

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)

FINANCE COMMITTEE

MINUTES

May 21, 2019

EDC Board Room, Willmar

Present: Matt Behm, Kerry Johnson, Travis Jones, Les Nelson, Justin Schnichels, Jeff Welker and Randy Zinda

Excused: Nick Dalton

Staff: Aaron Backman, Executive Director

Secretarial: Nancy Birkeland, Legal & Administrative Assistants, Inc.

Guests: Shawn and Joy Henkel of K-Traps; Kevin Crowley, Heritage Bank; Kenneth Proctor and Ryan Vatsndal of VP Enterprises, L.L.C.

Chairperson Matt Behm called the meeting to order at approximately 12:00 p.m. and welcomed new committee member Travis Jones of Heritage Bank, who replaces Russ Weeks.

[Shawn and Joy Henkel and Kevin Crowley joined the meeting.]

Loan Presentations. Connie Schmoll read the EDC Staff Recommendation as to K-Traps (see attached). Shawn and Joy Henkel provided their backgrounds. Kevin Crowley stated he has worked with the current owners of K-Traps and the business has steadily grown. The current owners will allow the Henkels to maintain the business on their farm site initially at no rent and provide support to the Henkels as they want to see the business continue to succeed. Henkels would like to move to their own location within five years. Shawn Henkel stated his research is that the metal used by K-Traps is heavier than that used by other trap producers. One part-time employee will stay with the business. They would like to add employees when future workload determines. The business has a website and Facebook page. The current owners only attend the Minnesota Trappers Convention. Shawn Henkel has been introduced to many of the current customers.

[Henkels and Crowley were excused from the meeting.]

Les Nelson stated Mid-Minnesota Development Commission's (MMDC) approval of a loan is contingent upon the EDC's approval of a loan. Following discussion,

IT WAS MOVED BY Kerry Johnson, SECONDED BY Randy Zinda, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission (EDC) Joint Operations Board that it approve a \$20,000.00 loan from the EDC's Revolving

Loan Fund Program to K-Traps, Inc. with a seven-year amortization, interest at 6% and a third security position after Heritage Bank and Mid-Minnesota Regional Development Commission. This approval is subject to the MMDC approving its loan, assignment of life insurance policies on the lives of Shawn and Joy Henkel and approval of a loan by Heritage Bank. MOTION CARRIED with Travis Jones and Les Nelson abstaining.

[Kenneth Proctor and Ryan Vatnsdal joined the meeting.]

Chair Behm noted VP Enterprises has been working with Laura Warne of Home State Bank, who was unable to attend today's meeting. Schmoll read the EDC Staff Recommendation as to VP Enterprises (see attached). Proctor and Vatnsdal gave their backgrounds. Proctor and Vatnsdal see many changes that can be made to operating the current business and believe there is great opportunity to grow the business, increase services provided and number of employees. Vatnsdal plans to maintain his presence in Alexandria, but will focus on expanding their new business into Willmar. Proctor has been working with the current owner for the past six weeks and will run the business full time in Kandiyohi County. They anticipate the Blomkest location being used for storage and a sheet metal shop and the base location being in Willmar. Plans are to keep the current name as it is fairly recognized and has been around for 60 years and is marketable. The current owner is in favor of the name being kept. Changes still need to be made to the Purchase Agreement and will include a non-compete agreement. They anticipate it will take two to three years to determine how the business will go. They plan to keep the 7 employees and expand to 10. Expanding the service department will be their focus. They will do both residential and commercial plumbing and heating.

[Proctor and Vatnsdal were excused from the meeting.]

Schmoll stated she has possession of a signed borrowing authority.

IT WAS MOVED BY Justin Schnichels, SECONDED BY Les Nelson, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission (EDC) Joint Operations Board that it approve a \$38,000.00 loan from the EDC's Revolving Loan Fund Program to VP Enterprises, L.L.C. with a seven-year amortization, interest at 6% and a third security position after Home State Bank and Southwest Initiative Foundation (SWIF). This approval is subject to SWIF approving its loan, assignment of life insurance policies on the lives of Kenneth Proctor and Ryan Vatnsdal and approval of a loan by Home State Bank. MOTION CARRIED with Matt Behm abstaining.

MINUTES—

IT WAS MOVED BY Jeff Welker, SECONDED BY Randy Zinda, to approve the minutes of the December 11, 2018 meeting as emailed. MOTION CARRIED.

LOAN REPORTS. Aaron Backman reported three Revolving Loan Fund loans have been paid off this year leaving eight loans that are current. The two loans under the Entrepreneurs' Loan Guarantee Program are current. One loan acquired from the Willmar Area Multicultural Business Center was paid off in April; two are current; one signed new loan documents with the EDC and is not current, but is making payments. The fifth loan is also delinquent, but collection efforts have not yet been pursued; the EDC did not get perfected on the two vehicles given as security for this loan.

NEW BUSINESS—There was no new business.

UNFINISHED BUSINESS

Willmar Child Care Center Loan Update. Schmoll reported SWIF closed on its loan last week and the funds will be used for renovation of the building. Les Nelson stated MMDC has not yet closed on its loan as it will be used for inventory. The Center did obtain a building permit.

Other. Schmoll reported she attended a two-day training on micro-lending where participants created an underwriting grid. She would like this committee to review the grid and provide feedback.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:18 p.m.

NEXT MEETING—The next schedule committee meeting is **12 noon, Tuesday, June 11, 2019** at the EDC office.