

NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT - NENEDD
BOARD OF DIRECTORS MEETING
WEDNESDAY, MAY 29, 2019 - 7:15 P.M.

City of Norfolk Offices – Training Room, 309 N 5th St, Norfolk, NE 68701

The Chairman 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 of approval of the May 29, 2019, agenda and April 24, 2019, meeting minutes
- V. Treasurer’s Report**
 - A. Consideration for acceptance of the April 2019 treasurer’s report as presented
- VI. Action Items**
 - A. Consideration for approval of a \$140,000 loan to District TT Hospitality, LLC for the purchase of furniture, fixtures, equipment, inventory, & working capital to start District Table & Tap in downtown Norfolk as presented and recommended by NENEDD staff and the Northeast RLF Committee.
 - B. Consideration for approval of the subordination request for NENEDD loan #314003 as presented and recommended by NENEDD Staff and the Northeast Loan Committee.
 - C. Consideration for approval of a \$30,000 loan to Schuyler Home & Building Supplies, LLC for working capital. The loan will be amortized over 3 years at 4.00% interest (fixed) with the waiver of the two-year prepayment penalty, as presented and recommended by NENEDD staff and the Northeast RLF Committee.
- VII. Chairman/Board Comments**
- VIII. Next Meeting Date:** The Northeast Nebraska Economic Development District Council of Officials will meet on Wednesday, June 26, 2019, at 7:15 pm or following the Northeast Economic Development, Inc. meeting. The meeting will be held at the following location:

City of Norfolk Offices – Training Room, 309 N 5th St, Norfolk, NE 68701

- IX. Adjournment**

NENEDD Board Agenda

Object: Approve the May 29, 2019, agenda and the April 24, 2019, meeting minutes.

Contact Person: Brittany O'Brien, Administrative Assistant

For: Action

Explanation: The May 29, 2019, agenda has been posted on the website. The April 24, 2019, meeting minutes have been posted on the website.

Motion: Consideration for approval of the May 29, 2019, meeting agenda and the April 24, 2019, board meeting minutes.

Dick Pfeil _____ Rich Jablonski _____ Glen Ellis _____ Nadine Hagedorn _____
Christian Ohl _____ Judy Mutzenberger _____ Dan Kathol _____ Jim McCarville _____ Loren Kucera _____

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

Secretary's Report IV. A

NENEDD Board Agenda

Object: Acceptance of the April 2019 Treasurer's Report

Contact Person: Kristen Rosner, Fiscal Officer

For: Action

Background:

Northeast Nebraska Economic Development District's (NENEDD) April 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 (FY) 2019 Budget for the nonaccrual accounts, July 1, 2018 through June 30, 2019 Actual, Budget Variance so far this fiscal year and Percent of the Fiscal Year 2019 Budget remaining.

Explanation:

Additional Information:

| | |
|---|-----------|
| Business Loan Principal Received | 14,149.67 |
| Housing Rehabilitation Principal Received | - |
| Business Loan Disbursements | - |

Restate Net Income

| | |
|-------------------------------------|-----------|
| Year to date Non-Operating Revenue: | 61,395.13 |
| N/A | |

Year to date Non-Operating Expenditures:

| | |
|---|-------------------------|
| Donations (Loan Payments to Northeast Economic Development, Inc.) | 1,868.49 |
| Depreciation Expense | 4,234.00 |
| Loans Written Off | 15,021.04 |
| Loans Forgivable Portion | 197.40 |
| Actual Year to date Revenue Over (Under) Expenditures | <u><u>82,716.06</u></u> |

Motion: Consideration for acceptance of the April 2019 treasurer's report as presented.

Dick Pfeil _____ Rich Jablonski _____ Glen Ellis _____ Nadine Hagedorn _____
Christian Ohl _____ Judy Mutzenberger _____ Dan Kathol _____ Jim McCarville _____ Loren Kucera _____

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

Northeast Nebraska Economic Development District
 Statement of Revenues and Expenditures - Unposted Transactions Included In Report
 From 04/01/2019 Through 04/30/2019

| | | Current Period Budget | Current Period Actual | Current Period Budget Variance | Total Budget | Current Year Actual | Total Budget Variance | Percent Total Budget \$ Remaining |
|---------------------|-------------------------------|--------------------------|--------------------------|-----------------------------------|---------------------|------------------------|--------------------------|---|
| Revenues | | | | | | | | |
| 400 | Federal Grants-EDA | 5,833.33 | 17,500.00 | 11,666.67 | 70,000.00 | 70,000.00 | 0.00 | 0.00% |
| 405 | Dues-Community | 13,333.33 | 230.50 | (13,102.83) | 160,000.00 | 160,198.58 | 198.58 | 0.12% |
| 406 | Dues-Counties | 1,173.33 | 0.00 | (1,173.33) | 14,080.00 | 13,572.50 | (507.50) | (3.60)% |
| 407 | Dues-Associates | 1,133.33 | 0.00 | (1,133.33) | 13,600.00 | 12,550.00 | (1,050.00) | (7.72)% |
| 410 | State Funding NDED | 5,833.33 | 0.00 | (5,833.33) | 70,000.00 | 69,569.96 | (430.04) | (0.61)% |
| 415 | Meeting Income | 83.33 | 0.00 | (83.33) | 1,000.00 | 655.00 | (345.00) | (34.50)% |
| 418 | NED, Inc. Management | 14,583.33 | 23,144.66 | 8,561.33 | 175,000.00 | 178,746.91 | 3,746.91 | 2.14% |
| 420 | General Administration Fees | 27,095.83 | 8,001.08 | (19,094.75) | 325,150.00 | 103,494.51 | (221,655.49) | (68.17)% |
| 425 | Lead Based Paint Inspection | 1,500.00 | 180.00 | (1,320.00) | 18,000.00 | 10,898.50 | (7,101.50) | (39.45)% |
| 430 | Housing Administration Fees | 3,618.75 | 6,296.86 | 2,678.11 | 43,425.00 | 52,988.94 | 9,563.94 | 22.02% |
| 433 | Construction Management | 3,916.25 | 878.12 | (3,038.13) | 46,995.00 | 14,983.80 | (32,011.20) | (68.12)% |
| 440 | Local RLF Contributions | 0.00 | 600.00 | 600.00 | 0.00 | 6,000.00 | 6,000.00 | 0.00% |
| 444 | Loan Closing Revenue | 104.16 | 250.00 | 145.84 | 1,250.00 | 990.00 | (260.00) | (20.80)% |
| 445 | NPAIT Investment Income | 83.33 | 97.99 | 14.66 | 1,000.00 | 1,198.59 | 198.59 | 19.86% |
| 451 | Business Loan Interest | 13,333.33 | 11,529.43 | (1,803.90) | 160,000.00 | 113,290.02 | (46,709.98) | (29.19)% |
| 452 | Business Loan Late Fee | 50.00 | 0.00 | (50.00) | 600.00 | 35.00 | (565.00) | (94.17)% |
| 453 | Loan Processing Fee | 291.66 | 0.00 | (291.66) | 3,500.00 | 5,400.00 | 1,900.00 | 54.29% |
| 454 | Annual Servicing Fees | 833.33 | 1,371.86 | 538.53 | 10,000.00 | 6,157.17 | (3,842.83) | (38.43)% |
| 460 | Special Projects | 0.00 | 1,185.00 | 1,185.00 | 0.00 | 6,192.45 | 6,192.45 | 0.00% |
| 481 | Housing Rehab Interest | 6.66 | 0.00 | (6.66) | 80.00 | 9.89 | (70.11) | (87.64)% |
| 490 | Interest Income | 1,083.33 | 1,335.01 | 251.68 | 13,000.00 | 15,576.91 | 2,576.91 | 19.82% |
| 491 | Miscellaneous Income | 0.00 | 0.00 | 0.00 | 0.00 | 390.30 | 390.30 | 0.00% |
| 495 | In-Kind Contributions | 1,250.00 | 1,250.00 | 0.00 | 15,000.00 | 12,500.00 | (2,500.00) | (16.67)% |
| | Total Revenues | <u>95,139.94</u> | <u>73,850.51</u> | <u>(21,289.43)</u> | <u>1,141,680.00</u> | <u>855,399.03</u> | <u>(286,280.97)</u> | <u>(25.08)%</u> |
| Expenditures | | | | | | | | |
| 500 | Salaries and Wages | 50,916.66 | 48,845.59 | 2,071.07 | 611,000.00 | 500,483.66 | 110,516.34 | 18.09% |
| 505 | Fringe Benefits | 12,333.33 | 10,494.79 | 1,838.54 | 148,000.00 | 114,412.22 | 33,587.78 | 22.69% |
| 520 | Rent In-Kind | 1,250.00 | 1,250.00 | 0.00 | 15,000.00 | 12,500.00 | 2,500.00 | 16.67% |
| 521 | Telephone | 750.00 | 728.25 | 21.75 | 9,000.00 | 8,681.21 | 318.79 | 3.54% |
| 522 | Postage | 333.33 | 59.98 | 273.35 | 4,000.00 | 2,347.01 | 1,652.99 | 41.32% |
| 523 | Office Supplies | 833.33 | 440.51 | 392.82 | 10,000.00 | 8,059.10 | 1,940.90 | 19.41% |
| 524 | Training | 833.33 | 0.00 | 833.33 | 10,000.00 | 10,813.52 | (813.52) | (8.14)% |
| 526 | Travel-Staff | 2,333.33 | 2,768.86 | (435.53) | 28,000.00 | 20,996.67 | 7,003.33 | 25.01% |
| 530 | Printing/Publishing | 183.33 | 0.00 | 183.33 | 2,200.00 | 2,018.00 | 182.00 | 8.27% |
| 531 | Copier Expense | 400.00 | 242.83 | 157.17 | 4,800.00 | 1,951.44 | 2,848.56 | 59.34% |
| 532 | Donations | 333.33 | 0.00 | 333.33 | 4,000.00 | 1,868.49 | 2,131.51 | 53.29% |
| 535 | Computer Maintenance/Software | 250.00 | 1,557.06 | (1,307.06) | 3,000.00 | 5,707.95 | (2,707.95) | (90.27)% |
| 536 | Computer Equipment | 958.33 | 0.00 | 958.33 | 11,500.00 | 7,425.52 | 4,074.48 | 35.43% |

Northeast Nebraska Economic Development District
Statement of Revenues and Expenditures - Unposted Transactions Included In Report
From 04/01/2019 Through 04/30/2019

| | | Current Period Budget | Current Period Actual | Current Period Budget Variance | Total Budget | Current Year Actual | Total Budget Variance | Percent Total Budget \$ Remaining |
|-----|---|--------------------------|--------------------------|-----------------------------------|-------------------|------------------------|--------------------------|---|
| 538 | Software Maintenance | 1,016.66 | 566.88 | 449.78 | 12,200.00 | 6,963.37 | 5,236.63 | 42.92% |
| 539 | Lead Testing Expense | 1,500.00 | 0.00 | 1,500.00 | 18,000.00 | 11,465.00 | 6,535.00 | 36.31% |
| 543 | EDA Peer Project | 0.00 | 10.00 | (10.00) | 0.00 | 10.00 | (10.00) | 0.00% |
| 548 | Loan Closing Expense | 104.16 | 185.80 | (81.64) | 1,250.00 | 2,210.45 | (960.45) | (76.84)% |
| 550 | Building Maintenance | 287.50 | 43.75 | 243.75 | 3,450.00 | 3,066.68 | 383.32 | 11.11% |
| 551 | Utilities | 600.00 | 557.39 | 42.61 | 7,200.00 | 5,769.14 | 1,430.86 | 19.87% |
| 553 | Dues/Memberships | 750.00 | 426.67 | 323.33 | 9,000.00 | 6,915.35 | 2,084.65 | 23.16% |
| 554 | Subscriptions/Reference | 250.00 | 0.00 | 250.00 | 3,000.00 | 3,520.00 | (520.00) | (17.33)% |
| 555 | Advertising/Marketing | 250.00 | 0.00 | 250.00 | 3,000.00 | 1,899.17 | 1,100.83 | 36.69% |
| 556 | Insurance | 625.00 | 0.00 | 625.00 | 7,500.00 | 6,160.98 | 1,339.02 | 17.85% |
| 560 | Legal Services | 166.66 | 260.55 | (93.89) | 2,000.00 | 1,988.33 | 11.67 | 0.58% |
| 561 | Audit Fees | 633.33 | 0.00 | 633.33 | 7,600.00 | 7,280.00 | 320.00 | 4.21% |
| 562 | Other Professional Services | 583.33 | 381.85 | 201.48 | 7,000.00 | 3,110.36 | 3,889.64 | 55.57% |
| 563 | Annual Staff Retreat Expense | 41.66 | 0.00 | 41.66 | 500.00 | 325.52 | 174.48 | 34.90% |
| 565 | Depreciation Expense | 500.00 | 400.97 | 99.03 | 6,000.00 | 4,234.00 | 1,766.00 | 29.43% |
| 567 | Annual Meeting Expense | 208.33 | 0.00 | 208.33 | 2,500.00 | 2,380.17 | 119.83 | 4.79% |
| 568 | Board Meeting Expense | 125.00 | 0.00 | 125.00 | 1,500.00 | 0.00 | 1,500.00 | 100.00% |
| 572 | USDA Interest Expense | 600.00 | 3,302.45 | (2,702.45) | 7,200.00 | 7,159.38 | 40.62 | 0.56% |
| 573 | Microenterprise Interest Exp. | 283.33 | 235.79 | 47.54 | 3,400.00 | 2,932.54 | 467.46 | 13.75% |
| 574 | RLF Management Contract | 416.66 | 60.00 | 356.66 | 5,000.00 | 840.00 | 4,160.00 | 83.20% |
| 577 | Local RLF Contribution Expense | 0.00 | 0.00 | 0.00 | 0.00 | 80.38 | (80.38) | 0.00% |
| 580 | Loans Written Off | 2,083.33 | 0.00 | 2,083.33 | 25,000.00 | 15,021.04 | 9,978.96 | 39.92% |
| 581 | Loans Forgivable Portion | 20.00 | 19.74 | 0.26 | 240.00 | 197.40 | 42.60 | 17.75% |
| 590 | Miscellaneous | 41.66 | 0.00 | 41.66 | 500.00 | 25.00 | 475.00 | 95.00% |
| 602 | Vehicle Maintenance | 500.00 | 985.66 | (485.66) | 6,000.00 | 3,184.85 | 2,815.15 | 46.92% |
| | Total Expenditures | <u>83,294.91</u> | <u>73,825.37</u> | <u>9,469.54</u> | <u>999,540.00</u> | <u>794,003.90</u> | <u>205,536.10</u> | <u>20.56%</u> |
| | Total Revenues Over (Under) Expenditures | <u>11,845.03</u> | <u>25.14</u> | <u>(11,819.89)</u> | <u>142,140.00</u> | <u>61,395.13</u> | <u>(80,744.87)</u> | <u>(56.81)%</u> |

Northeast Nebraska Economic Development District
Statement of Financial Position - Overall - Unposted Transactions Included In Report
As of 04/30/2019

| | Current Period Balance |
|---|---------------------------|
| Assets | |
| General Cash | |
| Cash in Bank - Checking | 1,187.59 |
| Unrestricted CD-Stanton State Bank #2995 | 21,808.60 |
| Unrestricted CD-BankFirst #34875 | 52,313.38 |
| Unrestricted CD-Midwest #882523 | 27,097.43 |
| Unrestricted CD-Midwest #881867 | 1,646.74 |
| Unrestricted-BankFirst #1648078 | 345,162.03 |
| Unrestricted-BankFirst #1648166 | 79,787.48 |
| Business RLF Cash | |
| Security Reserve Account CD-EVB #20832 | 27,329.48 |
| EDA RLF-BankFirst #1648089 | 581,448.39 |
| NE CDBG Regional RLF-BankFirst 1648111 | 245,786.96 |
| IRP RLF-BankFirst #1648122 | 159,303.87 |
| HUD Business RLF-BankFirst #1648133 | 103,387.19 |
| IRP #1 Loan Loss Reserve-BankFirst #1648144 | 44,563.95 |
| IRP #2 Loan Loss Reserve-BankFirst #1648177 | 27,869.12 |
| Housing Cash | |
| Housing Construction-BankFirst #1648188 | 1,537.97 |
| Accounts Receivable | |
| Accounts Receivable | 82,257.24 |
| Business RLF Loans Receivables | |
| EDA RLF Loans Receivable | 1,403,186.68 |
| CDBG Regional RLF Loans Receivable | 46,727.61 |
| IRP RLF Loans Receivable | 1,205,937.53 |
| HUD RLF Loans Receivable | 139,906.80 |
| Housing Notes Receivable | |
| Regional Rehab Notes Receivable | 276.95 |
| Prepaid Expenses | |
| Prepaid Expense | 5,760.92 |
| Allowances for Uncollectible Accounts | |
| Allowance for Uncollectible A/R | (24,000.00) |
| Allowance for Uncollectible Notes | (418,611.85) |
| Fixed Assets | |
| Furniture and Equipment | 205,739.37 |
| Accumulated Depreciation | (181,856.42) |
| Total Assets | 4,185,555.01 |
| Liabilities | |
| Accounts Payable | |
| Accounts Payable | 1,239.71 |
| Other Payables | |
| Other Payables | 302.59 |
| Lease Payable | 13,381.50 |
| Paryoll Payables | |
| ADD & Life Payable | 70.00 |
| Accrued FICA Payable | 3,444.82 |
| Federal Tax Withheld | 1,727.85 |
| State Tax Withheld | 840.68 |
| 457 Withheld | 719.10 |
| Health Insurance Payable | 144.94 |
| Cafeteria Premium Payable | 173.45 |
| Unreimbursed Medical Payable | (75.00) |

Northeast Nebraska Economic Development District
Statement of Financial Position - Overall - Unposted Transactions Included In Report
As of 04/30/2019

| | Current Period Balance |
|--------------------------------------|-----------------------------------|
| Dependent Care Payable | 932.27 |
| Child Support Payable | 1,500.00 |
| Annual Leave Payable | 18,816.29 |
| HSA Contributions | 787.50 |
| Accrued Unemployment | 17.39 |
| Accrued Salaries | 16,102.51 |
| NEF Loan Payable | |
| NEF Loan Payable | 89,015.17 |
| IRP Loan Payable | |
| IRP #1 Loan Payable | 357,712.14 |
| IRP #2 Loan Payable | <u>312,322.01</u> |
| Total Liabilities | <u>819,174.92</u> |
| Net Assets | |
| Other | <u>3,366,380.09</u> |
| Total Net Assets | <u>3,366,380.09</u> |
| Total Net Assets and Liabilities | <u><u>4,185,555.01</u></u> |

NENEDD Board Agenda

Object: Approve a \$140,000 loan to District TT Hospitality, LLC in Norfolk

Contact Person: Jeff Christensen, NENEDD Business Loan Specialist

For: Action

Background:

Local Norfolk entrepreneur, Andrew McCarthy, is starting District TT Hospitality, LLC (District Table & Tap) as a unique gathering place in beautiful downtown Norfolk. He is requesting a loan to purchase furniture, fixtures, equipment, (FFE) inventory, and working capital. He will offer a broad variety of locally crafted beers and hand-crafted cocktails as well as a small menu with share-ables and exciting appetizer options from quality food with fresh ingredients, and exceptional service. He will focus on staying up to date with the ever-changing trends in the craft beer world. The menu will always be changing and keeping up to date with trends in food while maintaining their popular menu items. He wants to include a few slider options, weekend features, and Sunday brunch with a menu not available any other day. Live music will also be a part of their establishment.

With downtown Norfolk becoming a destination for shopping and entertainment, He selected the site located at 226 W. Norfolk Ave.; an area with many new and upcoming improvements to downtown Norfolk. With an open-air patio and vibrant new façade, the appeal to anyone driving by or strolling downtown will be immediate. He will strive to be the premier bar for locals and guests to Norfolk in a unique industrial setting. The owner has over 15 years of combined bar/restaurant experience. He is committed to making the operation a successful one. The staff will be carefully selected by the owner & managers and who share the same passion as the owner. He plans to open at 11:00 AM every day and close at 1:00 AM, to maximize their exposure.

The furnishings will represent an old industrial style tavern or establishment from the prohibition era. The flooring will be newly poured concrete, the walls will be the original exposed brick, and an open ceiling with exposed HVAC. The open, off-street patio will be a unique asset to set them apart. District plans include a small stage for live music visible from anyone walking or driving by.

The total project costs are estimated to be \$392,000. Andrew and BankFirst in Norfolk are requesting that NENEDD provide a loan in the amount of \$140,000 for the purchase of furniture, fixtures, equipment, inventory and working capital to start District Table and Tap in Norfolk. The Bank has approved a loan of up to \$150,000 for leasehold improvements, FFE, inventory, and SBA fees. Equity injection includes \$51,839 cash from Andrew, and a \$50,000 loan from a private 3rd party that will be subordinate to the bank and NENEDD. The project will create seven FTE jobs.

Explanation:

| Sources → Uses ↓ | Bank | NENEDD | Equity | 3 rd Party | Total |
|---|------------------|------------------|-----------------|-----------------------|------------------|
| Furniture, Fixtures, Equipment (FFE) | \$9,022 | \$100,000 | -0- | -0- | \$109,022 |
| Leasehold Improvements | \$135,158 | -0- | \$33,064 | \$50,000 | \$218,222 |
| Inventory | \$5,820 | \$16,000 | -0- | -0- | \$21,820 |
| Fees | -0- | -0- | \$8,775 | -0- | \$8,775 |
| Working Capital | -0- | \$24,000 | \$10,000 | -0- | \$34,000 |
| Total | \$150,000 | \$140,000 | \$51,839 | \$50,000 | \$391,839 |

BankFirst in Norfolk has approved a loan of up to \$150,000 for this project. The loan will be set up as a regular commercial equipment loan fully amortized over a seven year term at an interest rate of 6.25%, variable after three years. BankFirst will require a UCC-1 filing in 1st lien position.

NENEDD will lend District TT Hospitality, LLC \$140,000 for the purchase of FFE, inventory & working capital. This loan will have a term of seven years at an interest rate of 4.50% (fixed). NENEDD will have a subordinate (2nd) lien position on the business personal property being purchased. NENEDD will require an assignment of life insurance from Andrew McCarthy for the amount of the loan for the life of the loan and a personal guaranty from Andrew. NENEDD will also have titles to a 2012 Hyundai and 1985 Honda Spree Motorcycle/Scooter.

There is a third private party that is lending \$50,000 for this project over ten years at 7.00%. In accordance with SBA requirements, the 3rd party will sign an SBA standby agreement on the principle, allowing interest only payments be made, until the bank feels Andrew can repay it or until NENEDD will allow principle to be paid back.

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 discussion and recommends this loan for approval.

Motion: Consideration for approval of a \$140,000 loan to District TT Hospitality, LLC for the purchase of furniture, fixtures, equipment, inventory, & working capital to start District Table & Tap in downtown Norfolk as presented and recommended by NENEDD staff and the Northeast RLF Committee.

Dick Pfeil _____ Rich Jablonski _____ Glen Ellis _____ Nadine Hagedorn _____
Christian Ohl _____ Judy Mutzenberger _____ Dan Kathol _____ Jim McCarville _____ Loren Kucera _____

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

NENEDD Board Agenda

Object: Approve Subordination request for Loan #314003 – Columbus

Contact Person: Jeff Christensen, NENEDD Business Loan Specialist

For: Action

Background:

NENEDD approved and closed this \$156,000 loan in January 2014, (12 years at 5.00% interest - current loan balance is \$99,715) to start a tire and auto repair business. All payments have been made as promised. Total project costs were approximately \$428,000 for equipment, inventory and leasehold improvements. NENEDD loaned \$156,000 for this project along with \$221,000 from Columbus Bank & Trust. The owners injected \$42,000 in cash and nearly \$8,900 in furniture, fixtures and equipment as equity. NENEDD has a subordinate UCC filing on all business personal property, a deed of trust filed on the owner's personal residence in Columbus, and personal guaranty from the owner and his wife.

Explanation:

The owner is refinancing his business loan with Great Plains State Bank (GPS Bank) in Columbus. GPS Bank is going to payoff Columbus Bank and Trust's term loan with no cash out and increase the line of credit from \$100,000 to \$150,000. After some calculations they will save roughly \$6,000/yr in interest expenses with the new structure. Most of that would be from lowering their LOC interest rate which is currently 9.75%. Refinancing of their bank's term loan would remain at 5.00% and would be amortized over 10 years lowering their monthly payment \$650/mo. GPS Bank is asking NENEDD to subordinate its lien position for their primary financing.

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 discussion and recommends this loan for approval.

Motion: Consideration for approval of the subordination request for NENEDD loan #314003 as presented and recommended by NENEDD Staff and the Northeast Loan Committee.

Dick Pfeil _____ Rich Jablonski _____ Glen Ellis _____ Nadine Hagedorn _____
Christian Ohl _____ Judy Mutzenberger _____ Dan Kathol _____ Jim McCarville _____ Loren Kucera _____

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

NENEDD Board Agenda

Object: Approve a \$30,000 loan to Schuyler Home & Building Supplies, LLC in Schuyler

Contact Person: Jeff Christensen, NENEDD Business Loan Specialist

For: Action

Background: Art & Tami Lindberg purchased Schuyler Lumber (owned by Shelby Lumber) back in November 2017. It is now known as Schuyler Home & Building Supplies (SHBS) still located at 812 West 16th Street in Schuyler. NENEDD provided a \$140,000 loan (20 yrs – 5.50%). All payments have been made as promised. They are requesting a \$30,000 working capital loan to improve their business operations. Pinnacle Bank originally provided \$285,000 for the project and a \$100,000 line of credit. The LOC was increased to \$120,000 in April 2018. Art provided \$50,000 in cash as equity in the project. The previous owner also carried back a \$55,000 loan subordinate to the bank and NENEDD.

NENEDD's collateral includes:

- subordinate deed of trust on the business real estate
- subordinate UCC filing on business personal property
- Deed of trust on Lindberg's personal residence in Schuyler- NENEDD in first lien position – no other liens
- Personal guaranty from Art & Tami
- Life insurance on Art for the amount of the loan

Art has continued to purchase his product from certain vendors including Shelby Lumber, and has been proactive in locating other suppliers that has offered him better buying power than the previous owners did to help reduce costs at the same time retain the quality lumber they offer. Living in Schuyler, I personally continue to buy lumber from SHBS rather than the big box store due to the quality they have in stock, price and convenient location.

Explanation:

When Art took over, they immediately had to use approximately \$60,000 of his initial \$100,000 LOC just to replenish the inventory as it was lacking in many areas which Art felt was needed to serve the community and customers. In hindsight they calculate they should have started with \$150,000 LOC. Business has been good, but they are in a situation where they need an additional \$30,000 WC to get ahead of their accounts payable (A/P) vs. accounts receivable (A/R). Their current A/P for April are due May 10th/30th. A/R are all the charges in April that are due in May. They don't bill until the end of April/May 1st and are paid mid-to-end of June. This billing situation is done to work with their local contractors since they must collect on their work completed. SHBS is losing discounts because instead of paying within 10 days to get their discount, they are taking 30 days to pay their A/P.

Art has been working with a company called Synchrony. <https://www.synchrony.com> Starting June 1st, SHBS will no longer be a bank as there will be no more local charge accounts at SHBS. Anyone wishing to open a charge acc't at SHBS will be required to apply to Synchrony to get a charge acc't. There is no cost to SHBS for this and SHBS will be paid within 48 hours of when the charges go on their account. If the total charge to the customer is \$300 or more, the customer has 6 months interest-free to pay it off.

With this new system, Art anticipates there will be some customers that won't qualify, but they will probably be the ones that are the last to pay SHBS anyway and are costing SHBS more in bank fees than they may be worth. Others that seem to be costing the business time & money are those that charge small amounts such as \$20 or less. This will eliminate those as well. However, there will be a handful of

larger accounts that will not be able to use Synchrony but those are very good paying customers usually paying within 10-15 days of being invoiced. Art hopes this new system will allow SHBS to pay back this \$30,000 loan within 12 months. Therefore, this request is to also waive the two-year pre-payment penalty which is part of NENEDD's loan guidelines.

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 discussion and recommends this loan for approval.

Motion: Consideration for approval of a \$30,000 loan to Schuyler Home & Building Supplies, LLC for working capital. The loan will be amortized over 3 years at 4.00% interest (fixed) with the waiver of the two-year prepayment penalty, as presented and recommended by NENEDD staff and the Northeast RLF Committee.

Dick Pfeil _____ Rich Jablonski _____ Glen Ellis _____ Nadine Hagedorn _____
Christian Ohl _____ Judy Mutzenberger _____ Dan Kathol _____ Jim McCarville _____ Loren Kucera _____

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