

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)  
FINANCE COMMITTEE  
MINUTES  
February 9, 2016  
EDC Board Room, Willmar

Present: Matt Behm, Nick Dalton, Les Nelson, Justin Schnichels, Russ Weeks and Randy Zinda

Excused: Gary Gilman and Bruce Peterson

Guests: John Christianson, Christianson & Associates, PLLP; Jeff Madsen, consultant with Willmar Downtown Development, Inc.; and Craig Holmgren

Staff: Connie Schmoll, Business Development Specialist

Secretarial: Nancy Birkeland, Legal & Administrative Assistants, Inc. (LAA)

Chairperson Matt Behm called the meeting to order at approximately 12:04 p.m.

#### MINUTES

IT WAS MOVED BY Les Nelson, SECONDED BY Russ Weeks, to approve the minutes of the January 12, 2016 meeting as presented. MOTION CARRIED.

UNFINISHED BUSINESS—There was no unfinished business.

#### NEW BUSINESS

REDstar Creative DBA WORKUP loan request. Connie Schmoll stated there would be no presentation today by WORKUP.

[John Christianson and Jeff Miller joined the meeting.]

Historic 313 loan. John Christianson, treasurer for Willmar Downtown Development, Inc. (WDD), stated Jeff Madsen prepared the Business Plan for the Food Hub and Historic 313 and is actively working with potential lessees for the building. Madsen distributed Projected Income Statements for 12 months ending December 31, 2016 and 2017, Beginning and Projected Balance Sheets as of 12/31/2016 and 12/31/2017 and Projected Cash Flow (see copies on file). The focus of the project is on phase 1—getting tenants to fully sustain the building and to get build outs completed for the tenants. Foxhole Brewery was the first tenant. A second lease is in place and the second tenant is

waiting for its build out to be completed by May 2016. A third lease is in negotiations and there are two potential tenants for a fourth lease. Completion of those build outs in the northern half of the project is for June and July 2016. The Preservation Alliance of Minnesota (PAM) and WDD own the building and are 51%/49% stakeholders with WDD managing the building. The project anticipates adding 20 jobs and 5 businesses in phase 1. The Food Hub is phase 2 of the project, which is at least one year out and ultimately including a commercial kitchen. Madsen showed a drawing of the project prepared by Engan Associates, the project manager. PAM negotiated the lease with Foxhole Brewery with a base rent that gradually increases. The common area charges cover the building's real estate taxes, insurance and metered utilities. All potential tenants are food related and complement each other. Madsen noted licensing for the tenants has had some obstacles. Historic 313 anticipates drawing business from the 200 events that take place at the Barn Theatre. Construction is running slightly under budget. Christianson stated Historic 313 is requesting payment deferment of principal and interest for six months, six months of interest-only payments and then amortized fully based on the original terms with full payments to begin January 2017. Debt service for the various lenders was discussed.

[Christianson and Madsen were excused from the meeting.]

IT WAS MOVED BY Nick Dalton, SECONDED BY Randy Zinda, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission's Joint Operations Board that it approve deferment of principal and interest payments by Historic 313 on Fourth Street, LLC through July 2016 and to reamortize the existing balance, including deferred interest, with full payments to begin August 15, 2016. MOTION CARRIED with Justin Schnichels abstaining.

The committee requested the EDC obtain monthly reports from Historic 313 during the term of the loan.

[Craig Holmgren joined the meeting.]

Kandiyohi County Creating Entrepreneurial Opportunities (CEO) loan program. Schmoll provided information on the CEO loan program (see attached) and noted the EDC is fiscal host and does the bookkeeping for the loan program. Craig Holmgren stated there are 20 students in this year's class. It was mentioned it would be good to hear how the students from last year are doing with their businesses and have them give information to this year's students. Holmgren stated the expectation is for the student to repay their loan, but they are not required to do so and there is no interest charged. Holmgren stated loan recipients will receive notice that payment is due on their loans. The committee agreed to review the CEO loan applications and meet with students. Applications will be reviewed in March and April each year.

[Holmgren was excused from the meeting.]

Inspirations Books & Gifts loan guaranty. Nick Dalton updated the committee on the status of Inspirations Books & Gifts and announced an inventory liquidation sale is scheduled for this Thursday. United Minnesota Bank is trying to get a new owner for Angels & Ivy. United Minnesota Bank has been appointed special administrator of the owner's estate and it intends to liquidate Inspirations Books & Gifts by March 2016. Dalton will keep this committee updated on the status of the business.

Loan closing checklist/loan requirements. The committee reviewed the Loan Closing Checklist (see attached) and recommended the addition of a copy of any title insurance commitment or title opinion when real estate is involved and post closing title work. Schmoll noted the checklist requests proof of key person insurance, however, the EDC does not have any documents for this. Committee members recommended proof of key person insurance be changed to an assignment of key person insurance. Schmoll was given approval to use the sample documents obtained from Southwest Initiative Foundation.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:32 p.m.

NEXT MEETING—The next committee meeting is 12 noon, Tuesday, March 8, 2016 at the EDC office.

CEO  
Creating Entrepreneurial Opportunities

February 9, 2016

During 2015, the first year of CEO, a group of bankers were invited and agreed to participate on a team to review the loan applications of CEO students for their own businesses, using the money they raised at their banquet. The bankers represented the banks that were investors in the CEO program. The review group enjoyed the process immensely and talked for quite a while afterward about the experience and the students.

Gary Geiger, founder of the CEO program and current chair of the board, asked if our existing EDC Finance committee would consider being the CEO student loan committee this year. This committee would review the loan applications at our March and/or April meetings. Before coming to this committee, the students would have developed a business plan, made an appointment with a banker from the CEO invested banks list, visited with the banker about their plans and the amount of loan requested, and secured a recommendation from the banker about funding. This committee would do a quick review of each loan; vetting the amount asked for and ratifying the bankers' recommendation.

The EDC staff would then participate in one or more of the CEO class times to conduct the loan closings.

**KANDIYOHI COUNTY CEO**  
**LOAN/LINE OF CREDIT ACCESS PROCESS**

- 1) All students are assigned a business banker from Heritage Bank, Bremer Bank, Home State Bank, or North American State Bank.
  
- 2) Students must make an appointment with a banker and submit their business plan 2 days in advance of plan.
  
- 3) Students should arrive for their appointment prepared—bring all materials (business plan, inventory examples, cost estimates, etc.)
  
- 4) Business bankers will offer their recommendation on the line of credit process, payment terms, conditions to both students and the CEO Credit Committee.
  
- 5) Upon approval of the CEO Credit Committee, the line of credit access is opened in the student's name.
  
- 6) CEO board chair will issue checks to each student.

**KEY CONSIDERATIONS**

- 1) MN tax limits for 1099 = \$600.00
- 2) Must have re-payment expectations due to “charitable class” opinion on tax status
- 3) All CEO “loans” are at 0% interest
- 4) No credit reporting or co-signers are required



REVOLVING LOAN FUND  
LOAN CLOSING CHECKLIST

for \_\_\_\_\_

1. \_\_\_\_\_ A complete application with all required attachments
2. \_\_\_\_\_ Security interest documents signed and filed
  - a. \_\_\_\_\_ \*Loan Agreement
  - b. \_\_\_\_\_ \*Note
  - c. \_\_\_\_\_ \*Mortgage (if real estate is collateral)
    - i. \_\_\_\_\_ borrower to provide legal description
    - ii. \_\_\_\_\_ \$\_\_\_\_\_ to County Treasurer for mortgage registration tax (mortgage principal x .0023)
    - iii. \_\_\_\_\_ \$46.00 recording fee to Kandiyohi County Recorder
  - d. \_\_\_\_\_ \*Assignment of Leases and Rents
    - i. \_\_\_\_\_ \$46.00 recording fee to Kandiyohi County Recorder
3. \_\_\_\_\_ \*Security Agreement
4. \_\_\_\_\_ \*UCC Financing Statement
  - a. \_\_\_\_\_ \$20 filing fee payable to EDC for filing online with State of Minnesota
5. \_\_\_\_\_ \*Personal guaranties of owners
6. \_\_\_\_\_ \*Authorization for automatic payments and voided check
7. \_\_\_\_\_ Proof of key person insurance
8. \_\_\_\_\_ Proof of collateral insurance
9. \_\_\_\_\_ Information on initial site visit
10. \_\_\_\_\_ 1% loan origination fee of \$\_\_\_\_\_ payable to EDC

\*EDC prepares/provides