



NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING and DEVELOPMENT COMMISSION

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Executive Committee Meeting Wednesday, February 27, 2019

Members

Mark McCracken	Clearfield County
Matthew Quesenberry	Elk County
Daniel Freeburg	Elk County
Jeffrey Pisarcik	Jefferson County
Douglas Morley	Potter County

Via Conference Call

Carol Duffy	McKean County
Susan Zook Wilson	McKean County

Guests

William Seymour	SB & Company
Debra Thompson	Strategy Solutions, Inc.
Jay Breneman	Strategy Solutions, Inc.
Hoop Roche	Strategy Solutions, Inc.
Jared Lucas	PIDA
Tina Kennemuth	NexTier Bank/Jefferson Co. Development Council
Drew Nedzinski	CNB Bank/St. Marys EDC
Brian Stockman	Ridgway Record

Guests via Conference Call

Courtney Cole	Citizens and Northern Bank
Kim Whiting	Cameron County IDA
Tom Coppolo	Solicitor

Chair Quesenberry called the meeting to order at 9:30 with the pledge to the flag.

QUORUM/INTRODUCTIONS

There was a quorum for the meeting.

MINUTES

With no corrections or amendments to January 23 Executive Committee Minutes, Jeff Pisarcik moved to accept the minutes as presented, seconded by Doug Morley. Motion unanimously passed.

NEW BUSINESS

Audit Presentation

Mr. William Seymour of SB & Company presented the Uniform Guidance Single Audit Report for the period of July 1, 2017 through June 30, 2018. The Auditors reported they found no instances of fraud or illegal acts. They also found internal processes and finances were in accordance with accepted practice, giving them a rating of effective with no suggested improvements. The Auditors reviewed the significant accounting policies adopted by North Central and have determined that these policies are acceptable account policies.

Therefore, the Auditing Firm intends to give a positive review of the Commission's finances.

With no other questions or discussion, Chair Quesenberry asked for a motion to accept and submit the Audit Report to the Federal and State Clearinghouse.

Doug Morley moved to accept the audit report as presented and submit the report to the Federal and State Clearinghouse, seconded by Mark McCracken. Motion unanimously passed.

Financial Reports

With no comments or questions on the January Financial Reports, Mark McCracken moved to accept the Financial Reports as presented, seconded by Doug Morley. Motion unanimously passed.

A95s

There were no A95s for the month.

Correspondence

There was a Letter of Support included in the mailing to Secretary of Transportation, Leslie Richards, in which North Central supports the RJ Corman Railroad's request to make improvements to their line in Clearfield County.

This is for information only.

Purchases

A Memorandum of Understanding between the Local Development District Association of Pennsylvania (LDDAP) and North Central was presented. This MOU is regarding a contract LDDAP has entered into with the Center for Regional Economic Competitiveness to develop a strategic plan for the seven Local Development Districts. Each LDD has agreed to pay \$10,000 to LDDAP to cover the cost and LDDAP has

agreed to pay CREC \$10,000 on behalf of North Central. North Central has agreed to pay an additional \$1,250 above the quarterly dues amount, starting July 1, 2019, and every quarter until the loan is repaid in full.

Doug Morley moved to approve Jim Chorney to sign the MOU for North Central paying an additional \$1,250 above the quarterly dues amount, starting July 1, 2019, and every quarter until the loan is repaid in full, seconded by Carol Duffy. Motion unanimously passed.

Resolutions

There were no Resolutions for the month.

Loans

There were no Loans for the month.

However, Jenn reported that at the February 14 Loan Review Committee meeting, Election of Officers was held. Mark Breakey of CNB Bank has been re-elected as the Committee Chairperson and Joseph Haines of Northwest Bank has been re-elected as the Committee Vice-Chairperson. These are for a term of one year.

The Loan Review Committee requests that the North Central Board of Directors approve this action.

Mark McCracken moved to approve the appointments of Mark Breakey as Loan Review Committee Chairperson and Joseph Haines as Loan Review Committee Vice Chairperson for 2019, seconded by Jeff Pisarcik. Motion unanimously passed.

Jenn also reminded everyone about the Banker's Breakfast being held on Thursday, February 28, at the Homewood Suites in DuBois.

DISCUSSION

Cheryl DePanfilis, Human Resource Director, reported that the Personnel Policies and Employee Handbook has been updated. There were a number of sections that no longer apply because we have less than 50 employees. The section on FMLA was removed and any current laws or policies were updated. Leech Tishman, Employment Law specialists, reviewed the policy for us. The Handbook will be distributed to all employees.

Jim said North Central has been asked for a letter of support for the Foreign Trade Zone that we are the designated FTZ Grantee. In doing so that starts the application process for the formation of a sub-zone. At this time that is all we are going to be providing. Jim just wanted to inform the Executive Committee that this was being started and we will keep you informed as we progress with this and the application gets submitted.

Chris stated that the application is being submitted by a third party consultant to the company requesting the letter of support.

Jim said that there are some things that are going to be coming up that in the past we have used sub-committees for, primarily the HR and Audit/Finance Sub-Committees. One is when we put the audit out to bid we will need the Audit/Finance sub-committee to review the RFPs and score them for the process we have used in the past.

Because there have been changes and we weren't sure if everyone was still willing to serving on those committees, we thought it was best that every year we go through and re-affirm the committees and the members on them, making sure they are still willing to serve on them.

Jim pulled out who was on these committees in the past. Regarding the HR Sub-Committee, in the past it was Dan Freeburg, Jeff Pisarcik, Eric Bridges or the Executive Director, Jim Swanson and Cheryl DePanfilis. There are two members who are no longer with North Central. How would the Executive Committee like to proceed with this?

When asked what the HR Sub-Committee does, Jim said that in some cases it would be to review any changes in personnel policies and/or if there is a re-classification of an employee the sub-committee would go through and review that process, making sure they understand it and make a recommendation to the Executive Committee.

Chair Quesenberry asked if Dan and Jeff were still willing to serve and they both agreed to serve along with Jim and Cheryl.

Jim said the one thing Matt did ask him to look up on this was it doesn't necessarily have to be a board member on the committees so it is really whomever the Executive Committee feels is appropriate to be on. There should be an odd number on the committee.

Regarding the Audit/Finance Sub-Committee, Jim said that the past committee was comprised of Al Pingie, Dan Freeburg, Doug Morley, Jim Thomas, Mark McCracken, Jeff Pisarcik, Jim Chorney, as well as Mickey Catalone, representing the Loan Review Committee and Bob Cardamone representing the Workforce Investment Board.

Matt asked if there was any objections to continue serving on the Audit/Finance Sub-Committee. Carol Duffy said she would be fine filling in for Al and Susan Zook Wilson said she would also be willing to serve on the committee.

Jim will check with Jim Thomas, or someone from Cameron County, to see if he is still willing to serve on the Audit/Finance Sub-Committee as well as seeing if he would be interested being on the HR Sub-Committee as well.

Matt asked when do we RFP for the audit, to which Jim said we typically send the RFPs out in April or May so we have time to select the firm and give them time to get started. Typically we don't start our Annual Audit until September which gives us time to close the year out, do everything we have to do to get prepared for it and then the firm will start their field work around mid-September.

Amy stated she is working with legislative people in DC as part of their trip to DC in March. Unfortunately Congressman Thompson is going be in the district when Amy, Jim, Bob and Matt are in DC. Amy has arranged for the Congressman to be here on March 22 at 1 PM at the North Central Office. It will be a

general conversation, since we haven't had him here in a long time, on things we do as well as things that are impacting the region. As this just came through Tuesday evening, the agenda hasn't been figured out. If anyone wants to participate to please let Amy or Jim know so this can be sent down to the Congressman's office so he knows who will be present.

Jim added we are continuing to reach out to other representatives in our area. We have been working with Mark Adams from Senator Scarnati's office trying to get a meeting with him as well, so we are continuing to try to have meetings with other representatives.

Amy also noted they have a meeting with Congressman Thompson's staff when they are in DC and are also working through Senator Casey's office as well trying to schedule something as well while they are down there.

Chris noted that they are holding their Ag Meeting on March 22. Secretary Russell Redding is going to be in attendance at the Flickerwood Winery and they are presenting their Economic Impact Study for Agriculture. Representative Causer is going to do the welcome.

Amy asked if there is any way we can coordinate and bring 10-15 more people. Amy said perhaps they can all meet there vs. here and have the Congressman be part of the event as well.

Chris said one of the things that might be of interest to him is as part of the PREP meeting, the Hardwood companies are going to be invited and Wayne Bender and the Ag Reps for the area will be in attendance. Chris also noted the Executive Committee members will be invited.

Ed reported he has two Broadband sites coming up. One is Russell Stone in Grampian and AE Resources in Lewis Run. Those will be installed next week.

Jim added that they have had conversations with Sherri Collins from DCED who is now the new head of the Broadband Department. Jim and Ed have had conversations with her discussing our model of doing things and we are scheduling a time at the end of March for her to see what we do and also do site visits.

Amy noted that North Central was successful in receiving \$60,000 of ARC POWER Grant for our Regional Freight Study that was announced on February 21. That is matching our Federal money that we were going to have to return if we couldn't come up with a local match.

Julie gave an update on the eWIC, the electronic benefits transfer system, which will eliminate the issuing of WIC checks to clients. Clients will be given a card which will contain all their benefits. Blair, Centre, Lycoming and Clinton counties are currently in the project phase. Our area will go to the eWIC system in August.

Matt introduced Debra Thompson, Founder and CEO of Strategy Solutions, Inc. Debra, along with Jay Breneman and Hoop Roche, gave a presentation on the RFP they submitted for North Central's Strategic Business Plan.

Ms. Thompson opened the presentation giving basic background information on the company. Strategy Solutions delivers creative solutions to ensure the sustainability of public, private and nonprofit

organizations and to create healthy communities. Their approach blends analytical research capabilities, group process techniques, best practices and planning tools which result in remarkable outcomes.

She stated that their projects and clients have been recognized as best practices by the Pennsylvania, New York and Ohio Departments of Health, the Council on Accreditation of Rehabilitation Facilities, as well as many others. Strategy Solutions is certified as a Women's Business Enterprise in Pennsylvania.

After the introduction of her company, she opened up the floor for questions.

Mark asked who would be working on our project, to which Debra said it would be mostly Jay and her. Jay would be doing the day client interaction and project management. Debra would do the on-stage time group facilitation. They use an audience response polling system called Option Finder which a lot of people use. They use it for consensus building. They have ways of asking questions so that they can give people a safe way of saying they are not sure they are agreeing with the direction you want to go. Debra said they have done many data analyses on our region. They have done work in Clearfield, Jefferson, McKean counties.

Matt then asked what is their approach and what involvement would the Executive Committee have and what do you expect from them.

Debra said the answer is however you are comfortable. Strategy Solutions can adapt their process to meet your needs and expectations. Their typical philosophy is to work with the staff some of whom they have worked with in the past and do what they call completed staff work. Jim, as Interim Executive Director, is in charge of what happens here on a day-to-day basis. Strategy Solutions would look to the staff in put together and fill them in on the key strategic questions, have them look at what staff see on the horizon, what they feel the opportunities are for the future. Strategy Solutions would interview all the key staff members and the Executive Committee members and any other board members that you feel are important to the process.

Mark feels part of the process should be that a consultant meet with each set of county commissioners rather than just talking to the commissions that sit on the Executive Committee. And these meetings would be after Strategy Solutions have met with Jim, Amy and staff to see what each individual county board's expectations are.

Doug asked Debra if she knew the background on how we got here. Originally some of the discussion evolved about how do we move forward, what are we going to do to backfill that open space, not only in the agency but in the building? What opportunities are going to present themselves? We also have an interim board of individuals who fill in with Jim as the Interim Executive Director. One of the real questions was do we operate with a committee of departments or do we operate with an Executive Director and how do we structure this.

Jeff said part of the question was is the need still there for the staff and is there more out there to get.

Matt said there was a meeting at which all but two of the commissioners attended and they tried to figure out after 50 years if this still a relevant organization? Is there an effort to try to move forward? We had to examine for ourselves if we are still wanting to pursue this in the future and when the answer was "Yes" then it was how will we get there from here?

Strategy Solutions will look at what is working and what isn't working and what do you want to see be different. What are the opportunities for North Central to do something especially regionally? There is more that we can do with this organization than is currently being done.

Doug feels with the refocus on other things, North Central can be a real impactor to the region by bringing new opportunities in, whereas before were focused on what had grown over the 50 years.

A very lengthy discussion ensued after which Chair Quesenberry asked what was the pleasure of the Executive Committee.

Dan then asked what is the process going forward?

Matt stated that by default we looked at this as a competitive proposal. It meets what we need from a price point so it was a go to take action on it pending the opportunity to see firsthand who we will be dealing with. So he anticipated we can take action on this. If it is approved then it will be a matter of entering into the agreements through the Commission.

Dan then asked when Strategy Solutions could start and the answer was they could start as quickly as the second week in March.

Jim asked if the Committee was to choose to add some services, would Debra be able to provide pricing to the Executive Committee. To which she answered she could be in a quick manner.

Matt said maybe we should hold action until we receive the additional scope and cost.

Jeff said we should go with the original to get it started.

There is one potential hang up and Amy said she thinks the Committee can approve this but we haven't received official confirmation that we have the funding.

Amy keeps checking to see when it will be here.

Mark McCracken suggested we move forward pending confirmation of funding.

Carol said she had a concern. As we make the vote we do need to be careful to approve what was bid. Changing the scope might get us in a little bit of an issue.

Matt said the Committee will take action based on what was provided and then as needed adjust.

Debra said she would prefer to sit down with Jim and staff and get their perspective on it and talk about what they think is going to enhance the process based on the direction they believe things need to go.

Doug Morley moved to award the Strategic Plan contract to Strategy Solutions pending receipt of funding, seconded by Carol Duffy. Motion unanimously passed.

Strategy Solutions' point of contact will be working through Jim.

Matt thanked Debra, Jay and Hoop for making the trip down from Erie to talk to the Committee.

Next on the agenda was a presentation by Jared Lucas, Executive Director of the Pennsylvania Industrial Development Authority (PIDA).

At the January Executive Committee meeting there were actions that needed to be taken and in light of the Lumberjacks and the liability associated with that, the Committee requested that Jared come up and provide detail as to when North Central would be liable for any loans that we do through PIDA.

Jenn extended an invitation to the Loan Review Committee members to attend as well.

With the press in attendance, Matt said the crux of this would be the obligation for repayment of a loan and how the delinquencies are expected to be collected.

Jim said the concern of the Executive Committee and the Loan Review Committee is they want to understand when it comes to the liability of North Central and what triggers certain liabilities when it comes to the Commission from PIDA's perspective.

Jared stated out giving the background of the different types of PIDA loans. PIDA was established in 1956 and at that time it was just for real estate loans for manufacturing and industrial enterprises. Through PIDA they financed multi-tenant facilities that were going to be leased out to manufacturing and industrial enterprises as well as financing industrial parks.

In the 1980s there was another fund created called the MELF fund. This was for equipment loans to manufacturing and industrial enterprises.

In the 1990s another fund was created called the Small Business First Fund. There are a couple different loan funds that feed into that. This wasn't just limited to manufacturing and industrial. Those loans are for almost any type of business, i.e. dairy farm, chicken farm, Ag producer, Ag processing, etc.

There was PIDA, MELF and SBF. For PIDA you had to be an IDC in order to access those funds. If you wanted to get a MELF loan a borrower could come straight to the Department, they didn't have to go through an IDC or any economic development organization. On the SBF side you had to be what was known as an ALO and predominately those were the loans North Central did. It was around 2009 when North Central Enterprise was certified to become an IDC to also do traditional PIDA real estate loans.

In 2014 everything was consolidated into the Pennsylvania Industrial Development Authority. There are three funds and three loan funds that they loan money out of. Still it is the traditional PIDA fund, the MELF fund and the SBF fund.

Jared went over this because depending on what fund the loan is made out of dictates how the loan is closed and responsibilities of a Certified Economic Development Organization (CEDO) and North Central is a CEDO.

PIDA has its own in-house counsel and this counsel closes every loan except for the Small Business First account loans.

Regarding liability, if a loan becomes delinquent and PIDA closes the loan, the role of the CEDO is to work in unison with PIDA to work with the business to find out what's going on financially to hopefully get them back on track and work with the company to engage and enter into some repayment plan. That would be the ideal scenario.

If it is evident that things are going bad and there is no recovery or the company goes out of business and some type of legal action needs to be taken maybe to enforce guarantees or maybe to foreclose or liquidate some type of collateral, the legal action behind it falls to who closed the loan. In those cases when PIDA counsel closes the loans on everything outside of SBF, the CEDOs work as PIDA's partner to get to the bottom of this and gather information from the business. When legal action needs to be taken then it is PIDA's counsel.

As part of the consolidation in 2014 prior to that everyone who was an IDC that did a traditional PIDA loan had to enter into a loan-loss sharing agreement. This revolves around liability for those loans. Again prior to 2014 if a loan went into default and all collection remedies were entered into and everything was liquidated so we're at the end process, if there was a remaining balance left on the loan, the IDC would be responsible for half of the principal balance. As part of the consolidation that went away so there is only one loan on North Central's book through North Central Enterprise that fits that mold and it is a good standing loan where there hasn't been any issues with repayment history.

Moving forward any loan that you are doing through PIDA where our counsel closes, so everything outside of SBF, there is really not going to be liability there because you are working as a conduit to get to the bottom of things and PIDA is taking legal action.

Regarding the SBF account loans, these are the loans the CEDO, through its counsel, closes and is responsible for monitoring and taking action. When one of these SBF loans are approved, there are going to be two documents that PIDA issues between PIDA and North Central. The Commitment Letter that outlines the terms and conditions of the loan, including collateral, what's the position on the collateral, what is the amount that supposed to be in front of us, any guarantees backing the loan or any other security that will serve for the loan. It sets up the framework for how the loan is expected to be closed and in what position the priority is on the respective collateral for PIDA. The second document would be the Note outlining the repayment terms, interest rate term, etc.

One area where there could be liability potentially and the loan that came into play it's important that when the loan's closed, whatever is listed on the Commitment Letter we're taking collateral against that respective collateral item, whether it is real estate, equipment, etc. in that respective position. The same with guarantees that if the Commitment Letter states we are supposed to have guarantees of x entities or x individuals, that those are essentially effectuated and secured. If they aren't, that is where there could be potential liability.

If any loan is 60 or more days delinquent, a CEDO will report to PIDA on that loan. PIDA has a division staff dedicated to doing nothing but working with PIDA partners to get to the bottom and see what is going on with the loans. PIDA's bottom line goal is to hopefully try to help the business and get them back on track. PIDA isn't in the business of trying to put people out of business or enforcing the collateral if they don't have to. If someone is cooperating that is what PIDA is all about.

North Central staff have done a great job on any delinquent loans that are on the books currently to communication to PIDA and let PIDA know what is going on and what we are working to do to address whatever the delinquency issues are.

In terms of liability for North Central, there could be liability if a loan isn't secured in the same form substance, manner or position that was outlined in the Commitment Letter and what was approved. That's where there could be potential liability. The other area is if a loan does become delinquent that the CEDO closed and commercially reasonable efforts aren't taken to enforce those remedies there could be liability. The way PIDA sets it up is that they want everyone to succeed. It's a matter if you are communicating and PIDA is on the same page, there are a lot of different avenues you can take on a delinquent loan. Maybe it doesn't make sense to foreclose on a property right now even if you are in that situation where you could, it doesn't mean you have to. PIDA is happy to work with the CEDO and North Central to make sure everyone is on the same page to come up with a plan that hopefully works for everyone. Where people get in trouble is if you have someone say 180 days delinquent and you haven't done any outreach to the borrower. You haven't collected any financial statements, there is no idea as to what is going on or any effort being done to do what the right thing is. As long as you are going down the right track, which North Central and the loans they have and through Jennifer's group have demonstrated they are doing what they are supposed to do on those, there aren't going to be issues.

If a company owes \$10,000 and it is going to cost \$15,000 to try to recover that money, then it is not a good use of money. If it is an amount quite a bit higher and we are talking a couple thousand dollars in terms of the tax payer investment return, the tax payer investment is probably going to be expected to move forward. These are things that both PIDA and North Central would have to work closely on.

Jared said there is an Underwriting and Portfolio Management Manual to say what the expectations that are put forth if the loan becomes delinquent. This is a call where both PIDA and North Central to be on the same page to say this is what we are thinking, especially if it is outside of what that standard protocol says. It says what they are expecting at 30 days to be done, at 60 days, 90 days and how PIDA would treat something if a business is still operating and try to work with versus saying where a business is no longer operating and there is collateral they might have to go after. The template is pretty much the same on both but every situation is different.

If there is a difference of opinion between PIDA and North Central decision-making policy, is it PIDA's recommendation or decision that prevails? Our goal is to work to get a consensus because PIDA and North Central are supposed to be on the same team. Back to if there is money that is owed and it's fairly substantial and it is clear the cost to pursue it versus what you are looking at getting back, if there is going to be a significant gain that would be the expectation. If it is going to cost more than what is owed, then probably not so much.

Regarding real estate that is used for collateral under SBF, can North Central collect on that in the event of a default? It could be. In the event of a default then that personal real estate of the borrower could be available to be pursued to repay the debt, is that right. It could be.

Jared stated if there is an opinion of when PIDA should or should not move forward and liquidate collateral, for example if they are on a second position on just a commercial property and a bank is in first position, if North Central would move forward and take foreclosure action, before North Central gets paid back, the first mortgage holder would also have to get paid back. From a business perspective is that

going to make sense and do you have a buyer? If you are in a first position, that is very different because any proceeds yielded, you are going to get back. Regarding equipment if you are in a second lien and North Central moves forward to liquidate the equipment, what you are going to get in equipment resale or liquidation terms is going to be pennies on the dollar or \$.50 on the dollar and the first lien holder is going to have to get paid back.

Regarding residential properties, if this is a commercial property wherein nobody lives and it is no longer operating, it has a different feel to it. There are a lot of different aspects. When it comes to residential properties, if it is someone's primary residence where they live, and this doesn't have to be the policy taken, but usually PIDA approach is a personal residence typically isn't going to be taken as primary collateral on the loan. It is a tough decision to say that this isn't a rental property that it is someone's home; so even if PIDA has a first or subordinate position, do you move forward and liquidate that and then someone is out of a home. PIDA can be patient with those things that in some point in time it is going to be sold or at some point in time it will probably go into an estate and can be addressed at that time. PIDA is cognizant and wants to work with people because their position on loans they have closed in the past it would be rare to do something like that unless there is good reason. PIDA is cognizant of the ramifications that would come out of doing something like. Their hope is later in time they will most likely get paid in the event of a sale.

Tom Coppolo said he was sorry he wasn't at the meeting and because he came on the phone a little late wanted to make sure he understood some things. The two classifications would either be SBF or non-SBF.

Jared said in simple terms that would be the best way to put it because if it is an SBF one, North Central's counsel as solicitor would be closing and if non-SBF PIDC counsel does.

Tom stated that for a non-SBF we have no potential liability because PIDA does the closing, you do the collecting. If it's an SBF, North Central does the closing, initiate the collecting and that is where we have the potential liability.

Being that it was an open meeting, there was a question previously asked relative to the Commitment Letters and who issues what and then whether there might be a breakdown in between the communication of the requirements of the two Commitment Letters. Tom is going to assume that was not a generalization but rather a specific issue that was being addressed. Is that correct.

Jenn said that was right.

Tom said it is his recollection in that situation, and he doesn't know if it was accurate, that there was necessarily a breakdown in between the two Commitment Letters that were issued. His recollection is that the two Commitment Letters were consistent. Unfortunately when the paperwork went to be executed by the borrower, the borrower didn't sign the paperwork in the capacity that it had been prepared. The paperwork had been prepared for the borrower to sign it as a personal guarantor; but in fact, what the borrower did was to sign it in his capacity as the business. As a result of that, when things came out and it was observed that that was the manner in which it was executed, we ended up not having a personal guarantee that was expected.

Jenn said her observation when she did look at the Commitment Letter from PIDA, SBFF and the Commitment Letter we issued, there was a discrepancy.

Tom said that the borrower did sign things differently than they were prepared. And Jenn said that was correct. That was the reason we ended up not having the personal guarantee that had been anticipated.

Tom said the thing he was most concerned with in this discussion in a scenario where all the business assets effectively to the extent that they can be utilized to try to collect the debt and we then go back and do a scenario where we are looking at a personal guarantee, in fact the asset that would secure that personal guarantee is someone's residence, it's not PIDA's position to just drop the debt, but it is your position to look at this and try to collect this potentially on a delayed setting where we don't have to put someone out of their house.

Jared said another option is if you have a first, you need to say you need to refinance our debt and take it out elsewhere depending on what the credit is. There are different tactics to be at looked at to see what could be done to try to avoid foreclosure on someone's house.

Tom said in that scenario PIDA is not looking at they will write off what is there, you are more looking at let's look at other ways that we can collect this at some point in the future and do less harm.

Jared said if there are no other ways PIDA is not opposed to writing it off and letting the mortgage sit if it reaches that point.

Tom said regardless whether it is an SBF or non-SBF he thinks the feeling should still be a conversation that exists relative to the steps that are taken for collection.

Jared said they engage the CEDO in all the cases to let them know what is going on, even if they close it because it is a business in the North Central region. That is important in terms of partnerships to say here is our plan and here is what is going on and here is what we are thinking because it is one of your customers as well.

In referring to the document that was executed at closing incorrectly and the bank funded the loan even though the document were not executed correctly, Tina Kennemuth wanted to know who reviews those documents before the bank funds the loan.

Jenn said Tom's office prepares the documents, they come back to Jenn and she reviews them.

Tina asked if the bank funds as soon as the documents are signed or after Jenn reviews them. Jenn said once the documents are signed that is when the borrower gets the money. And this is before she has had a chance to review them.

In the packet is there an Errors or Omissions document? Jenn said they just started doing that in the last year or so.

Tom asked Jenn following up on the question Tina asked, isn't it accurate that at some points the closing is the actual physical signing of the documents will take place at the borrower's attorney's office.

Jenn said typically that is correct if there is real estate involved. If North Central is doing an equipment loan and there is no mortgage involved, then it will be between the borrower and North Central.

To address Tina's issue which is a very good issue that we started taking steps about a year ago, now when that occurs we have a document that addresses if there is an error in the process of the execution of those documents. Perhaps what we should also do is if the closing is taking place at the borrower's attorney's office, require the borrower's attorney to sign a similar document.

Jenn asked if this was something Tom would be able to prepare for us as well.

Tom said he could do this because in essence it's sort of a backwards transaction. The borrower's attorney is affectively many times doing the closing. The funding takes place, then the papers come back to us. We are relying on that attorney to make sure everything is done correctly.

Jenn asked Tom if there are any other recommendations he had to avoid something like this happening in the future to have our checks and balances in place.

Tina also asked if we should give Tom the Commitment Letters from PIDA to look over just to be sure as well.

Doug Morley noted that PIDA does have a tolerance for workout. They will do what they can and they work well with North Central. It is just a matter of both parties or all parties trying to get it properly documented, signed and then the due diligence if something goes wrong. Things that no one else can control. Otherwise someone has to take the authority and that generally falls back to whoever lent the money. And in this case the funding process comes through PIDA or the Small Business First.

Jared said organizations are faced with liability in the unfortunate event and that is the reason why PIDA allows them to deduct out any costs what were pursued as part of the collections. If there is liability that's counted towards that.

Regarding the delinquency reports, when some of them appear year after year the perspective is that at some point that may be available and we may get paid so there is no rush to write them off, especially if there is personal property involved.

Jared said PIDA handles it if they are still in the process of collecting something that in the short term future is a viable option to collect on, it should be left on the books. But if all collection efforts have been exhausted and there is something like a subordinate mortgage on a piece of property and it is not something that is going to be available in the short term, PIDA would look to charge a loan off.

Any loan that you charge off \$100 or more, PIDA actually has to present it to the AG's Office and say here's what we did and here is how collection efforts were exhausted. That is like a final step and once PIDA gets the Attorney General's Office approval, then PIDA can take it off the accounting records and there won't be a delinquency report any more, but PIDA would have yearly follow up to say they still want to check on that loan to make sure the mortgage is in place. PIDA doesn't want it to get lost because it is still an avenue to collect on in the future but you are not going to report on it every quarter. This should be visited on about once a year just to see where it stands.

Jared added that there is a lot of opportunity in North Central so PIDA is looking forward to helping out and partner with North Central. This isn't the fun stuff to talk about but PIDA is interested in seeing what they can do to partner with North Central to help out more businesses and get money out on the street.

Matt thanked Jared for his very informative presentation.

The next Executive Committee Meeting will be held on Wednesday, March 27, 2019, beginning at 9:30 AM. This meeting will be held in the Teleconference Room.

ADJOURN

With no additional items to be discussed Jeff Pisarcik moved to adjourn the meeting, seconded by Doug Morley. The meeting adjourned at 11:55 AM.

Respectfully submitted,

Daniel Freeburg
Secretary/Treasurer