

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Executive Committee
February 24, 2011

MEMBERS PRESENT:

John Alston
Jon Barlow
Jimmy Clayton
Walter Gardner
Hubert Gooch
Pete O'Geary
Joe Shearon

Pete Averette
Elizabeth Blackwell
Sidney Dunston
Terry Garrison
Linda Jordon
Barry Richardson
John Stallings

COG STAFF PRESENT:

Timmy Baynes
James Pearce
Rick Seekins
Gina Parham

OTHERS:

The Executive Committee met at Middleburg Steakhouse at 6:00 PM on February 24, 2011. Chairman Pete O'Geary called the meeting to order and asked Executive Director, Timmy Baynes to address the members with items for review.

Mr. Baynes advised that the first item to review was a proposal from Phillips, Dorsey, Thomas, Waters and Brafford with their quote to prepare the COG's audit for 2011. The price given was \$25,500 maximum which is a 3.75% increase from the fee this year. Mr. Baynes advised that he had asked the audit firm to submit their proposal so the Board could either accept their price or have sufficient time to send out Request for Proposals (RFPs) to solicit other proposals.

Discussion arose around this request as some members felt that the COG could possibly secure another firm for a lesser fee. Other members questioned the disadvantages of changing audit firms. Mr. Baynes stated that he felt it would be a steep learning curve for another audit firm to take over this audit as most local firms were not as well educated on governmental audits and we may have to go outside the region to find another well qualified firm.

Audit Firm Approved

Motion # 1

Motion was made by Pete Averette, seconded by Joe Shearon to recommend approval of the proposal from Phillips, Dorsey, Thomas, Waters and Brafford to perform the COG audit for the year 2011 at a fee not to exceed \$25,500. Motion carried. Two members voted "Ney".

Mr. Baynes advised that the second item to review was regarding a request from Gregory Upper of Triangle Skydiving in Franklin County. Mr. Upper obtained a loan from the COG in 2009 for the Triangle Skydiving. Mr. Baynes advised he had made all but one payment on time and he has repaid approximately \$35,000. He is currently facing family issues that impacts collateral held for the loan and he is asking that the COG release some of the collateral they originally held in order to release the couple's residence on Valerie Ann Drive.

Mr. Upper has purchased new rigs for his business that are valued at \$32,000. Rigs and equipment must be recertified every two years so there is limited depreciation. Mr. Upper is offering all equipment as collateral. Value of equipment is estimated at \$70-\$80,000. In addition the COG has 4 other rental properties as collateral with real property equity value of \$65,000. Equity is estimated from 80% of the tax value.

Release Property

Motion # 2

Motion was made by John Stallings, seconded by Sidney Dunston to approve the release of the Upper's home on Valerie Ann Drive from the collateral holdings for the Triangle Skydiving loan. Motion carried unanimously.

Mr. Seekins then reviewed a loan request from John Deberry who is requesting \$188,158 to establish Blo-Glo, LLC, a skin and hair product manufacturing and distribution company. The business is currently being operated out of the owner's home. But he and his wife have located a facility in Person County which will allow them to expand production and distribution of their products. Mr. Deberry wishes to borrow \$55,258 as a fixed asset loan to purchase equipment and machinery for production of the beauty products and another \$132,000 in working capital which includes \$57,800 of inventory. They are investing \$75,000 of their own funds, primarily to establish the business in Roxboro.

For collateral they are offering the equipment and machinery, along with inventory, accounts receivable and other security as collateral for the loan, as discussed with the LRC. They plan to have 2 employees starting out and to have 10 at the end of the first fiscal year of operation.

Mr. Seekins advised that if approved, this would be the first approved RLF in Person County. He further stated that the LRC questioned Mr. Deberry regarding the amount of the loan and found that he would be able to start production with a 4 bottler machine and cut his initial request substantially.

The Region K Loan Review Committee considered Mr. Deberry's loan application in the amount of \$188,158 at its meeting on Tuesday, February 22, 2011, and recommends approval of a loan for working capital and equipment and inventory acquisition not to exceed \$135,000 with a term of five (5) years. The COG policy is to set the interest rate for a working capital loan at two percent (2%) below the Prime Interest Rate, as published in the Wall Street Journal on the date of approval of the loan by the Executive Committee, but not less than four percent (4%). It is recommended that the interest rate of 4% be applied to this loan. The loan should have the following conditions:

- Loan with amount not to exceed \$135,000 for a five year term at an interest rate of 4%, subject to certification by COG staff and attorney of the availability of collateral in the full amount of the loan. Collateral may include equity on residences (which may require appraisals), or vehicles, liens on existing equipment and equipment to be purchased with loan proceeds, Accounts Receivable, and liens and/or assignment of any other physical assets that might be available as collateral. Consideration will also be given to the assignment of Purchasing Contract in which Mr. Deberry DBA JC Express sells ownership of the assets of JC Express, a business at 401 East Lakewood Avenue in Durham, North Carolina, to Brothers Express, a partnership of former employees of Mr. Deberry. Upon identification of the appropriate collateral, the COG attorney shall execute such documents as are necessary to secure such collateral,
- Personal guarantee of Mr. John Deberry and his wife Ms. Renna Deberry, his partner in their business ventures,
- Hazard and liability insurance must be documented covering Blo-Glo LLC's equipment, fixtures, furniture and the business operation, and must be maintained with the Kerr-Tar COG named as loss payee,
- A lease and/or rental agreement on the property at 1530 North Main Street in Roxboro, North Carolina, must be executed and available for inspection. This will be the designated location of Blo-Glo, LLC,
- Establishment of "Key Man" life insurance on John Deberry in the amount of the loan and for the duration of the loan, with the Kerr-Tar COG named as loss payee,
- The loan must be closed within six (6) months of loan approval, or the loan must be reviewed again by the Loan Review Committee,
- Loan is subject to compliance with the COG RLF Policies and the regulations of the Economic Development Administration (EDA),
- Any other items deemed necessary by the COG Attorney.

Blo-Glo, LLC

Motion # 3

Motion was made Barry Richardson, seconded by Hubert Gooch to approve the loan as stated in the LRC recommendations. Motion carried unanimously.

There being no further business, the meeting adjourned.

Respectfully submitted,

Timothy M. Baynes, Executive Director
Secretary to the Board of Directors