KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
DOING BUSINESS AS KANDIYOHI COUNTY ECONOMIC DEVELOPMENT (KCED)

FINANCE COMMITTEE
MINUTES

November 12, 2024
KCED Office, Willmar, and Via Zoom Video Conference

Present: Matt Behm, Art Benson, Allen Huselid, Chris Radel and Nathan Reuss

Excused: Kyle Grimm, Kerry Johnson, Justin Schnichels and Kelly TerWisscha

Staff: Michelle Marotzke, Business Development Manager and Patrick O'Rourke, Executive Director

Secretarial: Cathy Skindelien, Legal & Administrative Assistants, Inc.

Vice Chairperson Matt Behm called the meeting to order at approximately 12:11 p.m. A quorum was not present. The agenda was taken out of order.

UNFINISHED BUSINESS

Non-traditional lender event. Marotzke reported the Non-Traditional Lender Event will be held on Monday, November 18, 2024 from 11:45 a.m. until 1:15 p.m. at the Kandiyohi County Health and Human Services Community Room. Presenters include Marotzke; Mike Nicholas, Economic Development Professional, Mid-Minnesota Development Commission (MMDC); Selina Berning, Entrepreneurship Finance Officer, Southwest Initiative Foundation (SWIF) and Christine Fischer, Regional Director, Small Business Development Center. As of today 21 people have signed up to attend, consisting mainly of local bankers and Elevate students. A reminder will be sent out this week. The event's goal is to make people aware of gap financing opportunities. There are plans in 2025 to visit local banks to make sure they are aware of the role KCED can play in financing businesses. Kandiyohi Power Cooperative (KPC) does not have a revolving loan fund, however, it has worked with the Rural Economic Development Loan and Grant Program. Chris Radel described KPC's stance on lending as open, but hesitant about further ventures. Its board is not interested in owning bad loans, as the cooperative's members will be liable for any funds lost to bad debt.

NEW BUSINESS

VP Enterprises loan. Patrick O'Rourke presented a detailed summary of concerns regarding the VP Enterprises loan (see attached). He met with Laura Warne at Home State Bank, which has an outstanding loan with VP Enterprises as well. Other lenders include SWIF and West Central Initiative. All other lenders are ahead of KCED on priority of collateral. O'Rourke commented that information is missing from the KCED files. Both KCED and Home State Bank missed the filing date for a Uniform Commercial Code (UCC) continuation statement, with KCED refiling first. VP Enterprises has asked for a deferral, but KCED doesn't have current financial information. Home State Bank has the information, but cannot share it without the borrower's permission. The bank has collateral with mortgages.

[Allen Huselid joined the meeting]

O'Rourke will meet with SWIF to find out its intentions. If KCED subordinates its position to the bank as it requested, it would put KCED in a no collateral position. KCED should require financials and get protection through a personal guaranty. O'Rourke would like to see KCED filed in a tertiary position behind the bank and SWIF on the mortgages so KCED would be paid if the building were sold. The $14,471 plus 6% interest represents 10% of the KCED's Revolving Loan Fund and 1.6% of KCED's net worth. Extension of the amortization of the balloon payment to December 2026 was approved at the October meeting, however, the October payment was returned for insufficient funds. Vice Chair Behm commented that KCED was unsecured at the time the loan was made, making it hard to rewrite history to improve KCED's collateral position. Marotzke has tried to communicate with both borrowers, but has received no response. Correspondence between the borrowers and the bank has been limited as well. VP Enterprises has buildings in Alexandria, Blomkest and Willmar. The total amount owed in the Willmar area is approximately $750,000, with SWIF being owed $52,000 and KCED being owed $14,471. Home State Bank and West Central Initiative in Alexandria are also carrying loans for an unknown amount. No action will be taken at this time pending how the bank and SWIF plan to move forward. The business itself will close and its employees have already been let go. There was a business shift from residential/commercial to only commercial and two of the largest accounts shut down. KCED's security agreement gives it interest on vehicles behind SWIF and the bank, however, titles are not held. It was recommended KCED honor the spirit of the original agreement with regard to subordinating to the bank. O'Rourke will speak with Scott Marquardt at SWIF to see if it plans to subordinate to the bank as well. The importance of current financial information on all borrowers was discussed.

AGENDA—

> IT WAS MOVED BY Art Benson, SECONDED BY Chris Radel, to approve the Agenda.
> MOTION CARRIED.

MINUTES—

> IT WAS MOVED BY Chris Radel, SECONDED BY Allen Huselid, to approve the October 8, 2024 Minutes as emailed. MOTION CARRIED.

Clean Chickens pre-review. Marotzke reported the KCED Joint Operations Board approved renewing a $40,000 Certificate of Deposit on a short-term basis to be prepared if Clean Chickens has a need for gap financing. Clean Chickens will be opening a business called Happy Halal, a sheep and goat slaughtering facility. Large state and federal grants have been awarded to the project, and it hopes to break ground this year. No actual dollar amount has been requested, but $50,000 would be the maximum amount. That loan combined with a $50,0000 proposed loan to Simply Shrimp would exhaust the current balance in the KCED's Revolving Loan Fund. The Microenterprise Loan Fund has approximately $72,000 less the $5,600 approved for Aesthetics by Ash last month.

Aesthetics by Ash. Marotzke reported Ashlyn Hillenbrand set up a separate business checking account, as stipulated by this committee and is working with SWIF on a punch list which will cover the remaining stipulations.

Other. O'Rourke reported he plans to go through all loan files to ensure all of the correct documentation is in place. He started with Wings Gymnastics and Rendezvous LLC due to loan deferral requests by each. He developed an outline of Revolving Loan Fund and Microenterprise Loan policies, which he will share with the committee next month. KCED can expect full payment from Wings Gymnastics when its building is sold per Marotzke and Warne, but KCED does not hold a mortgage on the building.

A full listing of outstanding Revolving Loan Fund and Microenterprise loans was requested for the next meeting.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:05 p.m.

NEXT MEETING—The next regular committee meeting is **12:00 p.m., Tuesday, December 10, 2024** at the KCED Office, AppleTree Square, Suite 3, 1601 Highway 12 SE, Willmar, and via ZOOM video conference.