

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Executive Committee
May 17, 2011

MEMBERS PRESENT:

Pete O'Geary
Hubert Gooch
Terry Garrison
Sidney Dunston
Zelodis Jay

Jimmy Clayton
Joe Shearon
John Alston
John Stallings

COG STAFF PRESENT:

Timmy Baynes
James Pearce
Rick Seekins
Gina Parham

OTHERS:

The Executive Committee met at Ribeye's Steakhouse in Henderson on May 17th. 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 there were two items to review today. The first will be to revisit a loan that was previously approved, but, needs additional review due to collateral conditions changing. The second item to review would be the COG budget that is proposed for presentation to the COG Board at the meeting next week. Mr. Baynes did state that the insurance renewal rates came in with only a 1.8% increase and due to this the COG was recommending that we keep the same insurance option and not make any changes. Each of these items will be reviewed after lunch.

Chairman O'Geary provided the invocation.

After lunch, Mr. Baynes advised that Mr. Seekins was attending today with additional information regarding the loan for Blo-Glo. This loan was previously approved but the conditions stated originally were not met. Due to these circumstances, the LRC has reviewed this loan request again and Mr. Seekins will update you on these recommendations.

Rick advised that originally the LRC had recommended using the equity in the Deberry's personal residence and additional property for collateral. Upon review it was found there was only \$5,000 in equity on the personal residence and none in the other property. Once this was determined, an investigation was launched to secure appropriate collateral to make this loan.

If the loan is approved, Mr. DeBerry hopes to purchase additional equipment to produce his products and relocate the business from his home to a location in Person County. All equipment would be given as collateral on the loan.

In addition, Mr. DeBerry owned an auto repair shop in Durham which he has sold to his previous business partners. They have been making payments on the business which amount to about \$3,000 per month. It has been estimated that approximately \$1500 profit comes in on this lease monthly and the COG attorney will revise a legal agreement between the parties (with cost borne by Mr. DeBerry) and this lease/purchase agreement can be used as a means of collateral on the loan.

The LRC is recommending that the COG loan Blo-Glo \$100,000 with collateral and conditions outlined in the handout today. All of these provisions have been reviewed and approved by the COG attorney. The additional \$35,000 that was originally approved will be loaned to Blo-Glo by the Person County EDC office and they will take second position on all collateral acquired by the COG. Person County EDC officials are very impressed with Mr. DeBerry and excited to have his business locate in Person County.

The floor was opened for questions which were answered by Mr. Seekins.

Blo-Glo

Motion # 1

Motion was made by John Stallings, seconded by John Alston to approve the working capital loan in the amount of \$100,000 at an interest rate of 4% with the following conditions:

1. Loan with amount not to exceed \$100,000 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 \$100,000 loan.
2. After Attorney Wrenn does due diligence research, he will draft new loan documents including a note, security agreement and other ordinary and customary loan documents for Mr. Deberry and Purchaser of Shop to execute so that the note and related security agreements can be assigned as collateral for this loan, with the cost of that revision to be borne by Mr. Deberry.
3. Credit reports run on Mr. Deberry and individuals purchasing his business in Durham to assure financial stability of all involved.
4. Collateral will include the following:
 - Assignment of all equipment of the Blo-Glo business to Kerr-Tar COG,
 - Assignment of note for purchase of shop and related security agreements;
 - Deed of trust against Deberry's primary residence with assignment to Kerr-Tar COG.

5. Personal guarantee of Mr. John Deberry and his wife Ms. Renna Deberry, his partner in their business ventures,
6. 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,
7. Attorney Wrenn will determine what rights, if any, Kerr-Tar may be able to gain in the lease agreement for the building housing the shop in Durham and will, to the extent legally feasible obtain an assignment of the lease or the rents related to the lease;
8. A lease and/or rental agreement satisfactory to the COG's counsel 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,
9. 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,
10. The loan must be closed within six (6) months of loan approval, or the loan must be reviewed again by the Loan Review Committee,
11. Loan is subject to compliance with the COG RLF Policies and the regulations of the Economic Development Administration (EDA),
12. Any other items deemed necessary by the COG Attorney.

Motion carried unanimously with the stipulated conditions above.

Mr. Baynes advised the next item to review was the proposed COG Budget for FY 2011/2012. He asked that members review the first page where the annual salaries and wages request were stated. This page shows the current COG staff which is based at 23.5 employees and is shown to decrease to 21 employees as of July 1, 2011. Mr. Baynes stated that two employees that would have their positions eliminated due to discontinued funding were notified in April. These positions are the Workforce Development Specialist and the Project Ride Coordinator. There is also the possibility of not having the funding to keep the Part Time Community Development Assistant position which works 2 days a week. He is in hopes that additional CDBG applications will be approved and continue employment of this part-time position; however, we may not have this notification until August 1st.

Mr. Baynes advised that there were no salary increases recommended with this budget proposal although individual matching requirements for the State Retirement System has increased.

Additional pages of the proposed budget were reviewed with the Executive Committee in order to see a complete breakout of revenues and expenditures for FY 2010/2011, Personnel Cost by position, Fringe Benefits and Indirect Costs and General Funds which shows an overall decrease of -\$123,684 for the year.

Mr. Baynes acknowledged that this was the worst budget proposal the COG has had to work up due to the uncertainty of the Federal and State funding that is affecting all local governments and the COG.

He further stated that there is one other position that may be at risk and that position is the System of Care Coordinator. Even though the COG's System of Care Program is a model that is recognized and modeled across the State, continued funding may not be forthcoming. In addition, there is also question regarding the clinical decisions that are being requested of this staff member by the LME. We await further clarification from the LME and the State regarding funding, etc. This staff member is aware of the situation and if the position is not funded this person may submit retirement papers. It would not be advantageous for this person to be a part time employee. Executive Committee members were advised that changes may have to be made to the proposed budget, should this position not get funding.

It was further stated that the COG's across the State should receive approximately \$20,000 in State funding this year. In addition, it was noted that the Fringe Benefit rate would only increase with a variance of 2.803% for 2011. The indirect cost rate would increase due to loss of program staff.

The floor was opened for more questions and clarifications.

PROPOSED COG BUDGET

Motion # 2

Motion was made by Jimmy Clayton, seconded by Hubert Gooch to recommend approval of the proposed budget to the COG Board at the May 26, 2011 meeting with the understanding that further changes may be made if additional funding for said positions is eliminated. Motion carried unanimously.

There being no further business, the meeting adjourned.

Respectfully submitted,

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