

**NORTHEAST ECONOMIC DEVELOPMENT, INC. – NED, INC.**  
**BOARD OF DIRECTORS MEETING**  
**WEDNESDAY, NOVEMBER 20, 2019 - 7:00 P.M.**

City of Norfolk Offices – Training Room, 309 N 5<sup>th</sup> St, Norfolk, NE 68701  
West Point Chamber of Commerce – 200 Anna Stalp Ave, West Point, NE 68788  
City of Hartington Offices – Conference Room, 107 W State St, Hartington, NE 68739  
The Wakefield Civic Center – 407 E 7<sup>th</sup>, Wakefield, NE 68784  
City of Columbus Offices – 1<sup>st</sup> Floor Mayor’s Office, 2424 14<sup>th</sup> Street, Columbus, NE 68601

The President and Board of Directors reserve the right to adjourn into closed session  
as per Section 84-1410 of the Nebraska Open Meetings Act.

**AGENDA**

- I. Call to Order:** Inform the public about the location of the Open Meetings Act and that it is accessible to the public (LB 898).
- II. Roll Call**
- III. Introduction of Guests**
- IV. Secretary’s Report**
  - A.** Consideration for approval of the November 20, 2019 Agenda and the October 30, 2019 meeting minutes.
- V. Treasurer’s Report**
  - A.** Consideration for acceptance of the October 2019 Treasurer’s Report as presented.
- VI. Action Items**
  - A.** Consideration for approval of a \$105,000 loan to L and P Monument and Design, LLC
  - B.** Consideration for approval of a \$196,000 loan to Kurz & Wolfe Investments, LLC
  - C.** Consideration for approval of NED, Inc.’s Microenterprise Loan Fund Program Guidelines and Procedures
- VII. President/Board Comments**
- VIII. Next Meeting Date:** The next Northeast Economic Development, Inc. Board of Directors meeting will be at 7:00 p.m. on Wednesday, December 18, 2019. The meeting will be held via conference call.
- IX. Adjournment**

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_

Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

## NED, Inc Board Agenda

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**Object:** Approve of the November 20, 2019 Agenda and the October 30, 2019 meeting minutes

**Contact Person:** Thomas L. Higginbotham Jr, Executive Director

**For:** Action

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**Explanation:** The November 20, 2019 agenda has been posted on the website. The October 30, 2019 meeting minutes have been posted on the website.

**Motion:** Consideration for approval of the November 20, 2019 Agenda and the October 30, 2019 meeting minutes.

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_  
Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

IV. Secretary's Report A.

## NED, Inc. Board Agenda

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**Object:** Acceptance of October 2019 Treasurer's Report

**Contact Person:** Kristen Rosner, Fiscal Officer

**For:** Action

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**Background:**

Northeast Economic Development, Inc.'s (NED, Inc) October 2019 Statement of Financial Position and the Statement of Revenues and Expenditures that reflect the monthly Budget, Actual and Budget Variance. Also stated is the Fiscal Year 2020 Budget for the nonaccrual accounts, July 1, 2019, through June 30, 2020, Actual, Budget Variance so far this fiscal year and Percent of the fiscal year 2020 Budget remaining.

**Explanation:**

**Additional Information:**

Business Loan Principal Received	32,545.25
Housing Rehab Principal Received	4,800.78
Down Payment Assistance (DPA) Principal Received	24,490.00
New Construction Principal Received	-
Business Loan Disbursements	661,521.54
Housing Rehab Loan Disbursements (2 homes)	32,004.53
Direct Home Buyer Assistance Loan Disbursements	-
New Construction Loan Disbursement	-

Direct Home Buyer Assistance Loan Payoffs:  
#101375, \$24,000.00

Business Loan Disbursements:

#620003, S2 Roll Offs, LLC, Fremont, \$202,250  
#620005, Downtown Auto Service, LLC, Crofton, \$57,021.54  
#620007, 3<sup>rd</sup> Street Bar & Grill, LLC, Osmond, \$202,250  
#620002, Midplains Crane Works, Bancroft, \$200,000

NED, Inc. Reuse Funds Available for Lending:

Owner-Occupied Rehabilitation (HOME & Trust): \$921,163  
Direct Home Buyer Assistance (HOME & Trust): \$56,596  
Business Revolving Loan Funds (All Sources): \$1,279,128

**Motion:** Consideration for acceptance of the October 2019 Treasurer's Report

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_  
Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

V. Treasurer's Report

**NED, Inc.**  
**Statement of Financial Position - Unposted Transactions Included In Report**  
**As of 10/31/2019**

	<u>Current Period Balance</u>
<b>Assets</b>	
General Cash	
Cash in Bank-BF #1695334	1,547.27
Business RLF Cash	
IRP Loan Fund-BankFirst 7884171	21,578.34
RLF-BankFirst 7884203	31,263.45
IRP Loan Loss Reserve-BankFirst 7884195	15,904.92
RBEG Loans-BankFirst 7884203	84,227.40
NDO Loan Fund-Security Bank 229970	707.41
RMAP Loan Fund-BankFirst #7898549	7,094.45
#88841889-Midwest Bank-NEF Loan Loss Reserve	12,616.35
IRP #2 Loan Fund-Bank First #7898560	172,061.21
RMAP LLR Fund-BankFirst #8571	17,180.22
NDO Loan Fund-Security Bank 833851	102,642.18
NE Micro Loan-BankFirst #7911287	249,973.62
BF NDO Defederalized	541,607.01
#7911287 - NE Micro Loan #2	29,531.22
NED, Inc. Micro Funds #3 - 2018 Grant BF#7911287	38,442.35
#7884195 - IRP #2 Loan Loss Reserve	36,046.60
Housing Cash	
Trust DPA - EVB 3035418	24,101.87
HOME Rehab-BankFirst 7858547	323,239.39
Trust Rehab CD #882516-Midwest Bank	109,586.79
Trust Rehab Pinnacle 4400292230	130,296.83
HOME DPA - EVBT 3067890	32,494.72
HOME Rehab Pinnacle 4400292249	116,730.06
Trust Rehab BF 7930372	129,526.93
HUD/NENEDD Rehab BankFirst 7930383	111,783.14
Receivables	
Grants Receivable	8,227.57
Business RLF Notes Receivable	
Business RLF Notes Receivable	69,059.68
Business IRP Notes Receivable	258,530.69
IRP #2 Notes Receivable	597,197.31
NDO Business Notes Receivables	3,292,023.15
RMAP Business Notes Receivable	324,117.06
NE Micro Loan Receivable	423,881.66
Housing Notes Receivable	
DPA Notes Receivable	2,171,869.03
Regional Rehab Notes Receivable	1,099,224.69
Fixed Assets	
Furniture and Equipment	2,250.00
Accumulated Depreciation	(2,250.00)
Allowance for Uncollectibles	
Allowance for uncollectable losses	(3,107,144.23)
<b>Total Assets</b>	<b>7,477,170.34</b>
<b>Liabilities</b>	
Accounts Payable	
Accounts Payable	27,940.41
Notes Payable	
RMAP Loan Payable	338,315.54
NEF Loan Payable	49,281.81
IRP Loan Payable	182,778.13

**NED, Inc.**  
**Statement of Financial Position - Unposted Transactions Included In Report**  
**As of 10/31/2019**

	<u>Current Period Balance</u>
IRP #2 Loan Payable	624,013.65
Total Liabilities	<u>1,222,329.54</u>
Net Assets	
Other	6,254,840.80
Total Net Assets	<u>6,254,840.80</u>
Total Net Assets and Liabilities	<u><u>7,477,170.34</u></u>

**NED, Inc.**

**Statement of Revenues and Expenditures - Unposted Transactions Included In Report  
From 10/01/2019 Through 10/31/2019**

	Current Period Budget	Current Period Actual	Current Period Budget Variance	Total Budget - Original	Current Year Actual	Total Budget Variance	Percent Total Budget Remaining
<b>Revenues</b>							
405	3,916.67	24,000.00	20,083.33	47,000.00	48,200.00	1,200.00	2.55%
428	79.67	0.00	(79.67)	956.00	478.00	(478.00)	(50.00)%
439	20,833.33	57,021.54	36,188.21	250,000.00	242,021.54	(7,978.46)	(3.19)%
442	2,345.83	0.00	(2,345.83)	28,150.00	0.00	(28,150.00)	(100.00)%
443	2,250.00	8,227.57	5,977.57	27,000.00	13,754.40	(13,245.60)	(49.06)%
444	250.00	625.00	375.00	3,000.00	1,125.00	(1,875.00)	(62.50)%
451	10,833.33	11,780.24	946.91	130,000.00	51,937.67	(78,062.33)	(60.05)%
452	116.66	45.57	(71.09)	1,400.00	290.01	(1,109.99)	(79.28)%
453	500.00	6,000.00	5,500.00	6,000.00	8,000.00	2,000.00	33.33%
454	1,000.00	359.14	(640.86)	12,000.00	2,637.89	(9,362.11)	(78.02)%
471	666.66	477.83	(188.83)	8,000.00	2,214.49	(5,785.51)	(72.32)%
490	2,916.66	4,150.93	1,234.27	35,000.00	13,792.04	(21,207.96)	(60.59)%
<b>Total Revenues</b>	<b>45,708.81</b>	<b>112,687.82</b>	<b>66,979.01</b>	<b>548,506.00</b>	<b>384,451.04</b>	<b>(164,054.96)</b>	<b>(29.91)%</b>
<b>Expenditures</b>							
523	16.66	0.00	16.66	200.00	0.00	200.00	100.00%
543	8.33	10.00	(1.67)	100.00	75.00	25.00	25.00%
548	8.33	0.00	8.33	100.00	0.00	100.00	100.00%
560	100.00	0.00	100.00	1,200.00	0.00	1,200.00	100.00%
561	572.08	0.00	572.08	6,865.00	0.00	6,865.00	100.00%
573	1,308.33	703.84	604.49	15,700.00	2,780.59	12,919.41	82.29%
574	16,666.66	19,292.84	(2,626.18)	200,000.00	76,443.23	123,556.77	61.78%
580	12,083.33	0.00	12,083.33	145,000.00	0.00	145,000.00	100.00%
584	2,258.33	1,959.69	298.64	27,100.00	9,334.18	17,765.82	65.56%
589	124.00	0.00	124.00	1,488.00	1,488.11	(0.11)	(0.01)%
<b>Total Expenditures</b>	<b>33,146.05</b>	<b>21,966.37</b>	<b>11,179.68</b>	<b>397,753.00</b>	<b>90,121.11</b>	<b>307,631.89</b>	<b>77.34%</b>
<b>Total Revenues Over (Under) Expenditures</b>	<b>12,562.76</b>	<b>90,721.45</b>	<b>78,158.69</b>	<b>150,753.00</b>	<b>294,329.93</b>	<b>143,576.93</b>	<b>95.24%</b>

Northeast Economic Development, Inc.  
 Statements of Functional Expenses  
 July - October 2019

	Program Services			Supporting Activities		Total Expenses
	Housing Loan Services	Business Loan Services	Program Subtotal	Management & General		
Grant Administration	\$ -	\$ -	\$ -		\$ -	
Grant Contribution	-	-	-		\$ -	
Services and Professional Fees	35,227	25,311	60,537	22,365	\$ 82,902	
Interest Expense		1,570	1,570		\$ 1,570	
	\$ 35,227	\$ 26,881	\$ 62,107	\$ 22,365	\$ 84,472	

## NED, Inc. Board Agenda

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**Object:** Approve a \$105,000 loan to L and P Monument and Design, LLC – Colfax County

**Contact Person:** Jeff Christensen, NENEDD Business Loan Specialist

**For:** Action/Discussion

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**Background:** Lynette Vesely and her son Lance Parsons have formed L and P Monument and Design, LLC and are planning the start of their own business providing headstones and monuments for cemeteries and for the purpose of capturing special events throughout the area. They will also design and erect tributes to Veterans, EMS personnel, and other community interests, and restore neglected or destroyed cemetery stones which may be personal plots, religious church yards, or sacred burial places. The project includes the construction of a new 60' x 80' x 16' building built along Hwy 15, two miles south of the Hwy 15/91 intersection in rural Colfax County; 1104 Road U.

They have planned an indoor showroom for tombstones which gives easy access for customers and a safer way to view the products which is unique as most monument businesses have outdoor displays for their stones. There will also be a separate room to house supplies for memorial tiles which is needed due to climate-controlled humidity and dust particles for the best outcome of the tile quality. In addition to the building, they will purchase a setting truck with boom crane, porcelain kiln, computers with printers. They already own office equipment and hand tools to be used for the business.

Total project costs are estimated to be \$389,860. Homestead Bank in Howells, Lance Parsons, and Lynette Vesely are requesting that NED, Inc. provide a loan in the amount of \$105,000 to build a new facility to start their business L and P Monument and Design, LLC in Colfax County. Homestead Bank is prepared to lend \$247,760 for the new facility and to purchase equipment. The Lynette and Lance will inject \$37,100 cash for this project. In addition, Lynette owns a residence in Woodbine, IA. which is for sale. If/when this property is sold, it is requested that Lynette put \$30,000 of the proceeds into an account to be used for working capital until cash flow has been established. The project will create three employees including Lynette and Lance.

### Explanation:

Source	Bank	NED, Inc.	Equity	Total
Real Estate/Bldg	\$149,715	\$105,000	\$18,550	<b>\$273,265</b>
Equipment/vehicle	\$98,045	-0-	\$18,550	<b>\$116,595</b>
<b>TOTAL</b>	<b>\$247,760</b>	<b>\$105,000</b>	<b>\$37,100</b>	<b>\$389,860</b>

Homestead Bank is considering two loans. \$149,715 for building and real estate at 6.95% for 15 years and \$98,045 for equipment and truck. The equipment/truck loan will be 6.95% for 7 years. In addition to a first deed of trust on the real estate, improvements and fixtures at 1004 County Road U, the bank will require a blanket security agreement with UCC filing, a filing on the motor vehicle, and personal guaranty from the members of the LLC.



NED, Inc. will lend \$105,000 to L and P Monument and Design, LLC for new building construction. The \$105,000 loan will have a term of 15 years at an interest rate of 5.00% (fixed). NED, Inc. will have a subordinate Deed of Trust on the business real estate and a UCC filing on the business property for the business in Colfax County. NED, Inc. will also require a life insurance assignment from Lance and Lynette each for the amount of the loan for the life of the loan. A personal guaranty will be provided by Lance and Lynette as additional collateral for this loan. NED, Inc. will file a Deed of Trust on Lynette's personal residences in Woodbine, Iowa. This property is for sale as Lynette was recently divorced and her ex-husband is currently living there. If/when it is sold, NED, Inc. will release this lien and request that \$30,000 of the proceeds will be deposited in an account for initial operations of the business until cash flow is established.

The Northeast Revolving Loan Fund (RLF) committee was presented information on credit scores, net worth, collateral, and financial information as part of the loan summary and recommends this loan for approval.

**Motion:** Consideration for approval of a \$105,000 loan to L and P Monument and Design, LLC

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_  
Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

VI. Agenda Item A.

## NED, Inc. Board Agenda

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**Object:** Approve a \$196,000 loan to Kurz & Wolfe Investments, LLC - Fullerton

**Contact Person:** Jeff Christensen, NENEDD Business Loan Specialist

**For:** Action

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**Background:** Drs. Lance Kurz & Daniel” Jay” Wolfe each own 50% of the Countryside Veterinary Clinic Inc. (CSVC) in Fullerton. They each also own 50% of the real estate holding company Kurz & Wolfe Investments, LLC (K & W). They are planning to renovate and expand their facility located at 316 Grove Street. They are expanding with a 20’ x 48’ addition and adding a 2<sup>nd</sup> story to a portion of the existing building. They will also repair/replace the roof on the remaining portion of the existing building.

CSVC was purchased by Drs. Kurz and Wolfe in 2007. NENEDD provided an \$80,000 loan partnering with Fullerton National Bank for this purchase. K & W was established at that time as the real estate holding company for the business. Since 2007, Dr. Kurz has been the main vet operating out of this facility. Dr. Wolfe owns the Palmer Veterinary Clinic and primarily operates from that location. Dr. Kurz also does a lot of mentoring to area youth who are interested in going to veterinary school. Being one of the only vet clinics in Nance County, Dr. Kurz has built a very profitable practice.

With the proposed expansion, the facility will be able to hold more dogs as they have seen an increase in business for small household animals due to other area vet practices going away from it. CSVC prides itself on its service. Dr. Kurz is known for his work ethic which he credits form both the military and growing up on a dairy farm. Dr. Kurz has built a strong customer base as profit margins have steadily grown over the past five years.

Total project costs are \$490,000. 1<sup>st</sup> Bank & Trust in Fullerton and the members of Kurz & Wolfe Investments, LLC are requesting that NED, Inc. provide a loan in the amount of \$196,000 to renovate and expand the veterinary clinic facility. 1<sup>st</sup> Bank & Trust has approved a loan of \$245,000. The members of Kurz & Wolfe Investments, LLC will provide \$49,000 in cash. The project will retain seven jobs and anticipates adding at least one add'l job.

### Explanation:

Sources →	Bank	NED, Inc.	Equity	Total
Uses ↓				
<b>New construction</b>	\$175,000	\$32,000	\$35,000	\$350,000
<b>Renovation</b>	\$40,000	\$140,000	\$8,000	\$80,000
<b>Equipment</b>	\$30,000	\$24,000	\$6,000	\$60,000
<b>TOTAL</b>	<b>\$245,000</b>	<b>\$196,000</b>	<b>\$49,000</b>	<b>\$490,000</b>

1<sup>st</sup> Bank and Trust in Fullerton has approved a loan of \$245,000 for this project. The loan will be set up as a regular real estate/commercial loan fully amortized over a 15 year term at an interest rate of 5.50% (variable). In addition to a first deed of trust on the building located at 316 Grove St in Fullerton, they will require a blanket UCC on all assets of Kurz & Wolfe Investments, LLC and Countryside Veterinary Clinic, Inc. and personal guaranty of Lance J. Kurz and Daniel J. Wolfe.

NED, Inc. will lend \$196,000 to renovate and expand the commercial building located at 316 Grove Street in Fullerton. The \$196,000 loan will have a term of 15 years at an interest rate of 5.00% (fixed). NED, Inc. will have a subordinate Deed of Trust on the commercial building owned by Kurz & Wolfe

Investments, LLC and a UCC lien on the business personal property owned by Countryside Veterinary Clinic, Inc. NED, Inc. will file a Deed of Trust on the Kurz's personal residence in rural Nance County and Wolfe's personal residence in rural Merrick County. NED, Inc. will also require life insurance assignments from Dr.'s Kurz and Wolfe each for the amount of the loan for the life of the loan, personal guaranty provided by Dr. and Mrs. Lance Kurz and Dr. & Mrs. Daniel Wolfe, and a corporate guaranty by Countryside Veterinary Clinic, Inc.

The Northeast Revolving Loan Fund (RLF) committee was presented information on credit scores, net worth, collateral, and financial information as part of the loan summary and recommends this loan for approval.

**Motion:** Consideration for approval of a \$196,000 loan to Kurz & Wolfe Investments, LLC

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_  
Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

## NED, Inc. Board Agenda

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**Object:** Approve NED, Inc. Microenterprise Loan Fund Program Guidelines and Procedures

**Contact Person:** Jeff Christensen, NENEDD Business Loan Specialist

**For:** Action

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**Background:** NED, Inc. has applied and receive three awards from Nebraska Department of Economic Development (DED) for Microenterprise Loan Funds and technical assistance through the Nebraska Business Innovation Act. (2013, 2017, & 2018) NENEDD staff is preparing another application for \$500,000 loan funds and \$20,000 for technical assistance funding.

**Explanation:** NED, Inc. needs to update its guidelines and procedures for these funds. It was last updated in 2013. Changes include the following:

- 1.2 Eligible Activities
  - Removing public infrastructure and loan guaranties as required by DED
  
- 2.2 Proposed standards of the MLF are as follows:
  - Maximum loan amount is \$100,000 on initial new funds; adding “once revolved the maximum amount is \$200,000”
  
- 6.0 Loan Terms and Interest Rates
  - Increasing the term to a maximum of 25 years

**Motion:** Consideration for approval of NED, Inc.’s Microenterprise Loan Fund Program Guidelines and Procedures

Jim McCarville\_\_\_\_\_ John Lohr\_\_\_\_\_ Brad Albers\_\_\_\_\_ Mike Frank\_\_\_\_\_  
Jerry Engdahl\_\_\_\_\_ Shannon Stuchlik\_\_\_\_\_ Megan Weaver\_\_\_\_\_  
Y (In Favor of Motion) N (Against Motion) ABS (Abstain) A (Absent)

Northeast Economic Development, Inc. (NED, Inc.)  
Microenterprise Loan Fund Program Guidelines and Procedures  
(Nebraska Business Innovation Act)

**PURPOSE**

The purpose of the Northeast Microenterprise Loan Fund (MLF) program is to provide “gap” financing for start-up and existing businesses that cannot obtain sufficient conventional financing or to attract new businesses within the NED, Inc. service area. The MLF loan customer is an entrepreneur who is unable to access 100% of the needed financing from a financial institution due to failure to meet credit requirements.

Without the assistance of the MLF program, this customer would not be able to start or expand their business. They need assistance in obtaining capital for projects that would otherwise not be possible with only bank financing.

By Stopping the “leakage” of dollars from leaving the region, we can encourage and promote entrepreneurship and new business development. This can only then help the redevelopment of vacant or blighted buildings and land in the area.

**COUNTIES NED, INC. COVERS**

The MLF will be used in 26 distressed counties of Antelope, Boone, Boyd, Brown, Burt, Butler, Cedar, Cherry, Colfax, Cuming, Dakota, Dixon, Dodge, Douglas (rural), Holt, Keya Paha, Knox, Madison, Nance, Pierce, Platte, Rock, Stanton, Thurston, Washington and Wayne.

**SOURCE OF LOAN FUNDS**

- Nebraska Microenterprise Loan Fund -Business Innovation Act (BIA)

**1.0 APPLICANT ELIGIBILITY**

**1.1 ELIGIBLE BUSINESSES**

- Manufacturing assembling, fabricating or processing of tangible personal property
- Storing, warehousing, distributing, transporting, or selling of tangible personal property
- Conducting research, development, or testing for scientific, agricultural, animal husbandry, food product, or industrial purposes
- Performing data processing, telecommunications, insurance or financial services
- Transportation, retail, service and tourism that are for profit and/or not for profit
- The administrative management of any activities, including headquarter facilities relating to such activities
- For-profit business entity with not more than ten (10) full-time equivalent employees (Microenterprise)

## 1.2 ELIGIBLE ACTIVITIES

- Acquisition of land and buildings
- Construction or renovation of real estate either leased or owned
- Acquisition of machinery, equipment, property or services
- Working capital
- Miscellaneous activities that continue to support economic development as approved by the board
- Administration costs related to servicing NED, Inc.'s Micro Loan Fund

## **2.0 PORTFOLIO STANDARDS AND TARGETS**

### 2.1 The MLF will target those businesses that:

1) Demonstrate a need for financial assistance; 2) demonstrate or project the ability to succeed; and 3) which will, if funded, create or retain employment opportunities in northeast Nebraska. Loans will only be available to individuals, businesses and companies located in or expanding into the 25-county area of northeast and north central Nebraska. The applicant must identify sources of private financing.

### 2.2 Proposed standards of the MLF are as follows:

- Maximum loan amount is \$100,000 on initial new funds; once revolved the maximum amount is \$200,000.
- Matching funds from non-state funds must represent at least 35% of the total project costs. This may include federal funds, bank financing and/or equity injection
- At least one (1) job must be created or retained for each \$35,000 in individual loans, while striving to maintain a \$15,000/job ratio in the MLF portfolio
- The MLF funding must be necessary and appropriate based upon a review of other possible financing assistance
- The MLF funding is reasonable in relation to the achieved public benefit
- The MLF portfolio will comprise at least 50% in fixed asset loans and have a private investment leveraging ratio of at least 2-1 for the loan portfolio as a whole
- 10% minimum equity injection from business owner – certain types of businesses will require a 20% equity injection
- No production agriculture – value added is okay
- Microloans can be done without bank participation

In addition to the required selection criterion that financing is not otherwise available, NED, Inc. will primarily consider the number of jobs created or retained, the fixed assets of the project, the amount of private leveraging and the potential benefits to existing business and industry.

## **3.0 ORGANIZATIONAL STRUCTURE**

### 3.1 MLF Committee

The MLF Committee is the review committee for all business loans for NED, Inc. They will review and make a loan recommendation of approval or denial to the Board of Directors. The MLF Committee will also recommend changes in the policies and procedures of the MFL to the Board of Directors. This nine-member committee consists of three lenders, three business owners (one each from manufacturing, service and retail), one economic developer, one city administrator, and one small business consultant. These nine also represent the region geographically. This is a three year commitment.

The MLF Committee meets on an “as needed” basis, but typically the monthly meetings are held on the Monday one week before the last Wednesday of the month. All documents must be submitted to the business loan specialist a week prior to the committee meeting. The committee may conduct its review during a face-to-face meeting, by mail, e-mail, or through the use of a telephone conference call. A quorum of five of the nine committee members is required to make a recommendation. A simple majority of those attending the meeting or providing an email/mail of their vote is needed to make a recommendation. A loan will not be recommended without at least one of the three lender’s approval. The Business Loan Specialist will present loan applications to the Board of Directors at their monthly meetings.

Northeast Nebraska Economic Development District (NENEDD) staff will administer the MLF. The Business Loan Specialist will be a Certified Economic Development Financial Professional (EDFP). Staff will be responsible for marketing the MLF, meeting with potential applicants, processing loan applications, closing and disbursing loans, servicing loans and all administrative procedures required. Staff will monitor the portfolio standards and performance and prepare reports as directed by the Board of Directors and the Program Funder.

### 3.2 The MLF Committee will receive a loan summary packet that includes:

- Summary
- Proforma – projection of cash flow for the business
- List of what the funds are going to be used for (estimates from vendors, construction estimates, price quotes, etc.)
- Personal tax returns on the applicant (20% or more ownership for the past two years)
- Three years of tax returns, profit/loss statements/balance sheet of the business (if existing)
- Business Plan
- Bank letter

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## 4.0 LOAN PACKAGING PROCEDURES

### 4.1 Application Documents

A completed pre-application form will be required. Upon review and approval of the pre-application by staff, the business must submit all items listed on the loan application checklist form if applicable. They include:

- Business Plan
- 3 year historical balance sheet and operating statement
- Personal financial statement for each person owning 20% or more of the business
- Letter of participation or rejection from a bank except in the case of incentive loans
- Credit report from a credit reporting agency
- Proforma financial information
- Sources and uses
- Contractor estimates
- Vendor price quotes
- Lease or purchase agreement
- Job creation/retention form
- Tax returns on the business and person (each individual owning 20% or more of the business)
- Resume(s)
- Business information paperwork
- Aging of accounts payable and receivable
- Appraisal
- Environmental information as required by each funding source
- UCC search
- Assistance Agreement
- Indemnification Agreement
- Exhibit "A" Memorandum
- Attestation Form
- Credit History Authorization

The staff will review the information submitted to insure it is complete and will prepare a loan write-up/summary to submit to the MLF Committee. Rate, terms, collateral and equity requirements will be finalized as negotiated between the applicant and the staff. Staff will keep minutes/record all committee recommendations. The loan recommendation will be forwarded to the Board of Directors for final approval/denial. After approval or denial by the Board of Directors, staff will immediately notify the applicant of the decision in writing.



## 4.2 Loan Closing Documents

General closing requirements will include documentation that equity requirements have been met and that private lender financing has been secured. Prior to loan closing the borrower must provide NENEDD staff if applicable:

- Proof of hazard insurance
- Proof of flood insurance
- Schedule of collateral
- Equipment, inventory and contractor invoices
- Life insurance or any other insurance required by the Board of Directors
- Promotional Use Authorization

Standard loan closing documents will include:

- Acceptance/Rejection Letter
- Promissory Note
- Authorization and Loan Agreement
- Security Agreement
- Financing Statement
- Deed of Trust
- Personal Guaranty
- Automated Clearing House (ACH) Form
- Title/Lien Search

## 4.3 Loan Proceeds

- Loan proceeds will be provided to the client at the time of loan closing after security documents have been signed.

## **5.0 LOAN SERVICING PROCEDURES**

### 5.1 Loan Payments

Staff will monitor each loan by requiring annual financial statements, annual insurance renewals, conducting regular site visits to the borrowers, continuing UCC's job creation/retention reports and other reports that are specific to each loan. If evidence of requested documents, such as but not limited to Loss Payee, Life Insurance Assignment and annual financial statements, are not received within 60 days as requested by written communication, a monthly assessment of not less than \$25.00 may be assessed to borrower and will be automatically withdrawn from the client's bank account electronically each month until received.

Staff may report payment history to a credit reporting agency.

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## 5.2 LATE PAYMENTS

In the event of a late payment or loans over 90 days in arrears, staff and/or legal council will attempt to establish a workout arrangement with the borrower. Every effort will be made to assist the borrower but protect the MLF as well. All action taken on any given loan will be documented in the regular reports to the Board of Directors.

If payment is not honored from the bank, staff documents contact with the client (either by phone or letter) -notifying client of NSF charge and payment must be sent to the office by the 10<sup>th</sup> to avoid a late payment fee of \$25.00. If the bank financing is also involved, the bank is contacted to verify if their payments are in jeopardy, too.

If the 1<sup>st</sup> payment is not received and the 2<sup>nd</sup> payment is not made, a certified letter is sent explaining the NSF charge and the late payment fee again if not received by the 10<sup>th</sup> and the bank is contacted.

If the first two payments are not made and the 3<sup>rd</sup> payment is not made, the information is turned over to the attorney and a Default Notice is sent and filed. Bank is contacted and usually at this point the bank will have already started their Default process.

In most instances, with a bank as primary lender, we will follow the actions of the bank as not to incur the cost of a Trustee's sale. If there is no bank involved staff will proceed with a Trustee's Sale if applicable.

## 5.3 Rescheduling Agreement

Special circumstances regarding business loans may require a different repayment plan and will be structured accordingly. Some projects require special financing techniques to meet a borrower's needs. Recognizing that, a subordinate position to other lenders of record at time of the project may be taken. If a subordinate position is required, additional considerations will be taken so as to not jeopardize the loan portfolio. Other special financing techniques may include quarterly or semiannual payments, interest only payments during the first year, or some other method agreed up on by the Board of Directors and the applicant.

Loan payments will start no more than 60 days after loan closing. During the loan payment period, staff at their discretion may authorize a one-time, 3-month payment deferral or 3-month interest only payment. Any other payment arrangements must be approved by the appropriate Board of Directors.

#### 5.4 Collateral Change Requests

From time to time collateral change requests may be necessary. Loan subordination requests for refinancing of existing debt with no "cash out" will be approved by staff in the event it does not diminish our lien position. Any other requests must be approved by the appropriate Board of Directors. All fees associated with any collateral change requests, will be the client's responsibility.

#### 5.5 Loan Write-Off Collections

The organizations may pursue bad debt any way possible to collect loans that have been written off. This may include, but is not limited to, wage garnishment and repossession of collateral.

### **6.0 LOAN TERMS AND INTEREST RATES**

Loan terms vary according to what is being purchased. Working capital: up to five (5) years; furniture, fixtures and equipment: up to ten (10) years; and real estate financing will not exceed 20 years. Interest rates have a base rate determined by the Board of Directors for loans with a term of five (5) years or less with an increase of .5% (one half percent) for loans with terms over five (5) years up to ten (10) years, an additional .5% (one half percent) for loans over ten (10) years up to fifteen (15) years, an additional .5% (one half percent) for loans over fifteen (15) years up to twenty (20) years, and an additional .5% (one half percent) for loans over twenty (20) years up to a maximum term of twenty-five (25) years.

### **7.0 PROPOSED FEES AND CHARGES**

#### 7.1 Loan Processing Fees

NED, Inc. charges modest loan processing fees and closing cost fees. As outlined in the Assistance Agreement, the client agrees to pay a loan processing fee if the loan will be presented to the MLF Committee for their review. The fee is 1% of the loan request, with a minimum of \$200.00. This fee will be used to reimburse NED, Inc. for all out-of-pocket expenses incurred in researching, preparing and submitting the loan package for a loan. If staff feels that NED, Inc. is not able to provide financial assistance, the processing fee will not be collected. Once a loan has been reviewed by the MLF Committee and the loan is denied, NED, Inc. reserves the right to refund a portion of the fee if it exceeds the costs of actual incurred costs of the loan packaging.

#### 7.2 Servicing Fee

In addition to the above and foregoing fee, the client further agrees to pay to an annual servicing fee of one-half percent (1/2%) of the declining loan balance on the Note, which shall be paid on an annual basis for the term of the loan to be issued by NED, Inc. pursuant to the terms and provisions of the loan.

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### 7.3 Closing Fees

In addition to the above and foregoing fees, the client agrees to a set closing fee. This fee covers all costs of closing the loan, and all related transactions, including, but not limited to, all costs of title insurance, abstracting, recording fees, survey costs, inspections, environmental assessment, and legal fees. It is estimated that the average loan closing fees will be \$250.00, but individual loans may vary, depending upon the complexity of the transactions, and the circumstances that develop in connection with the application of the loan.

### 7.4 Prepayment Penalty

Business loans with a term of 24 months or more contain a prepayment penalty of 10% on the outstanding balance if pre-payment occurs before two years following the loan closing date. This is based on the original amortization schedule.

### 7.5 Automatic Payments

Loan recipients, who are to make payments, are required to use the Automated Clearing House (ACH) method for monthly loan installments. Recipients are required to fill out and submit an ACH form thus authorizing this payment method. Payments will start on the 1st of the month, as indicated in the loan closing documents. The annual service fee will be automatically withdrawn from the client's bank account electronically on the anniversary date of the loan.

## **8.0 ADMINISTRATIVE PROCEDURES**

A separate file will be maintained for each loan applicant and borrower. Each file will contain all documents and correspondence and are kept in a fireproof filing cabinet. The file will include all application documents, loan documents, insurance forms, general correspondence, financial statements, site visit reports and job creation/retention reports.

NED, Inc. shall maintain and keep all applications as well as all other required documents, records and other evidence in conformance with the close out requirements.

Staff, through our GMS Revolving Loan software program, will track the MLF reporting requirements. Each loan will be assigned a number for record keeping. If the loan is in good standing, then the borrower may be eligible for repeat lending.

## **9.0 AMENDMENT**

In an ongoing effort to improve the quality of the MLF Program, the Board of Directors will accept suggestions from the public, program participants, program staff, or members of the Board of Directors with regard to program guideline amendments. All suggestions received will be taken under consideration by the Board of Directors. Upon approval and adoption by the Board of Directors, the amendment will be included in the program guidelines.

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## **10.0 GRIEVANCES PROCEDURES**

In the event that any applicant feels he or she has been unfairly treated or discriminated against during the loan application process or within any other segment of the MLF, he or she may appeal the decision of the staff to the Board of Directors for their consideration. The appeal must be submitted in writing to the President of the Board of Directors and postmarked within 14 calendar days of the decision. The Board of Directors will act to support or overturn the action within 30 days of the receipt of the appeal. The Board of Directors will have final authority in the decision.

## **11.0 CONFLICT OF INTEREST**

No officer, employee or agent of NED, Inc. who will participate in the selection, the award, or the administration of these funds may obtain a personal or financial interest or benefit from the activity or have an interest in any loan with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for two years thereafter. Upon written request, exception may be granted upon a case by case basis when it is determined that such an exception will serve to further the purposes of the MLF plan and the effective and efficient administration of NED, Inc.'s MLF program. These exceptions are granted by each funding source.

## **12.0 OFFICIAL CONTACT**

The place of contact for this program shall be the office of NENEDD, 111 S. 1<sup>st</sup> Street, Norfolk, NE. 68701. Any grievances, suggestions, requests for applications and information should be directed to this office. Applications are also available on the website [www.nenedd.org](http://www.nenedd.org). This in no way shall be construed to limit other interested parties from distributing information about the program or receiving suggestions for amendments to the program. All grievances shall be directed to NED, Inc. in writing.

These guidelines are hereby approved by action of the Board of Directors of the Northeast Development, Inc. (NED, Inc.) this 20<sup>th</sup> day of November, 2019.

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**John Lohr, President**  
**NED, Inc.**

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