

**EDAP BOARD MEETING
WISH'N WELL CAFÉ
OCTOBER 15, 2013
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - A. Minutes (page 1)
- III. NEW BUSINESS
 - A. November Meeting – Due to the Special Primary Election to be held on November 19, 2013 no meetings can be held. Discuss to cancel or reschedule the November meeting.
 - B. New Billboard Cover
 - C. New EDAP Brochure & Map
- IV. OLD BUSINESS
 - A. EDAP Loan & MN Investment Fund – Louis Industries (page 4)
 - B. Manufacturing Week – Skinz – October 21, 2013
 - C. Economic Status Of Community – Update
 - D. Past Due Loans – Update
 - E. Industrial Land – Update
- V. INFORMATIONAL
 - A. Revolving Loan Report (page 15)
- VI. ADJOURN

***** Please call or email Renee at 320-243-3714 ext. 227 or at renee@paynesvillemn.com if you are not able to attend the meeting.*****

Members: Don Pietsch, Don Wiese, Bruce Stang, Chris Stanley, Alan Habben, Jean Soine, and Kay McDaniel. Advisory Member: Renee Eckerly.

This agenda has been prepared to provide information regarding an upcoming meeting of the EDAP Board. This document does not claim to be complete and is subject to change.

BARRIER FREE: All EDAP Board meetings are accessible to the handicapped. Attempts will be made to accommodate any other individual need for special services. Please contact City Hall (320) 243-3714 early, so necessary arrangements can be made.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board

Committee/Council Meeting Date: October 15, 2013

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

ITEM DESCRIPTION: Minutes

Prepared by: Staff

COMMENTS:

Please review the minutes from September 10, 2013 Special EDAP Board Meeting.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the minutes from the September 10, 2013 Special EDAP Board Meeting.

**MINUTES
SPECIAL EDAP BOARD**

SEPTEMBER 10, 2013

Jean Soine called the meeting to order at 7:05 a.m. Members present were Bruce Stang, Kay McDaniel, Chris Stanley, Don Pietsch, and Renee Eckerly, City Administrator. Don Wiese and Al Habben and were absent. Lance Louis and Kevin Wall were also in attendance.

Motion was made by Stanley to approve the minutes of the August 20, 2013 EDAP Board Meeting. Seconded by Stang and unanimously carried.

LOUIS INDUSTRIES – EDAP LOAN & MN INVESTMENT FUND (MIF)

The loan request is for \$300,000.00. MIF would be \$80,000.00 of which \$20,000.00 is forgivable. \$60,000.00 would be the loan after the forgivable portion. There would be a guaranteed increase of 5 jobs in 2 years. The term of the loan is 7-10 year with quarterly payments including MIF and the Revolving Loan. Lance Louis will call to confirm 7 or 10 year payments. Lance Louis wants the \$20,000.00 forgiven upfront.

The Township has a little over \$300,000.00 in their Revolving Loan Fund. This loan would be a 50:50 split. It needs to be stated that EDAP is not forgiving \$20,000.00; it is part of the MIF process. Both MIF and the Revolving Loan will be tied to the piece of laser equipment. The piece of equipment (laser machine) would be collateral worth \$700,000.00. EDAP needs to put a money lien within so many days of purchasing to secure collateral.

The interest rate is at 3.5%. The closing date is tentatively being set for October 10, 2013. Louis' would like the 30,000 square foot building completed by December 31, 2013.

LOAN REVISIONS

The EDAP Loan revisions were adopted by the City Council on August 28, 2013 with the biggest change in regards to the 50% lending amount.

LOAN DOCUMENTS – INDUSTRIAL APPLICATION

The Board discussed changing the loan on machinery/equipment from 7 years to not exceed 10 years.

Motion was made by Pietsch to change the section on machinery from 7 years to not exceed 10 years on the Industrial/Commercial application and recommend such to the City Council. Seconded by Stanley and unanimously carried.

MANUFACTURING WEEK

Valley Industries will not be able to host the event. It was suggested to go to Skinz.

ECONOMIC CONDITION

Jimmy's Pizza has closed. There have been a couple of businesses wanting to come to Paynesville, but have not been able to purchase the land/buildings. The police are currently addressing Bella's Bargains outside storage and Premiere Motors.

Dennis Wilson's building is available and the Urban Fuchs Family Trust land maybe for sale.

There being no further business the meeting was adjourned at 7:50 a.m.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board Meeting

Committee/Council Meeting Date: October 15, 2013

Agenda Section: Old Business

Originating Department: Administration

Item Number: IV - A

ITEM DESCRIPTION: EDAP Loan & MN Investment Fund – Louis Industries

Prepared by: Staff

COMMENTS:

Please review the attached EDAP Loan Agreement/Business Subsidy Agreement between the City of Paynesville, Paynesville Township, and Louis Industries, Inc. and Promissory Note.

ADMINISTRATOR COMMENTS:

Louis Industries will have to pay a minimum of \$10.25 cash and have a total wage (including benefits) of \$12.45 per hours. They did indicate that they will be paying a hiring/training wage of \$9.50 for a short period, but it was clarified that the amount has to go up before the jobs would be counted.

COMMITTEE/COUNCIL ACTION:

Motion to approve an EDAP loan in the amount of \$300,000.00 to Louis Industries, Inc. to be a 50:50 split with Paynesville Township for 7 years at 3.5% interest with quarterly payments and recommend such to the City Council.

Motion to approve the Minnesota Investment Fund loan for \$80,000.00 for the same term as the EDAP Loan with \$20,000.00 which may be forgivable if criteria is met of 5 new employees with a minimum of \$10.25 cash and have a total wage (including benefits) of \$12.45 per hour and recommend such to the City Council.

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EDAP FINANCE COMMITTEE

Loan Application Review Checklist

Date: 9-26-13

Attendance: _____

1. Has the required minimum loan application financial information; tax return (s) and collateral information been provided?

Yes

2. Does the proposed use of EDAP funds meet with the loan guidelines of EDAP?

Yes

3. Does the loan purpose when reviewed with the financial information indicate a sound management plan?

Yes

4. Can the business cash flow the proposed loan(s) taking into account the complete project?

Yes

5. Is the security adequate?

Yes

6. Are there any additional factors that should be considered in this loan review?

None

7. Based on the factors considered above; the Finance sub-committee makes the following recommendation.

The representatives from the state stated that Louis loan is one of the Strongest That they have done.

The Finance Community also agrees and approves the review.

4A

**ECONOMIC DEVELOPMENT LOAN AGREEMENT/
BUSINESS SUBSIDY AGREEMENT**

This Agreement is made and entered into this 2nd day of December, 2013, by and between the City of Paynesville and Paynesville Township, Lenders, Louis Industries, Inc., Borrower, and Job Creator, hereinafter Borrower, under the terms of this Agreement.

WHEREAS, Borrower/Job Creator is desirous of obtaining capital for use in connection with the acquisition of business equipment for its business facilities located within the City of Paynesville, Stearns County, Minnesota, which piece of equipment would allow the expansion of the business of Louis Industries, Inc., and which would allow Louis Industries, Inc., to create at least five (5) new full-time equivalent employee positions, which will pay those five (5) new employees, total compensation, including benefits not mandated by law, that on an annualized basis equal at least 110% of the federal poverty level for a family of four (4) within two (2) years from the date of the funding of the business subsidy loan; and

WHEREAS, the parties hereto recognize that this loan constitutes a business subsidy within the meaning of M.S.A. §116J.993 through 116J.995; and

WHEREAS, the Lenders have reviewed and considered the loan application of Borrower, and has concluded that the loan meets the criteria for a business subsidy based on the following criteria:

1) But For Test. There is a substantial likelihood that the improvement of the premises and the addition of jobs would not be undertaken by the Borrower, and in the opinion of the Borrower would not be economically feasible within the reasonably foreseeable future without the assistance and benefit to the Borrower provided by this business subsidy.

2) Business Development. The project will help to retain a strong and competitive business currently located in the community, will provide for the expansion of jobs within that business, and growth in both employment and the real estate tax base as a result of facilities expansion, which will occur contemporaneously with the acquisition of this piece of equipment.

3) Highest & Best Use of Land. The use of the business subsidy will result in quality construction and the addition of facilities and promote the highest and best use of the land.

4) Economic Feasibility. The Borrower can demonstrate that it has experience and adequate financing for the project, and that the project can be completed in a timely manner.

5) Impact on City Services & Infrastructure. The project will not significantly or adversely increase the demand for service needs in the City.

6) Job Creation. The project will create five (5) full-time equivalent positions which will pay the five (5) employees total compensation, including benefits not mandated by law, that on an annualized basis are equal to at

least 110% of the federal poverty level for a family of four (4) within two (2) years after the benefit date.

7) Tax Base. The project will increase the City's tax base and generate new property tax revenue as a result of facilities expansion occurring contemporaneously with the acquisition of this equipment; and

WHEREAS, the parties hereto recognize that this Economic Development Loan Agreement/Business Subsidy Agreement has being entered into as part of a larger project to allow the expansion of the business of Louis Industries, Inc., which involves the injection of capital not only through this EDAP loan, but additional funds through the Minnesota Investment Fund, through the Borrower's private lender, and injection of capital by the Borrower;

NOW, THEREFORE, in consideration of the mutual promises contained herein, each party intending to be legally bound, the parties hereto agree as follows:

SECTION 1. LOAN

The City of Paynesville and Paynesville Township will lend to Louis Industries, Inc., the sum of Three Hundred Thousand Dollars (\$300,000.00) to be used by the Borrower in connection with the acquisition of a piece of equipment, an Electra FL3015 Fiber Laser Cutting System, which piece of equipment will be located at the Borrower's business site at 222 Industrial Loop W., P.O. Box 57, Paynesville, MN 56362. In exchange for the loan in the amount of Three Hundred Thousand Dollars (\$300,000.00) the Borrower will execute and deliver to the Lenders a Promissory Note for the repayment of the sum of Three Hundred Thousand Dollars (\$300,000.00) by the making of quarterly payments of principal and interest sufficient to amortize the repayment of the loan in equal quarterly installments of principal and interest over a period of seven (7) years, with interest accruing on the

unpaid principal balance at a rate of 3.5% per annum, with the first quarterly payment due March 2, 2014, and with like payments due on a quarterly basis thereafter until December 2, 2020, at which time the entire remaining balance of unpaid principal and interest shall be due and payable in full. Payments shall apply first to interest and then to principal.

As and for security for the loan from the Lenders, the Borrower shall execute and deliver to Lenders a Security Agreement granting the Borrower a purchase money security interest in the Electra FL3015 Fiber Laser Cutting System.

Payments received on the overall loan of Three Hundred Thousand Dollars (\$300,000.00) shall be divided and distributed between the two (2) Lenders based upon their respective contribution to the overall loan, Paynesville Township having contributed One Hundred Fifty Thousand Dollars (\$150,000.00), and the City of Paynesville having contributed One Hundred Fifty Thousand Dollars (\$150,000.00) to the overall loan of Three Hundred Thousand Dollars (\$300,000.00).

SECTION 2. CONSIDERATION FOR LOAN AGREEMENT

This loan is given in consideration of the use of the funds for the acquisition of an Electra FL015 Fiber Laser Cutting System, which laser machine shall be located within the facilities of Louis Industries, Inc., located in the City of Paynesville, County of Stearns, State of Minnesota, at 222 Industrial Loop W., P.O. Box 57, Paynesville, MN 56362. This loan is further given in consideration of the agreement of the Borrower that the use of these funds in the acquisition of this laser machine will result in the creation of five (5) new full-time equivalent employees of the business of Louis Industries, Inc., which currently has _____ full-time employees, and that the five (5) additional employees will receive total compensation including benefits not mandated by law, that on an annualized basis is equal to at least 110% of the federal poverty level for a family of four (4), all of which five (5) full-time equivalent additional positions shall be created within two (2) years of the benefit date. In addition, Louis Industries, Inc., shall continue to operate within the City limits of the City of Paynesville for at least five (5) years from the date of the business subsidy.

SECTION 3. DISTRIBUTION OF LOAN PROCEEDS TO BORROWERS

The Lenders shall disburse the funds lent pursuant to this Loan Agreement to the Borrower as follows:

Three Hundred Thousand Dollars (\$300,000.00) shall be disbursed to the Borrower on or before the 2nd day of December, 2013, and contemporaneously with the distribution of the loan proceeds to the Borrower, the Borrower shall pay to the Lenders the Lenders' actual administrative expenses incurred by the Lenders in the processing of this loan.

SECTION 4. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an event of default:

- a) Borrower fails to pay an installment payment due in a timely fashion;
- b) Borrower fails to observe or perform any material obligation under the terms of this Loan Agreement/Business Subsidy Agreement, the Promissory Note, or the Personal Guarantors fail to fulfill their obligations under the terms of the Personal Guaranty.
- c) Borrower fails to pay any tax, including real estate tax or utilities as the same come due;
- d) Borrower makes a general assignment for the benefit of creditors without the written approval of the Lender;
- e) Borrower commences a proceeding in bankruptcy or for dissolution, merger or sale of substantially all of its assets;
- f) A receiver or trustee is appointed for the full or partial liquidation of the assets of the Borrower;
- g) A judgment creditor of the Borrower obtains possession of collateral pledged in connection with this loan by means of a levy or a replevin without approval and agreement of the Lender; and
- h) Borrower, Louis Industries, Inc., discontinues business and is no longer doing business at 222 Industrial Loop W., P.O. Box 57, Paynesville, MN 56362, as required by this Business Subsidy Agreement within five (5) years after the benefit date.
- i) Borrower, Louis Industries, Inc., fails to create five (5) full-time equivalent positions with the pay requirements outlined above within two (2) years of the benefit date.

SECTION 5. REMEDIES FOR DEFAULT

In the event of default, the Lenders shall be entitled to declare the full amount remaining unpaid to be due and payable in full. In addition to the amount owed at the time of the default, the Borrower shall be responsible for any reasonable attorney's fees and costs incurred in connection with the collection of the balance due on the Note. This remedy shall be in addition to any other remedies available under the laws of the State of Minnesota, including replevin or other action to gain control of security for the loan or enforcement of personal guarantees.

SECTION 6. LATE PAYMENT PENALTY

If Borrower does not make any installment payment under this Loan Agreement within 15 days after the date due, a late charge of five percent (5%) of the delinquent outstanding principal and interest due, or Fifty Dollars (\$50.00), which ever is greater, will accrue. In addition, the Lenders may, in its discretion, demand immediate payment of the entire unpaid balance of the Note, including the principal balance plus interest and penalties thereon.

SECTION 7. ADMINISTRATIVE FEE

Borrower agrees to pay to the Lenders an administrative fee, the payment of which shall be made at the time of the closing of the loan. Said administrative fee shall pay 100% of the administrative expenses incurred by the Lenders, but shall not exceed the actual administrative expense. Administrative expenses shall include staff time, legal costs, recording fees, and other fees and costs related to the making of this loan.

SECTION 8. MISCELLANEOUS

The provisions of this loan and the documents executed in conjunction with this Economic Development Loan Agreement/Business Subsidy Agreement shall be construed as complimentary to each other, and all of the terms and conditions contained in this Loan Agreement/Business Subsidy Agreement shall survive the execution of the various loan documents including the Promissory Note, Personal Guaranty and Security Agreement, as well as any subsequent documents, all of which shall be subject to the terms of this Agreement, whether or not specifically recited therein.

The substantive laws of the State of Minnesota shall govern the construction of this Agreement and the rights and remedies of the parties hereto.

The Lenders shall have the right, at all times, to enforce the provisions of this Agreement and any other documents executed in conjunction with it, notwithstanding any conduct or custom of refraining from doing so at any time or times. Failure at any time to enforce the specific rights granted under the terms of this Loan Agreement or related documents, shall not to be interpreted as having created a custom contrary to the terms of the Agreement, or to have modified the terms of the Agreement or related documents in any way. All rights and remedies under the terms of this Loan Agreement and the documents executed in conjunction with it are cumulative and concurrent, and the exercise of one right or remedy shall not be deemed to have released or waived any other rights or remedies.

Any alterations, variations, modifications or waivers of the provisions of this Agreement or the related documents shall only be valid when it has been reduced to writing and signed by authorized representatives of the parties.

This contract is a final expression of the agreement of the parties and a complete and exclusive statement of the terms agreed herein, and shall supersede all prior negotiations, understandings or agreements. There are no representations, warranties or stipulations, either oral or in writing, not contained herein or set forth in the documents executed contemporaneously herewith.

It is specifically agreed by and between the parties hereto that they have been represented by independent counsel. As a matter of convenience one party to this Agreement may have taken on the bulk of the task of drafting documents. This Agreement shall not be construed against the drafting party merely because of its role in drafting the Agreement and the related documents.

LENDER:

BORROWER:

DATED: _____

DATED: _____

CITY OF PAYNESVILLE

LOUIS INDUSTRIES, INC.

By: _____
Jeff Thompson, Mayor

Leo Louis, CEO

By: _____
Renee Eckerly, City Administrator

LENDER:

DATED: _____

PAYNESVILLE TOWNSHIP:

By: _____
Its:

By: _____
Its:

PROMISSORY NOTE

Lenders: City of Paynesville
221 Washburne Avenue
Paynesville, MN 56362

Paynesville Township
28780 Koronis Dr.
Paynesville, MN 56362

Borrower: Louis Industries, Inc.
222 Industrial Loop W., P.O. Box 57
Paynesville, MN 56362

Repayment Promise. The undersigned, Louis Industries, Inc., Borrower, after the date of this Note, promises to pay to Lenders' order the sum of Three Hundred Thousand Dollars (\$300,000.00), plus interest on the unpaid principal balance at a rate of 3.5% per annum. Payments to apply first to interest and then to principal. Interest to accrue from December 2, 2013.

Payment Schedule. The undersigned promises to repay the sum of Three Hundred Thousand Dollars (\$300,000.00) with interest at a rate of 3.5% per annum on the unpaid principal balance as follows: By making quarterly installment payments in the amount of Twelve Thousand One Hundred Twenty-six Dollars and 90/100 (\$12,126.90) commencing on the 2nd day of March, 2014, and quarterly thereafter so that payments are made annually on March 2nd, June 2nd, September 2nd and December 2nd of each year through and including December 2, 2020, when the entire remaining balance of unpaid principal and interest shall be due and payable in full. Payments to apply first to interest and then to principal.

Administrative Fee. In addition to the payments outlined above, the Borrower agrees to pay to the Lenders an administrative fee to be paid by Borrower at closing, which administrative fee shall represent 100% of the expenses incurred by the Lenders with regards to the making of this loan, including staff time, legal fees, costs, recording fees, and other fees and costs related to the making of this loan.

Late Payment Penalty/Default. If the Borrower does not make an installment payment under this loan within 15 days after the due date, a late charge of five percent (5%) of the outstanding principal and interest due and in default, or Fifty Dollars (\$50.00), whichever is greater, will accrue. In

addition, the Lenders may, in the Lenders' discretion, demand immediate payment of the entire unpaid balance of the note, including the principal balance plus interest and penalties thereon, by giving notice to the Borrower of the acceleration of the balance due as a result of the Borrower's default.

Legal and Collection Costs. Borrower must pay any reasonable attorney's fees, legal expenses, costs of collection and disbursements that result from Borrower's default (unless prohibited by law).

Secured By: Purchase money security interest in a piece of equipment, an Electra FL3015 Fiber Laser Cutting System.

DATED: _____

DATED: _____

LENDER:

BORROWER:

CITY OF PAYNESVILLE

LOUIS INDUSTRIES, INC.

By: _____
Its: Mayor

Leo Louis, CEO

By: _____
Its: City Administrator

LENDER:

PAYNESVILLE TOWNSHIP

By: _____
Its:

By: _____
Its:

REVOLVING LOAN STATUS REPORT

Date of Update: 09/30/2013

	Business Name	Outstanding Balance	Date of last Payment	Amount of Last Payment	Current/Next Due Date
*	Bloom Corner Floral	\$ 18,166.77	08/12/2013	\$ 629.08	08/01/2013
	Koronis Lanes	\$ 7,231.09	03/04/2013	\$ 197.79	10/01/2013
	Midwest Cylinder #2	\$ 186,174.77	09/09/2013	\$ 2,115.64	10/22/2013
*	Queen Bee's Bar & Grill	\$ 85,171.32	09/30/2013	\$ 1,019.64	09/20/2013
*	Skinz #4	\$ 99,085.62	09/20/2013	\$ 637.96	10/15/2013
*	Skinz #5	\$ 92,491.58	09/20/2013	\$ 969.08	10/28/2013
*	Savage Land Partnership	\$ 336,319.35	09/30/2013	\$ 1,957.36	11/03/2013
	Sweet Nook Bakery	\$ 14,311.34	09/17/2013	\$ 272.88	10/17/2013

* Joint Loans w/Township

TOTAL OUTSTANDING BALANCE \$ **838,951.84**

LATE PAYMENTS:

Bloom Corner Floral	\$ 314.54	Due: 8/1/13
Bloom Corner Floral	\$ 314.54	Due: 9/1/13
Queen Bee's Bar & Grill	\$ 509.82	Due: 9/20/13
TOTAL DELINQUENT	\$ 1,138.90	

CITY REVOLVING LOAN BALANCE (available)	\$ 282,969.25	updated 9/3/13	<i>(unaudited)</i>
CITY EDAP BALANCE	\$ 81,547.20	updated 9/3/13	<i>(unaudited)</i>
TOWNSHIP LOAN BALANCE (available)			