

## SHEBOYGAN COUNTY REVOLVING LOAN FUND COMMITTEE MINUTES

Administration Building  
508 New York Avenue, Sheboygan, WI  
Room 302

**November 12, 2015**                      **Called to Order: 3:00 P.M.**                      **Adjourned 5:27 P.M.**

MEMBERS PRESENT:                      Tom Wegner, Kevin Struck, Terry Hanson, Roger Te Stroete, Mel Blanke, Dirk Zylman, Wendy Charnon

MEMBERS ABSENT:                      Gary Maples

ALSO PRESENT:                      Carl Buesing – Sheboygan County Corporation Counsel, Dane Checolinski – Sheboygan County EDC, James Schuessler – Sheboygan County EDC, Jeff Romanoski – The Village at 170, Melanie Romanoski – The Village at 170, John Renzelman – BMO Harris Bank, Robert Schnettler – Dura Trel, Thomas Brinkley – Commerce State Bank, John Prellwicz – Compassionate Care Veterinary Clinic, Susie Prellwicz – Compassionate Care Veterinary Clinic, Branden Boehner – Hiawatha Bank

### **Call to Order**

Meeting was called to order by Chairman Charnon at 3:00 P.M.

### **Certification of Compliance with Open Meeting and Public Hearing Laws**

Checolinski stated the agenda was posted on 11/10/2015 at 4:30 PM and is in compliance with open meeting and public hearing laws.

### **Approval of Minutes – May 5, 2014**

*A Motion was made by Te Stroete, seconded by Zylman to approve the minutes. Struck asked to change word “Angle” to “Angel”. The motion was carried by voice vote.*

### **Approval of Minutes – June 19, 2014**

Maples sent an e-mail requesting that the minutes reflect that he voted in the affirmative every time that day.

*A Motion was made by Wegner, seconded by Blanke to approve the minutes with the requested changes by Maples who voted in the affirmative every time. The motion was carried by voice vote*

### **Correspondence**

None

### **Revolving Loan Fund Update and Fund Balance**

The RLF Fund has a balance of \$540,417.10 which is sufficient to fund all requests.

1. Morgan Aircraft Loan  
Checolinski stated the Wisconsin Department of Administration has taken the loan in house due to political pressure. All files have been sent over and we no longer need to watch this loan. Ironically, the loan agreement had few clawbacks and the company will be in compliance until the end of 2015. After that, then the State will likely call the loan.
2. Status of Urbane Hospitality, LLC  
Schuessler requested 30 days to restructure the loan.

Zylman asked if the payments have the stabilized, Schuessler stated yes and that the business is doing quite well.

**Consideration of Request to Provide a Loan to The Village at 170 LLC**

Jeff and Melanie Romanoski are looking to purchase the Rangeline Inn. The current owners know more can be done and the Romanoski's will be offering new services such as coverings, candles, wine glasses, and bus services. The Romanoski's stated the business has great bones, but needs a face lift and new energy. They will add a fish fry the banquet facility. They do have a chef that can help who opened Kohler Co establishments. The Romanoskis have already worked over a dozen banquet events. See's future expansion opportunities, but want to ensure people have a good time.

Schuessler presented the loan review. Jeff stated he will continue to work at previous business.

Buesing asked if the second lien on real-estate or non-fixed assets? Schuessler suggested both. Buesing asked how is the owner selling the business?

Renzelman (banker) stated the owner has a purchase agreement which includes a loan note.

Buesing asked if we can we carve out equipment? Renzelman stated they can do that, but the primary collateral is the real estate.

Blanke clarified and stated the County is not taking a shared second with the previous owners, but we are taking a true second.

Struck asked Mel if she will continue running her day care. Mel stated that she was not.

Blanke when do you plan on opening?

Romanoski bookings are continuing into next year. If everything goes well January 4<sup>th</sup> will be the transition date. Seller is staying on for 6 months and the business will remain in operation.

Zylman when will you open the restaurant portion of the plan. The Romanoskis hoped that they would open in the April/May time frame.

Zylman asked if the employees are all part-time, how you plan to keep employees?

Romanoski wants to work with culinary school to get people cooks. He stated that we will have 3-4 cooks at any time.

**Closed Session**

*A motion was made by Struck, seconded by Blanke to move into closed session in order to discuss the investing of public funds or conducting other specified public business whenever competitive or bargaining reasons. Motion carried by roll-call vote. The committee went into closed session at 3:33 PM.*

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye

Dirk Zylman	Aye
Mel Blanke	Aye

**Open Session**

The Committee returned to open session at 3:50 PM with the following vote:

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

*Blanke made a motion, seconded by Zylman to grant Village at 170 an RLF Loan from the County of Sheboygan with following terms.*

**Loan Terms**

- \$50,000 loan amount
- 7-Year fully amortized loan
- 4.0% fixed interest rate
- The interest rate would be reduced to 3.5% if the business develops a “Backup Plan” by January 2017.
- 2<sup>nd</sup> lien on all business assets that puts the County behind the bank, but before the previous owners
- Personal guarantees from both owners

*Motion carried by roll-call vote.*

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

**Consideration of Request to Provide a Loan to Dura Trel.**

Robert Schnettler started business in 1998 and is a manufacturer vinyl lawn and garden materials. The business is in Sheboygan Falls in the Morrelle complex with 30,000 sq. ft. 95% of his sales are direct and online. About five years ago started selling thru big box store websites such as Lowes and Home Depot. The company is also on Wayfair and most recently in Target.

Last year the company doubled its manufacturing capacity. They direct ship 60% of sales right from Sheboygan Falls facility. The key to successful online retail business is to ship product within 24 hours from an order, which requires them to build large inventories. The company can handle growth from an equipment standpoint for the next 3 years. The need for the loan is to fund inventory. Last year they grew so fast that they had to turn down nearly \$1,000,000 in sales.

Schuessler provided an overview of loan due diligence. He did find a federal tax lien that is in good standing as is planned to be paid off early in January 2016.

Blanke asked about sources and uses to pay off Community Bank and replace it with a new SBA loan. He wanted to verify that \$400,000 of the project is for new tooling and inventory and not debt restructuring. Schuessler confirmed that the County loan is only to be applied to an increase in working capital and tooling.

Blanke asked about the tax lien and was surprised the bank didn't want to pay it off. Tom Brinkley (banker) states as the loan is an SBA it doesn't allow firms to use their funds to pay federal obligations.

Zylman asked what is your customer concentration? Schnettler stated that Hay Needle is largest at 50%, but will drop to 32% as more big box sales happens. He hopes with the expansion that it will dilute the concentration of end buyers. They are in process of trademarking the name and brand to help keep a competitive advantage.

Zylman asked about negative equity in the financials. Schnettler stated that he bought out a partner a few years ago.

Buesing asked about their lease. Schnettler stated they have a 10-year lease with Morrelle.

Buesing asked if their loan with commerce is depended on County RLF. Brinkley stated the loan should close tomorrow, but the bank does plan to move ahead. Schnettler stated the loan would help them take more orders.

Buesing asked if can get a carve out on tooling. Brinkely stated he feel it was possible. Brinkely stated that there are two loans one SBA and the second is a line of credit. The County would be behind the Bank and SBA for lien positions.

### **Closed Session**

*A motion was made by Wegner, seconded by Te Stroete to move into closed session in order to discuss the investing of public funds or conducting other specified public business whenever competitive or bargaining reasons. Motion carried by roll-call vote. The committee went into closed session at 3:24 PM.*

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

### **Open Session**

The Committee returned to open session at 4:33 PM with the following vote:

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

Zylman asked about for details about the tax lien. Schnettler stated he delayed payroll payments. Then there was miscommunication between accountant and owner and they didn't catch the mistake until a few months have gone by. The timing wasn't good at that was right before the recession. He stated the interest and penalty really built up. He stated they should be done with tax payments in January.

Blanke asked about proposal for a 7-year term. We would like to reduce the term for 5-year loan and if that would have a negative impact the business.

Schnettler stated having a 5-year term will work.

*Blanke made a motion, seconded by Wegner to grant Dura Trel an RLF Loan from the County of Sheboygan with following terms.*

### **Loan Terms**

- \$100,000 loan amount
- 5 year fully amortized term
- 4.0% fixed interest rate
- Personal Guarantee of owner
- Lien on all assets behind the SBA & Bank

*Motion carried by roll-call vote.*

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

### **Consideration of Request to Provide a Loan to Compassionate Care Veterinary Clinic**

Dr. John Prellwitz is looking to open up a veterinarian clinic in Elkhart Lake. He practiced in St. Ann as a small animal vet. He has had a dream to open practice in Elkhart Lake and has an opportunity after being bought out by his former partners at St Ann Veterinary clinic. Elkhart Lake was chosen because it is in the middle of past client base.

Schuessler provided a summary of due diligence. The St. Ann clinic does owe him for \$120,000 towards the buyout.

Zylman asked if there is any possibility just to open part time to keep clients? Prellwitz stated that he looked at it, but by the time you renovate a facility the new building would almost be complete. He has started a few in-home calls.

Buesing asked what time frame would he need to the funds? Prellwitz stated as soon as possible as equipment must be ordered.

Buesing asked about non-compete issues? Prellwitz stated during the buy-out from his old partners, the non-compete was dissolved.

### **Closed Session**

*A motion was made by Zylman, seconded by Blanke to move into closed session in order to discuss the investing of public funds or conducting other specified public business whenever competitive or bargaining reasons. Motion carried by roll-call vote. The committee went into closed session at 5:13 PM.*

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

### **Open Session**

The Committee returned to open session at 5:23 PM with the following vote:

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

*Blanke made a motion, seconded by Te Stroete to grant Compassionate Care Veterinary Clinic an RLF Loan from the County of Sheboygan with following terms.*

### **Loan Terms**

- \$80,000 loan
- 7-Year fully amortized term
- 4.0% fixed interest rate
- Carve out and 1<sup>st</sup> lien on equipment purchased by loan
- Lien behind bank and SBA on all other assets (3<sup>rd</sup> position) including the St. Ann buyout payments

- The loan would be in default if owner had a failure to maintain all necessary licensing
- Personal Guarantees from both owners

<b>Committee Member</b>	<b>Vote</b>
Wendy Charnon, Chair	Aye
Kevin Struck	Aye
Gary Maples	NA
Roger Te Stroete	Aye
Thomas Wegner	Aye
Dirk Zylman	Aye
Mel Blanke	Aye

**Adjournment**

*A motion to adjourn was made by Wegner, seconded by Zylman. Motion Carried by voice vote.*

The Revolving Loan Committee adjourned at 5:27 P.M

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Dane Checolinski, SCEDC  
RLF Administrator