in the electrical (\$30K) and concrete (\$12K) areas; and problems with two cooler compressors (\$7K) that had to be replaced. A new appraisal has been completed on the real estate including land, land improvements, building, and fixed building service equipment. The appraised value of \$125,000 is approximately \$50,000 more than what we originally anticipated. Twin Rivers Bank is considering to help pay for some of the overages by providing an additional \$25,000. However, this would only be done if NENEDD agrees to subordinate the additional \$25,000. Skip Edwards made a motion approve the request of loan client #310003 to subordinate \$25,000 additional bank financing. Tina Welding seconded the motion. Motion carried.
- C. RLF- Release of Personal Guaranty and Annual Reporting Requirements for Loan #0603:** Jeff Christensen reported that a request has been made to release owners, Tina and Ryan of their personal guaranty. They have not been involved in the business since they moved to South Dakota. Kathy and Gayle, the remaining owners, have come to an agreement and reimbursed Tina & Ryan all the money they put in. NENEDD staff has reviewed the business financials since the purchase. They have been profitable each year: Nov '06 – Oct '07 - \$15,143 profit; Nov '07 – Oct '08 - \$12,867 profit; Nov '08 – Dec '09 - \$13,428 profit. NENEDD staff has also reviewed Kathy & Gayle's personal financial statement and new credit report and feel we have adequate collateral of the 44 acres owned by Kathy & Gayle.

*Jeff Christensen contacted Kathy and Gayle regarding the questions that were asked at the last board meeting. Gayle & Kathy Giese (KWG, Inc.) have \$5,000 left to pay to Tina and Ryan for their investment in Wisner Lanes. They still have the initial stock in the corporation, because they figured they can't dissolve that until NENEDD allows them to. The stock is \$500 each. The \$500*

*stock is per person for a total of \$1000. The \$5,000 is separate. They owe them a total of \$6,000. The agreement they have with them is to pay them whenever they can. They have been paying Ryan & Tina approximately \$2,000 a year. Neither Gayle or Kathy take any salary from the business. They have \$4,000 left on the loan for the 44 acres and that will be paid off this year. 1st National Bank of Beemer is a lien holder on that until the end of this year when it is paid off.*

The change in management has not had a negative effect on the business. Their son-in-law has been managing the business since Tina left. NENEDD staff recommends releasing the personal guaranty of Tina and Ryan as they requested.

NENEDD staff also requested to change the requirement of receiving monthly profit and loss statements from KWG, Inc. to annual financial information that we receive from all clients. Kelvin Wurdeman made a motion to approve the request of owners Tina and Ryan to release them of the personal guaranty for loan #0603 and change the financial reporting to annual. Tina Welding seconded the motion. Motion carries.

**D. RLF – Loan Approval for Patzel Enterprises, Inc. – Mitch Patzel –**

**Albion:** Holly Quinn led the discussion on Patzel Enterprises, Inc. Citizens State Bank in Spalding is considering two separate loans. The first/primary loan in the amount of \$100,000 will be in a primary lien position on all business assets including real estate, FFE, and inventory. This primary loan will have a term of 15 years at 7.00%. A second/subordinate bank loan in the amount of \$50,000 will be secured only by CD's provided by Boone County Economic Development and Albion Economic Development for \$25,000 each (\$50,000 total). This second bank loan will have a term of 10 years at an interest rate of 5.00% (fixed).

NENEDD will lend \$50,000 to Patzel Enterprises Inc. for the purchase of the real estate building and FFE. NENEDD's loan will have a term of 15 years at an interest rate of 5.00% (fixed). NENEDD will have a subordinate lien position on all business and personal property only to the bank's primary \$100,000 loan. NENEDD will also file a subordinate Deed of Trust on Mitch and Maria Patzel's personal residence in Boone County as additional collateral for this loan. NENEDD will require life insurance on Mitch Patzel for the amount of the loan for the life of the loan and a personal guaranty will be required from Mitch and Maria Patzel. Boone County ED and Albion ED will be in a subordinate position behind NENEDD. The current owner, Larry Rasmussen, will also be doing a carry-back loan for \$50,000, interest only for the first three years and then after the three years, owner and seller will negotiate payments to be no less than 5 years at 5% and will take a subordinate position behind the bank, NENEDD, and local economic groups. Vicki Saunders made a motion to approve the loan application for Patzel Enterprise, Inc. as presented and recommended by the Northeast RLF Board with the following contingencies: *1. Interest only for the first three years for the owner's carry-back. After the three years, owner and seller will negotiate payments to be no less than 5 years. 2. Attend/participate in entrepreneur classes at the CEC (Columbus Entrepreneurship Center) or equivalent. 3. Client provides Profit & Loss statements quarterly to NENEDD staff.* Kendrick Marshall seconded the motion. Motion carried.

**E. RLF-Loan Approval for A Brand New Day, Inc – Fremont:** Holly Quinn led discussion on A Brand New Day, Inc. The RLF committee recommends a loan for \$15,000 for the purchase of furniture, fixtures and equipment and for working capital to A Brand New Day, Inc. This loan will have a term of 5 years at an interest rate of 5.00% (fixed). NENEDD will have a primary security interest on all business property. NENEDD will also file a Deed of Trust on Mark and Jennifer's residence in Fremont. NENEDD will also require a personal guaranty from Mark and Jennifer Porter. NENEDD will also require life insurance on Mark and Jennifer Porter. Kelvin Wurdeman made a motion to approve the loan application for A Brand New Day, Inc in the amount of \$15,000 as presented and recommended by the Northeast RLF Board. Hank Thieman seconded the motion. Motion carried.

**F. RLF – Loan Approval for ENLD, LLC (Eldon Engel, President) - Columbus:** Jeff Christensen led discussion on ENLD, LLC. The Northeast RLF Board Pinnacle Bank in Columbus will provide a loan of \$87,500 for the purchase real estate to lease to their dry cleaning business, Prestige Dry Cleaners and Laundry, located at 2262 25<sup>th</sup> Avenue in Columbus. Terms of the bank loan are 20 years at 6.50% interest rate (variable). Pinnacle Bank will secure its loan with a primary lien on all business assets. NENEDD will lend \$70,000 for the purchase of the same real estate. NENEDD's loan will have a term of 15 years at an interest rate of 5.00% (fixed). NENEDD will secure its loan with a subordinate lien to Pinnacle Bank on the business assets including the real estate. NENEDD will also file a Deed of Trust on the Engel's personal residence; require a corporate guaranty from Engle & Engel, Inc. and personal Guarantees from Eldon and Nadine Engel. NENEDD will require life insurance on Mr. & Mrs. Engel for the amount of the loan for the life of the loan. John Lohr made a motion to approve the loan application for ENLD, LLC (Eldon Engel, President) in the amount of \$70,000 as presented and recommended by the Northeast RLF Board, pending appraisal. Tina Welding seconded the motion. Motion carried.

**G. RLF – Loan Subordination Request for Loan #0604:** Jeff Christensen led discussion. Brock Strom, d/b/a Strom Construction is requesting that we subordinate our lien position on vacation river property in Boyd County to allow Brock to purchase some farm land. Brock has not made their final determination but is considering 160 acres. Brock Strom has owned and operated Strom Construction since he purchased the business from his father in 1994. Since 2001, there have been 3 NENEDD loans placed for this business. One has been paid and the 2<sup>nd</sup> will be paid in full this month.

- Loan #0414 loan balance after 2/1/10 payment \$118.17 - final payment 3/1/10
- Loan #0604 loan balance after 2/1/10 payment \$15,211.01 - maturity date 10/1/2012

Credit Report and Personal Financial Statement has been reviewed finding no problems. Once farm land has been purchased, NENEDD will subordinate our lien on Boyd County river property. NENEDD will also file a Deed of Trust on the newly purchased farm land. Tina Welding made a motion to approve the request of Brock Strom, d/b/a Strom Construction to subordinate NENEDD's

lien position for loan #0604. Kendrick Marshall seconded the motion. Motion carried.

**H. RLF Loan Interest Rate Change:** Chairman Scherer reminded board members of the discussion from the NED, Inc board meeting and asked for the terms NED, Inc approved. The terms approved in the NED, Inc board meeting were the terms the RLF Loan Board suggested a base rate (5%) for loans with a term of 5 yrs or less with an increase of .5% (one half per cent) for loan with terms over 5 years up to 10 yrs, and an additional increase of .5% (one half per cent) for loans over 10 years up to 15 years. (Our max term is 15 years). Kelvin Wurdeman made a motion to approve the RLF Loan Board's recommendation of a base rate of 5% for loans with a term of 5 yrs or less with an increase of .5% (one half per cent) for loan with terms over 5 years up to 10 yrs (5.5%), and an additional increase of .5% (one half per cent) for loans over 10 years up to 15 years (6.0%). The max term is 15 years. Vicki Saunders seconded the motion. Motion carried.

**I. Albion Economic Development Certified Community Resolution of Support:** Chairman Scherer commended the city of Albion on taking steps to become a certified community. Skip Edward made a motion to approve the Resolution of Support for the Albion Economic Development Certified Community application. Hank Thieman seconded the motion. Motion carried.

**H. NENEDD Management of Local Loan Programs:** Tina Engelbart led discussion. Two local communities have requested that NENEDD provide management services for their local loan programs. One being a housing loan program and the other being a business facade improvement program. These requests are being made in order to have the decision making process removed from the local communities due to the politics of these decisions. This could be an additional revenue source to NENEDD. Housing loans could be reviewed and approved by the NENEDD Board of Directors while business loans could be reviewed and approved by the NENEDD Business RLF Board. All loan payments would come to NENEDD with NENEDD forwarding periodic payments to the local community. NENEDD's Fiscal Officer would manage these loans in the same manner that existing loans are currently administered. Kelvin Wurdeman made a motion to approve utilizing NENEDD's Board of Directors and/or NENEDD's Business Revolving Loan Fund as the decision making body for member communities loan programs at their request. Vicki Saunders seconded the motion. Motion carries.

**VII. Chairman's/Board Comments:** Jeff Scherer thanked the board members and staff for their hard work and participation.

**VIII. Next Meeting Date:** *The next meeting is on Wednesday March 31<sup>st</sup>, 2010 at 7:15 p.m. at the C&N Bar & Grill, 104 Pine St, Lindsay, NE 68644.*

**IX. Adjournment:** There being no further business, Chairman Jeff Scherer adjourned the meeting at 8:35 p.m.