

NORTHEAST ECONOMIC DEVELOPMENT, INC. – NED, INC.
BOARD OF DIRECTORS MEETING
WEDNESDAY, SEPTEMBER 27, 2023 - 7 P.M.

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

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 September 27, 2023, agenda and August 30, 2023, meeting minutes.
- V. Treasurer’s Report**
 - A. Consideration of acceptance of the August 2023 Treasurer’s Report as presented
- VI. Discussion Items**
 - A. None
- VII. Action Items**
 - A. Consideration for approval of the subordination request of loan #03418
 - B. Consideration for approval of a \$200,000 loan to Labenz Enterprises, LLC to build a new office building in Schuyler
 - C. Consideration for approval of a \$190,000 loan to NSW, LLC to expand Motoplex of Columbus in Columbus
- VIII. Executive Session** (if needed)
- IX. President/Board Comments**
- X. Next Meeting Date:** The next Northeast Economic Development, Inc., Board of Directors meeting will be at 7 p.m. on Wednesday, October 25, 2023. The meeting will be held at the following location: City of Norfolk Offices – Training Room, 309 N. 5th St., Norfolk, NE 68701.
- XI. Adjournment**

Shannon Stuchlik_____ Jim McCarville_____ Rich Jablonski_____
Sally Ganem_____ Loren Kucera_____ Kurt Dostal_____ Jim Hans_____

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

NED, Inc. Board Agenda

Object: Consideration for approval of the September 27, 2023, agenda and August 30, 2023, meeting minutes.

Contact Person: Thomas L. Higginbotham, Jr Executive Director

For: Action

Explanation: The September 27, 2023, agenda has been posted on the website. The August 30, 2023, meeting minutes have been posted on the website.

Motion: Consideration for approval of the September 27, 2023, agenda and August 30, 2023, meeting minutes.

Shannon Stuchlik_____ Jim McCarville_____ Rich Jablonski_____
Sally Ganem_____ Loren Kucera_____ Kurt Dostal_____ Jim Hans_____

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

NED, Inc. Board Agenda

Object: Acceptance of August 2023 Treasurer’s Report

Contact Person: Kristen Rosner, Fiscal Officer

For: Action

Background:

Northeast Economic Development, Inc.’s (NED, Inc) August 2023 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 2023 Budget for the nonaccrual accounts, July 1, 2023, through June 30, 2024, Actual, Budget Variance so far this fiscal year and Percent of the fiscal year 2024 Budget remaining.

Explanation:

Additional Information:

Business Loan Principal Received	55,630.71
Housing Rehab Principal Received	4,506.82
Direct Homebuyer Assistance (DHA) Principal Received	90.00
Business Loan Disbursements	50,000.00
Housing Rehab Loan Disbursements (1 home)	2,600.00
Direct Home Buyer Assistance Loan Disbursements (2 homes)	60,000.00
Emergency Home Repairs	-

Business Loan Payoff:

Client #620006, Holecek Law Office, LLC, \$9,092.16

Business Loan Disbursements:

Client #624006, Elkhorn River Coffee Company, LLC, Scribner, \$50,000

NED, Inc. Reuse Funds Available for Lending:

Owner-Occupied Rehabilitation (HOME & Trust): \$643,960

Direct Home Buyer Assistance (HOME & Trust): \$456,212

Business Revolving Loan Funds (All Sources): \$2,799,842

Motion: Consideration for acceptance of the August 2023 treasurer’s report as presented.

Jim McCarville____ Rich Jablonski____ Sally Ganem____
Jim Hans____ Shannon Stuchlik____ Loren Kucera____ Kurt Dostal____

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

NED, Inc.
Statement of Financial Position - Unposted Transactions Included In Report
As of 08/31/2023

	<u>Current Period Balance</u>
Assets	
General Cash	
Loan Payment Account	120.00
Cash in Bank-BF #1695334	1,524.27
Business RLF Cash	
IRP Loan Fund-BankFirst 7884171	115,775.97
RLF-BankFirst 7884203	31,269.20
IRP Loan Loss Reserve-BankFirst 7884195	12,470.30
RBEG Loans-BankFirst 7884203	32,921.15
RMAP Loan Fund-BankFirst #7898549	19,280.43
IRP #2 Loan Fund-Bank First #7898560	72,719.40
RMAP LLR Fund-BankFirst #8571	11,873.80
NE Micro Loan Fund #1 BF 7911287	133,158.33
NDO Defederalized BF 1703694	2,186,491.93
NE Micro Loan Fund #2 BF 7911287	63,550.27
NE Micro Loan Fund #3 BF 7911287	34,168.59
IRP #2 Loan Loss Reserve - #7884195	32,663.30
NE Micro Loan Fund #4 BF 7911287	38,522.65
NE Micro Loan Fund #5 BF 7911287	18,284.16
NE Micro Loan Fund #6 BF 7911287	44,330.94
NE Micro Loan Fund #7	9,369.49
Housing Cash	
Trust DHA - EVB 3035418	233,486.56
HOME Rehab-BankFirst 7858547	311,420.19
Trust Rehab Pinnacle 4400292230	134,597.91
HOME DHA - EVBT 3067890	162,725.66
HOME Rehab Pinnacle 4400292249	120,583.29
Trust Rehab BF 7930372	73,406.38
HUD/NENEDD Rehab BankFirst 7930383	3,953.08
Business RLF Notes Receivable	
Business RLF Notes Receivable	97,508.41
Business IRP Notes Receivable	137,464.95
IRP #2 Notes Receivable	604,204.82
NDO Business Notes Receivables	3,480,255.65
RMAP Business Notes Receivable	208,036.31
NE Micro Loan Receivable	1,605,260.09
Housing Notes Receivable	
DHA Notes Receivable	1,896,279.10
Regional Rehab Notes Receivable	891,006.78
Fixed Assets	
Furniture and Equipment	2,340.00
Accumulated Depreciation	(2,250.00)
Allowance for Uncollectibles	
Allowance for uncollectable losses	(2,901,260.65)
Total Assets	9,917,512.71
Liabilities	
Accounts Payable	
Accounts Payable	(217,873.97)
Notes Payable	
RMAP Loan Payable	229,490.32
IRP Loan Payable	147,106.63
IRP #2 Loan Payable	520,076.06
Total Liabilities	678,799.04

NED, Inc.
Statement of Financial Position - Unposted Transactions Included In Report
As of 08/31/2023

	<u>Current Period Balance</u>
Net Assets	
Other	<u>9,238,713.67</u>
Total Net Assets	<u>9,238,713.67</u>
Total Net Assets and Liabilities	<u><u>9,917,512.71</u></u>

NED, Inc.

Statement of Revenues and Expenditures - Unposted Transactions Included In Report From 08/01/2023 Through 08/31/2023

	Current Period Budget	Current Period Actual	Current Period Budget Variance	Total Budget - Original	Current Year Actual	Total Budget Variance	Percent Total Budget Remaining	
Revenues								
405	Bad Debt Recovery	391.67	0.00	(391.67)	4,700.00	0.00	(4,700.00)%	
421	Housing Mgmt Rev	416.67	0.00	(416.67)	5,000.00	1,605.00	(3,395.00)%	
424	Direct Homebuyer Assistance Loan Contribution	7,500.00	0.00	(7,500.00)	90,000.00	0.00	(90,000.00)%	
427	General Admin Rev	845.83	0.00	(845.83)	10,150.00	0.00	(10,150.00)%	
428	DHA Loan Processing Fee	79.67	0.00	(79.67)	956.00	0.00	(956.00)%	
439	CDBG ED NDO RLF Contributions	20,833.33	0.00	(20,833.33)	250,000.00	0.00	(250,000.00)%	
443	USDA RMAP TA Funds Business Loan Closing Revenue	2,500.00	0.00	(2,500.00)	30,000.00	20,080.11	(9,919.89)%	
444	Business Loan Closing Revenue	250.00	0.00	(250.00)	3,000.00	500.00	(2,500.00)%	
451	Business Loan Interest	10,833.33	17,182.29	6,348.96	130,000.00	35,579.02	(94,420.98)%	
452	Loan Fees	116.67	40.00	(76.67)	1,400.00	115.00	(1,285.00)%	
453	Business Loan Processing Fee	500.00	3,000.00	2,500.00	6,000.00	6,250.00	250.00	
454	Annual Servicing Fees	1,000.00	275.73	(724.27)	12,000.00	1,948.97	(10,051.03)%	
471	HO Rehab Interest	666.67	619.51	(47.16)	8,000.00	1,325.97	(6,674.03)%	
480	Direct Homebuyer Assistance Principal	0.00	90.00	90.00	0.00	90.00	90.00%	
490	Interest Income	3,000.00	8,268.51	5,268.51	36,000.00	14,286.69	(21,713.31)%	
	Total Revenues	48,933.84	29,476.04	(19,457.80)	587,206.00	81,780.76	(505,425.24)	(86.07)%
Expenditures								
523	Office Supplies	16.67	0.00	16.67	200.00	0.00	200.00	
543	Bank Fees	20.83	55.00	(34.17)	250.00	55.00	195.00	
548	Loan Closing Expense	8.33	0.00	8.33	100.00	0.00	100.00%	
549	Housing Mgmt	416.67	2,366.88	(1,950.21)	5,000.00	3,371.88	1,628.12	
553	General Admin	845.83	255.00	590.83	10,150.00	435.00	9,715.00	
561	Audit Fees	625.00	0.00	625.00	7,500.00	0.00	7,500.00	
573	Loan Interest Expense	923.92	434.31	489.61	11,087.00	872.71	10,214.29	
574	NENEDD Management Exp	19,166.67	28,277.67	(9,111.00)	230,000.00	52,023.61	177,976.39	
580	Loans Written Off	12,083.33	60,000.00	(47,916.67)	145,000.00	60,000.00	85,000.00	
584	Rehab Loans Forgiven	5,500.00	2,061.48	3,438.52	66,000.00	4,122.96	61,877.04	
	Total Expenditures	39,607.25	93,450.34	(53,843.09)	475,287.00	120,881.16	354,405.84	74.57%
	Total Revenues Over (Under) Expenditures	9,326.59	(63,974.30)	(73,300.89)	111,919.00	(39,100.40)	(151,019.40)	(134.94)%

NED, Inc. Board Agenda

Object: Owner-occupied rehabilitation client #03418 Subordination Request

Contact Person: Kristen Rosner, Fiscal Officer

For: Action

Background:

In 2004, the Client was approved for direct homebuyer assistance (DHA) on a home in Columbus. This resulted in a 0% interest loan with repayment beginning after the primary mortgage is paid in full or when title transfers out of the homeowner's name. The loan balance is \$17,900.

Explanation:

The client wishes to obtain a HELOC for home improvements including new siding, rebuilding the front porch and renovating a bathroom, particularly the shower.. The HELOC would be \$25,000 with an interest rate of 7.60% for three years and mature in 10 years.

The bank's internal appraisal values the property at \$180,000 when compared to recent home sales in the area. The total loan-to-value (including primary mortgage, HELOC and NED, Inc.'s DHA loan) would be 43.50%. The loan subordination would move NED, Inc. to the third lien position.

The subordination policy in the DHA guidelines states:

4.2 Subordination Policy

All release or subordination requests must follow NED, Inc.'s subordination policy as follows:

- A. Maximum combined 80% Loan to Value policy on all "Cash Out" refinances or home equity loans where NED, Inc. remains in current lien position.
- B. Maximum combined 100% Loan to Value on "No Cash Out" refinances where NED, Inc. remains in current lien position.

All subordination documents must be provided by the lender requesting subordination. The borrower is required to pay all closing costs and filing costs associated with the refinancing or subordination. The NED, Inc. Board of Directors will determine whether a request for loan release or subordination is approved or denied.

Motion:

Consideration for approval of the subordination request of loan #03418.

Jim McCarville _____ Rich Jablonski _____ Sally Ganem _____
Jim Hans _____ Shannon Stuchlik _____ Loren Kucera _____ Kurt Dostal _____

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

VII.A Action Item

SUBORDINATION REQUEST

Applicant		03418
Original level		HOME DHA
Loan Amount		17,900.00
Loan Date		06/25/2004
	<u>Currently</u>	<u>Balance</u>
Wells Fargo Home Mortgage, P&I \$690		1st Lien 35,401.00
NED, Inc. DHA, Payment after primary mortgage is paid off		2nd lien 17,900.00
		3rd lien
		Total <u>53,301.00</u>
	<u>After Refinance</u>	
Wells Fargo Home Mortgage, P&I \$690		1st Lien 35,401.00
FNBO HELOC, 10 year term, 7.60%		2nd lien 25,000.00
NED, Inc. DHA, Payment after primary mortgage is paid off		3rd lien 17,900.00
		Total <u>78,301.00</u>
Prepaid fees, closing costs & cash out		<u>25,000.00</u>

Loan to value Calculation

	Appraisal
Appraised Value of Property	180,000.00
Loan to value percent	<u>43.50%</u>
Total	<u>78,301.00</u>

Does the client wish to take cash out? Yes/No

Yes, for home improvements: siding, front porch and renovate shower

Does request fall within the loan subordination policy of the guidelines? Yes/No

No. The Loan to Value percentage is well below the 80% maximum for cash-out subordinations. However, NED, Inc. would be changing from 2nd lien position to 3rd lien position.

NED, Inc. Board Agenda

Object: Approve a \$200,000 loan to Labenz Enterprises, LLC in Schuyler.

Contact Person: Jeff Christensen, Business Loan Specialist

For: Action

Background:

Tonya LeGrande-Labenz and her husband Tony Labenz are planning the construction of a new building for Tonya’s insurance agency called Tonya LeGrande & Associates, LLC. (TLA) They currently rent a small office space in downtown Schuyler that they have outgrown. The new building will be located at 112 W. 22nd Street, next to Dairy Queen in Schuyler. It will be 55’ x 80’ multifunctional space to accommodate her business needs with four private offices, a reception area with a private meeting space, conference room. breakroom, storm shelter, and additional space allocated for storage and potential rental opportunities.

TLA provides under-age 65 health insurance, group health insurance, Medicare products, life insurance, and supplemental products. They also provide service, education and savings to people who are in need of health insurance and navigating the marketplace. They keep systems in place that make them more efficient in marketing their services and follow CMS regulations (Centers for Medicare & Medicaid Services) including being HIPPA compliance. (Health Insurance Portability and Accountability Act) They sell policies and are paid commissions by the insurance carriers. They do not price their products, but simply sell insurance policies.

The land purchased has a value of \$45,000. However, Tonya has negotiated the land purchase for \$7,500 through an incentive program with the City of Schuyler. Schuyler has filed a deed of trust on the real estate for \$37,500, the difference between their cost (\$7,500) and the value of the lot (\$45,000). There is zero percent interest (0.00%) and no payments. If they complete and occupy the building within two years, this debt will be considered paid in full.

The total project costs are \$887,500 which includes \$45,000 for the real estate purchase and \$842,500 for building construction. Labenz’ and Citizens State Bank in Newman Grove are requesting that NED, INC. provide a loan in the amount of \$200,000 for the building construction. Citizens State Bank in Newman Grove has approved a loan of up to \$550,000 for the building construction. Labenz will inject \$100,000 cash. The project will retain six jobs.

Explanation:

Uses ↓	Sources →	Bank	NED, INC.	Schuyler	Equity	Total
Building Construction		\$450,000	\$200,000	-0-	\$92,500	\$742,500
Parking lot concrete		\$100,000	-0-	-0-	-0-	\$100,000
Lot purchase		-0-	-0-	\$37,500	\$7,500	\$45,000
TOTAL		\$550,000	\$200,000	\$37,500	\$100,000	\$887,500

Shannon Stuchlik _____ Jim McCarville _____ Rich Jablonski _____
 Sally Ganem _____ Loren Kucera _____ Kurt Dostal _____ Jim Hans _____

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

Citizens State Bank in Newman Grove has approved a loan of up to \$550,000 for the construction of a new building at 112 W. 22nd Street in Schuyler. The loan will be set up as a regular real estate/commercial loan fully amortized over a 25 year term at 7.75% (variable). In addition to a first deed of trust on the building in Schuyler, they will require a general UCC filing on all of the assets of the LLC.

NED, INC. will lend \$200,000 for construction of the same building. This loan will have a term of 20 years at an interest rate of 5.50% (fixed). NED, INC. will have a subordinate deed of trust on the business real estate, subordinate lien on all business personal property of Tonya LeGrande & Associates, LLC, and personal guaranty from Tonya LeGrande-Labenz and Anthony Labenz. NED, INC. will also file a Deed of Trust on the Labenz's personal residence in Schuyler and require an assignment of life insurance from Tonya for the amount of the loan for the life of the loan. Interest only payments will be made for six months until the building is completed.

As mentioned previously, Schuyler has filed a deed of trust on the real estate for \$37,500, the difference between their cost (\$7,500) and the value of the lot (\$45,000). There is zero percent interest (0.00%) and no payments. If they complete and occupy the building within two years, this debt will be considered paid in full. The bank and NED, Inc. will be subordinate to this loan until it is forgiven.

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 \$200,000 loan to Labenz Enterprises, LLC to build a new office building in Schuyler.

Shannon Stuchlik _____ Jim McCarville _____ Rich Jablonski _____
Sally Ganem _____ Loren Kucera _____ Kurt Dostal _____ Jim Hans _____

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

NED, Inc. Board Agenda

Object: Approve a \$190,000 loan to NSW, LLC in Columbus.

Contact Person: Jeff Christensen, Business Loan Specialist

For: Action

Background:

Clayton & Kati Sudon-Novotny are planning the expansion of Motoplex of Columbus (MOC) located at 1500 23rd St. in Columbus. Their real estate holding company, NSW, LLC is the applicant for a 90' x 130' building for storage as well as service/maintenance. Clayton bought Curry Brothers Motorsports in December 2022. They also own Motoplex of Norfolk (MON). Both locations operate as d/b/a under Twisted Palms, LLC. Both locations sell and service many brands of ATV's, side by sides, and personal watercraft. The business was started by Clayton's uncle, Don Novotny, in 1977 in Norfolk with the original company, Don's Repair. After 18 years Don started Polaris of Norfolk and change it to Motoplex of Norfolk in 2005. Clayton & Kati purchased MON from Don in June 2021. They sell Polaris, Can-Am, Roxor, Suzuki, Sea-Doo, Ski-Doo, and Triton along with service/maintenance, and many choices of equipment to customize the vehicles, and other accessories.

Since the purchase of Curry Brothers (Columbus) in December 2022, Clayton has seen his sales at both stores continue to climb. In 2022 he did double the sales of the prior owners best year. Some of this is due to inflation, increased revenue on the service side, and overall change in management style and attitude towards the clients. Right now, they store all their Columbus inventory outside behind the building within a chain link fence. Bringing the inventory indoors offers more security and protection from the elements. When Clayton purchased MOC he knew at some point he would need to add on to the MOC building for storage and look to increase the space in his shop. The need is very apparent. Clayton's shop currently is very small and only has two lifts which makes that department very inefficient. He understands how important service will be for the success of the business going forward. Everything can't fit in the showroom or in the small storage in the back.

Another reason for looking at the expansion now is the potential opportunity to take over the Polaris franchise in the Columbus Market. In Columbus Clayton basically has every brand in the market besides Artic Cat & Polaris. Even though he has Polaris in Norfolk. Polaris and Artic Cat is sold at one of his competitors, Offroad Company, also located in Columbus. Two years ago, Offroad Company approached Clayton about purchasing their business as they are at retirement age. At that time Clayton opted to purchase the more successful Curry Brothers. Clayton would need an additional 1,500 sq. ft. of showroom space for the Polaris brand.

Since the purchase of MON in 2021, Clayton has taken the store to a very profitable store to a very successful store. Out of the 1,700 Polaris dealers in the county, Clayton has moved his store to one of the Top 100 performing stores in the country. Prior years they were a store that was ranked around 1,000. With Polaris, this will give Clayton ownership in the Top 4 brands in the country. Based on the company setup, Clayton will have the opportunity to cross brands between MOC/MON locations to better serve northeast Nebraska.

Since the early days, they have dropped the motorcycle market to concentrate on increasing their side by side market. November and December are great months as farmers visit CPAs and have money to spend. The ATV has replaced the horse in most of the county. Also, utility and state offices love the side by side which carry up to 5 persons. December is a great gift giving month as grandparents love buying the little ones a youth model. Safety is a must so they carry helmets and all safety gear. They also carry snow blades.

Shannon Stuchlik _____ Jim McCarville _____ Rich Jablonski _____
Sally Ganem _____ Loren Kucera _____ Kurt Dostal _____ Jim Hans _____

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

The total project costs are estimated to be \$500,000 to build a 90' x 160' building to expand Motoplex of Columbus. Novotny's and Midwest Bank in Norfolk are requesting that NED, Inc. provide a loan in the amount of \$190,000 for the construction of the building in Columbus. The Bank is considering a loan of up to \$210,000. Novotny's will provide owner's equity in the amount of \$100,000 cash for the building as well. The project will maintain the five exiting jobs including Clayton & Kati.

Explanation:

Uses ↓	Sources →	Bank	NED, Inc.	Equity	Total
Building Construction		\$210,000	\$190,000	\$100,000	\$500,000
Total		\$210,000	\$190,000	\$100,000	\$500,000

Midwest Bank in Norfolk is considering a loan of up to \$210,000 for this project. The \$210,000 loan will be set up as a regular real estate/commercial loan fully amortized over a 10 year term at an interest rate of 8.55% (5 year variable). The bank will require a first deed of trust on the business real estate located at 1500 23rd Street in Columbus.

NED, Inc. will lend \$190,000 to NSW, LLC to expand the Motoplex of Columbus at 1500 23rd St. in Columbus. This loan will have a term of 20 years at an interest rate of 5.50% (fixed). NED, Inc. will file a subordinate deed of trust on the business real estate and a UCC lien on all business assets of NSW, LLC & Twisted Palms, LLC. NED, Inc. will require a life insurance assignment from Clayton for the total amount of the loan for the life of the loan. NED, Inc. will also file a deed of trust on Novotny's personal residence in rural Stanton County.

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 \$190,000 loan to NSW, LLC to expand Motoplex of Columbus in Columbus.

Shannon Stuchlik _____ Jim McCarville _____ Rich Jablonski _____
 Sally Ganem _____ Loren Kucera _____ Kurt Dostal _____ Jim Hans _____

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