



Catawba Regional Development Corporation Annual Meeting Agenda

March 9, 2023
HYBRID FORMAT
4:00 p.m.

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|------|--|-----------------------------------|
| I. | Call to Order/Invocation | Mr. Neese |
| II. | MOTION: Consideration of Minutes from the March 10, 2022 Annual Meeting (<i>attachment</i>) | Mr. Neese |
| III. | Presentation of 6/30/22 (FY22) CRDC Audit and 12/31/22 CRDC Interim (six months) Financial Statements (<i>attachment</i>) | Ms. Chitwood |
| IV. | Annual Lending and Program Activity Report | Mr. Brock/
Mr. Lewis/Mr. Imler |
| V. | Presentation regarding Legacy Revolving Loan Fund (LRLF) Capital Use Guidelines and Lending Parameters (<i>attachment</i>) | Mr. Imler |
| VI. | Other Business | Mr. Neese |
| VII. | MOTION: Adjourn to Catawba Regional COG Board Meeting | |
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CRDC Annual Meeting - Agenda Detail

- **Call to Order/Invocation/Consideration of Minutes**

After the Call to Order and Invocation, the minutes from the March 10, 2022 annual Development Corporation membership meeting will be considered for adoption.

- **Presentation of FY22 CRDC Audit and the 12/31/21 Interim Financial Statements (six months)**

Ms. Chitwood will discuss the audited financial results for fiscal year 2022 (FY22) and the six-month interim operating results for FY23. Burkett, Burkett & Burkett, CPA, P.A. has issued an unmodified (i.e. “clean”) audit opinion on the Development Corporation’s FY22 Financial Statements. Summary comparative financials will be reviewed at the meeting. In the FY23 interim at 12/31/22 (six months), CRDC revenue was \$197,246 and expenses were \$234,150, with a corresponding net decline of net position of (\$36,902). This was due largely to the continued sale of Neighborhood Initiative Program (NIP) properties at a loss, which comprised (\$34,935) of the total decline in net position. Of that loss, (\$12,000) was related to the contribution of a lot to Habitat for Humanity in memory of former COG Senior Planner, Robert Moody.

- **Annual Lending Activity Report**

Mr. Brock and Mr. Lewis will provide the Board with an update regarding 2022 business and brownfields lending activity. Mr. Imler will provide an update regarding the disposition of Neighborhood Initiative Program (NIP) residential lots.

- **Presentation regarding Legacy Revolving Loan Fund (LRLF) Capital Use Guidelines and Lending Parameters**

Mr. Imler will provide an overview of proposed “Legacy Revolving Loan Fund (LRLF) Guidelines and Lending Parameters”. The LRLF was governed by an EDA-required lending plan until these funds (~\$7.4 million) were de-federalized by EDA last year. The proposed Guidelines and Lending Parameters memorialize the delegation of program responsibility and authority to the Catawba Regional Development Corporation Board of Directors (members of which are elected by the COG Board). The Guidelines and Parameters will help to ensure consistent utilization and preservation of fund capital over the long-term. The draft Capital Use Guidelines and Lending Parameters are attached for review.

- **Other Business**

Other business will be considered as necessary, after which the annual meeting of the Catawba Regional Development Corporation will be adjourned, to be immediately followed by the Call to Order of the quarterly meeting of the Catawba Regional Council of Governments Board of Directors.

- **Adjourn to COG Board Meeting**

***Note:** COG Board members serve as “members” of the affiliated Catawba Regional Development Corporation (CRDC). An annual meeting of the membership is required by the CRDC Bylaws.*

CATAWBA REGIONAL DEVELOPMENT CORPORATION
ANNUAL MEMBERSHIP MEETING

Catawba Regional Center
Rock Hill, South Carolina
March 10, 2022

The Annual Meeting of the Catawba Regional Development Corporation was held at 4:00 pm. Thursday March 10, 2022, at the offices of the Catawba Regional Council of Governments in Rock Hill, SC and via Zoom.

The following members were present:

Dwight Neese, President	James Bennett, Vice President	Russell Patrick
Grier Sandifer	Kevin Blackwood	David Turner
Wanda Stringfellow	Brandon Guffey	Stacey Moore
Charlene McGriff	Alston DeVenny	Robert Winkler
Dean Faile	Eddie Moore	Margaret Holloway
Harold Thompson	Leroy Worthy	Paul Basha
Mike Fuesser	Derrick Lindsay	Laura Ullrich
Wes Spurrier	Chad Williams	Tom Hyslip

Others present included:

Staff

Randy Imler	Amy Chitwood	Steve Allen
Randy Pellisero	Autumn Cauthen	Rob Jackson
Ed Brock	Grazier Rhea	Angela Kirkpatrick
Candace Barnes	Nicole Lawing	Cecilia Coutinho
Tyler Lewis	Eleanor Mixon	Katherine Edlein
Julie Markow		

Guests

Rep. Annie McDaniel	Jerome Pearson
Teresa Thomas	Christina Lewis
Rick Jiran	Tyson Blanton
Scott Tanner, Lamar Pharmacy	
Jim Hanley, MI&J Enterprises, Inc. DBA Thoroughbreds Chophouse	
Mindy Kuhn and Shonali Thomas, Corks, Cooks, & Books, LLC	

I. Call to Order/Invocation

The meeting was called to order, and the invocation was given by President Neese.

II. Consideration of Minutes from the February 4, 2021 Annual Meeting

A motion was made and duly seconded to approve the minutes of the February 4, 2021 Annual Development Corporation Meeting. The motion passed unanimously.

III. Success Stories and Annual Lending Activity

Ed Brock introduced Scott Tanner from Lamar Pharmacy, Jim Hanley of MI&J Enterprises, Inc. dba Thoroughbreds Chophouse, and Mindy Kuhn and Shonali Thomas, owners of Corks, Cooks, & Books, LLC. Each Catawba Regional lending client gave a brief presentation about their business and CRCOG's role in assisting them with RLF C-19 financing. All clients expressed their gratitude for the COVID pandemic-related loan program.

Randy Pellisero presented a summary of the Corporation's annual lending activity for 2021. Randy discussed SBA 504 activity, pending loans, potential risk concentration areas, and the recent risk rating system conversion to comply with SBA's requirements. Mr. Pellisero also discussed the EDA RLF COVID-19 loan program and marketing efforts for all lending programs.

Tyler Lewis gave an overview of the SC Brownfield Cleanup Revolving Loan Fund (BCRLF) including a supplemental capital grant application for SC DHEC. Mr. Lewis also discussed Brownfields projects across the region and state.

IV. Presentation of the 6/30/2021 (FY21) CRDC Audit and 12/31/2021 CRDC Interim (six months) Financial Statements

Amy Chitwood reviewed the Development Corporation's 2021 Financial Statements and stated that the Development Corporation received an unmodified, or "clean" audit report from the CPA firm of McKinley, Cooper & Co., LLC. Ms. Chitwood brought attention to the progress of selling Neighborhood Initiative Program (NIP) properties which are held as CRDC inventory.

Randy Imler explained that the Catawba Regional lending programs are spread across three different organizational balance sheets (CRCOG, CRDC, and the BCRLF). Mr. Imler also made note of the required removal of SBA 504 loans from CRDC's balance sheet this year. SBA program income still flows through the development corporation, but 504 loans will be reported at the Federal level moving forward. Mr. Imler also discussed CRDC's unrestricted and restricted net position trends.

V. Election of Corporation Officers and Directors

- A. Nominating Committee Report – Grier Sandifer, Chair of the CRDC Nominating Committee noted that in accordance with the Corporation’s Bylaws, a Nominating Committee was appointed to recommend a slate of proposed officers for a two-year term. The Nominating Committee members were:

Kevin Blackwood
Janet Graham
Grier Sandifer, Chair

- B. The Nominating Committee presented the following slate of officers and at-large Board members for 2022 – 2024:

Dwight P. Neese	-	President
James A. Bennett	-	Vice President
J. Randall Imler	-	Secretary/Treasurer (officer only, non-Board member)
Kevin Blackwood	-	At-Large Member
Kelley Morabito	-	At-Large Member
Jim Johnson	-	At-Large Member
Russell Patrick	-	At-Large Member
Grier Sandifer	-	At-Large Member
Janet Graham	-	At-Large Member

President Neese asked if there were additional nominees from the floor; hearing none, he asked for a motion to approve the three officers and six at large members as presented by the Nominating Committee. A motion was made and duly seconded to approve the slate of proposed officers and at-large Board members. Following discussion, the Corporation’s membership approved the recommended slate unanimously.

- C. Election of County Caucus Directors

President Neese explained that members from each member county needed to elect a representative to serve on the Corporation’s Board of Directors. The members present from each county then caucused to select their representatives. This resulted in the following appointments:

David Turner	-	Union County Delegate
Todd Lumpkin	-	York County Delegate
Tony Pope	-	Chester County Delegate
Steve Sherrill	-	Lancaster County Delegate

VI. Other Business

Dwight Neese thanked Grier Sandifer and the Nominating Committee for their work. Mr. Imler recognized lending and finance staff for their work and outstanding results throughout the COVID-19 pandemic.

There being no further business, the meeting adjourned at 4:57 p.m.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Randy Imler".

Randy Imler
Secretary/Treasurer

CATAWBA REGIONAL DEVELOPMENT CORPORATION
CONSOLIDATED BALANCE SHEET
UNAUDITED
December 31, 2022

ASSETS

	RDC	IRP	CDFI	NIP	LSCOG	CONSOLIDATED
Current Assets						
Cash - Checking	\$ 94,647	\$ 164,438	\$ 24,817	\$ 472,362	\$ 92,093	\$ 848,357
Cash - Savings	95,701	323,130			304,405	723,236
Cash in Escrow - Maintenance	30,200					30,200
Prepaid Expenses	3,073					3,073
Accounts Receivable	13,019					13,019
Neighborhood Improvement Inventory				113,000		113,000
Accrued Interest Income		202				202
Total Current Assets	236,640	487,770	24,817	585,362	396,498	1,731,087
Borrowers Funds						
Notes/Loans Receivable	174,073	281,856	2,078		683,993	1,142,000
Total Borrowers Funds	174,073	281,856	2,078		683,993	1,142,000
Fixed Assets						
Building	1,078,382					1,078,382
Land	42,500					42,500
Landscaping	6,725					6,725
Leasehold Improvements	35,427					35,427
Less: Accum. Depreciation	(690,061)					(690,061)
Total Fixed Assets	472,973					472,973
TOTAL ASSETS	\$ 883,686	\$ 769,626	\$ 26,895	\$ 585,362	\$ 1,080,491	\$ 3,346,060

LIABILITIES

	RDC	IRP	CDFI	NIP	LSCOG	CONSOLIDATED
Current Liabilities						
Accounts Payable	\$ 300					\$ 300
Acc. Int. Payable Loans		2,187				2,187
Deferred Income/Option Deposit	510					510
Security Option - Rental	11,833					11,833
Due to Other Funds	11,360	2,234	686		1,960	16,240
Unearned Commitment Fees	5,000					5,000
Total Current Liabilities	29,003	4,421	686		1,960	36,070
Long-Term Liabilities						
Loans Payable - Robbins	61,663					61,663
Loans Payable - Rural Dev.		523,074				523,074
Loan Loss Reserve	25,000	40,505				65,505
Total Long-Term Liabilities	86,663	563,579				650,242
TOTAL LIABILITIES	115,666	568,001	686	-	1,960	686,312

NET POSITION

Net Investments in Capital Assets	411,310					411,310
Restricted by Board					1,077,364	1,077,364
Unrestricted	356,512	202,562	26,209	620,297		1,205,580
Current revenues over expenses	198	(937)	(2,395)	(34,935)	1,167	(36,902)
Total Net Position	768,020	201,625	23,814	585,362	1,078,531	2,657,352
TOTAL LIABILITIES & NET POSITION	\$ 883,686	\$ 769,626	\$ 26,895	\$ 585,362	\$ 1,080,491	\$ 3,346,060

CATAWBA REGIONAL DEVELOPMENT CORPORATION
CONSOLIDATED INCOME AND EXPENSE STATEMENT
UNAUDITED
December 31, 2022

	RDC	IRP	CDFI	NIP	LSCOG	CONSOLIDATED
REVENUE						
Commitment Fees						-
Loan Origination Fees	\$ 10,532					10,532
Monthly Processing Fees	25,145					25,145
Interest Income on Loans	4,751	6,440	90		9,096	20,377
Interest Earnings	3,128	1,118	3		155	4,404
Loan Late Fees	800	93				893
Administrative Fees/Miscellaneous						-
Rental Income	52,916					52,916
Recoup on Bad Debt	479					479
Proceeds from Sale of Property				82,500		82,500
Total Revenue	<u>97,751</u>	<u>7,651</u>	<u>93</u>	<u>82,500</u>	<u>9,251</u>	<u>197,246</u>
OPERATING EXPENSES						
Personnel	40,463	5,226	1,812		5,489	52,990
Supplies	231					231
Miscellaneous	4			45		49
Insurance	4,466					4,466
Professional Services	5,655			29,755		35,410
Interest on Loans	1,077					1,077
Travel	2,279					2,279
Memberships, Dues, Publications	1,818	484			484	2,786
Administrative/Filing Fees	43	53				96
Depreciation	15,066					15,066
Utilities	3,159					3,159
Grounds Maintenance	2,470					2,470
Other Building Expenses	5,211					5,211
Lot Maintenance Expense				12,035		12,035
Indirect Operating Expenses	15,612	2,825	676		2,112	21,225
Lot Inventory Reduction (Cost)				75,600		75,600
	<u>97,554</u>	<u>8,588</u>	<u>2,488</u>	<u>117,435</u>	<u>8,085</u>	<u>234,150</u>
Net Operating Income (Loss)	<u>\$ 198</u>	<u>\$ (937)</u>	<u>\$ (2,395)</u>	<u>\$ (34,935)</u>	<u>\$ 1,167</u>	<u>\$ (36,902)</u>

DRAFT – 1-9-23 as approved by CRDC Board of Directors on 12/21/22

Catawba Regional Council of Governments (CRCOG)

Legacy Revolving Loan Fund (LRLF) – Capital Use Guidelines and Lending Parameters

Background

Catawba Regional Council of Governments' (CRCOG) legacy Revolving Loan Fund (LRLF) was de-federalized by the U.S. Economic Development Administration (EDA) in March of 2022. At the time of de-federalization, CRCOG reported to EDA that the de-federalized grant funds were being utilized as a business revolving loan fund. Loans were eligible to be made in 29 South Carolina counties in the following regions: Catawba, Central Midlands (Richland and Fairfield counties only), Pee Dee, Santee Lynches, Lowcountry, Lower Savannah, and Waccamaw.

As of 6/30/22, the fund balance of the LRLF was approximately \$7.2 million. The LRLF generates approximately \$200-250M of interest and fee revenue, annually. This amount can increase or decrease depending upon the interest rate environment and the amount of cumulative principal deployed.

Before de-federalization--and when the LRLF was still subject to EDA rules and regulations-- CRCOG had to operate under a Board and EDA-approved lending plan that specified geographic coverage areas, types of eligible loans and borrowers, and lending limits/total corporate exposure by borrower category. Prior to the COVID-19 pandemic, EDA also required that the fund meet private leveraging targets, establish that other credit was unavailable elsewhere, and meet job creation/preservation targets on a portfolio basis as established in the lending plan.

While the EDA granted the LRLF funds to the Catawba Regional Council of Governments (CRCOG), CRCOG has authorized and empowered its affiliated lending entity, the Catawba Regional Development Corporation (CRDC), to make all lending decisions for all Catawba Regional loan programs, regardless of which organization is the de facto lender. The CRDC Board (comprised of experienced financial industry and community representatives) is elected by the CRCOG Board, and a governance relationship exists between the two organizations.

Affirmations, Limitations, Prohibitions and LRLF Purposes in Conformity with PWEDA

Under de-federalization terms, some of the aforementioned EDA regulations are neither applicable nor required going forward. Eligible uses of LRLF principal and interest are activities authorized under the federal Public Works and Economic Development Act (PWEDA) of 1965, and as amended in 2004. There is no geographic limitation for where capital may be deployed. The de-federalization agreement identifies that the recipient (i.e. CRCOG) shall adhere to the following affirmations, limitations, and prohibitions:

- A. Recipient shall not use Award Funds to construct schools, community centers, municipal buildings, or otherwise use Award Funds to carry out activities outside of the economic development purposes of PWEDA, nor shall Recipient use Award Funds to pay general costs of government.
- B. Recipient shall not transfer Award Funds to a natural person, for-profit entity, or other entity ineligible for award under sections 3(4) and 209 of PWEDA (42 U.S.C. § 3122(4) and § 3149). For the sake of clarity, Award Funds may be used to contract with for-profit entities for goods and

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With these guiding affirmations, limitations, prohibitions and general purposes in mind, uses of LRLF capital (principal, interest, and net program income) should conform to the above, and any use of capital should be able to be tied to the aforementioned goals and purposes.

Specifically, PWEDA authorizes the following:

1. Public Works and Economic Development:

Eligible Uses: grants to fund the (1) acquisition or development of land and improvements for use for a public works, public service, or development facility; and (2) acquisition, design and engineering, construction, rehabilitation, alteration, expansion, or improvement of such a facility, including related machinery and equipment.

2. Planning and Administrative Expenses:

Eligible Uses: grants to pay the costs of economic development planning and the administrative expenses of organizations that carry out the planning. Specifically, plans shall be for the following: (1) analyzing local economies; (2) defining economic development goals; (3) determining project opportunities; and (4) formulating and implementing an economic development program that includes systematic efforts to reduce unemployment and increase incomes. Furthermore, any overall economic development planning shall be a part of a comprehensive planning process that shall consider the provision of public works to– (A) promote economic development and opportunity; (B) foster effective transportation access; (C) enhance and protect the environment; (D) assist in carrying out the workforce investment strategy of a State; (E) promote the use of technology in economic development, including access to high-speed telecommunications; and (F) balance resources through the sound management of physical development.

3. Training, Research and Technical Assistance

Eligible Uses: grants for training, research, and technical assistance, including grants for program evaluation and economic impact analyses, that would be useful in alleviating or preventing conditions of excessive unemployment or underemployment. Grants may be used for– (A) project planning and feasibility studies; (B) demonstrations of innovative activities or strategic economic development investments; (C) management and operational assistance; (D) establishment of university centers; (E) establishment of business outreach centers; (F) studies evaluating the needs of, and development potential for, economic growth of areas that have substantial need for the assistance; (G) studies that evaluate the effectiveness of coordinating projects funded...with projects funded under other (sources) Acts; and (H) assessment, marketing, and establishment of business clusters.

4. Economic Adjustment

Eligible Uses: Grants that fund the development of public facilities, public services, business development (including funding of a revolving loan fund), planning, technical assistance, training, and any other assistance to alleviate long-term economic deterioration and sudden and severe economic dislocation and further the economic adjustment objectives of PWEDA.

(1) the project will help the area to meet a special need arising from– (A) actual or threatened severe unemployment; or (B) economic adjustment problems resulting from severe changes in economic conditions; and

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business. Corporate entities deemed to be affiliated by ownership and/or operating structure shall also generally be required to be guarantors. For non-profits and political subdivisions, pledges of general revenue and/or alternate project collateral, such as capital campaign funds and/or pledges, shall be considered as additional support for individual loans.

- Loans to small businesses and non-profits may fund working capital needs and fixed assets. Loans may not be used to acquire equity interests in another business/entity, or to replace equity with debt.
- Loans to non-profits, political subdivisions, or units of local government shall be for specific and compelling economic development purposes (job creation/preservation, to support new industry or infrastructure related to new industry, commercial cluster growth, etc.), including brownfield project cleanup and redevelopment.
- Loans to for-profit businesses may be made for any legal business purpose or enterprise, with the exception that no loans shall be made to fund costs/equipment/assets related to activities of a prurient nature or to businesses whose primary source of income and/or revenue is derived from activities of a prurient nature.
- Loan amortizations shall match the use of funds and generally shall be less than the economic life of the collateral (if secured by real property or equipment), but in no case shall an amortization period extend beyond 25 years. The term of each loan shall be consistent with the risk of the transaction, useful life of the collateral securing the debt, and/or the purpose of the loan. Loan terms (i.e. balloon periods of 2, 3, 5, or 7 years) shall be utilized when an amortization period of a loan is beyond 7 years.
- LRLF loans may be stand-alone or made in tandem with another lending source and may be secured by first or subordinate lien positions on acceptable collateral with acceptable loan to value. When made in tandem with an external lending source, the LRLF shall finance at least 33% of the total project costs. It shall be an exception, requiring specific Board approval, for the loan to value to exceed 100% of the total value of all properly discounted collateral securing the loan. Collateral values shall be determined by external source (i.e. tax records, MAI appraisals, etc.) and specified in the credit approval memo.
- No permanent LRLF loan may exceed \$500,000. Total corporate exposure when using the LRLF plus another CRCOG and/or CRDC source may not exceed \$1,000,000.
- A loan-loss reserve of up to 5% may be established to support the pool of LRLF loans. Each loan shall be risk rated at inception and at least annually thereafter based upon payment performance and borrower financial information.
- Loans may be made in any South Carolina county, and capital shall be available based upon market demand.
- The minimum interest rate is 1%, and rate maximums shall conform to SC usury statute. When practical/possible, a commitment fee shall be charged for any loan commitment. Generally, one-half (50%) of commitment fees are due and payable at commitment acceptance, with the remaining half (50%) of commitment fees paid at closing. All commitment fees, regardless of whether or not a loan actually closes, are considered fully earned and payable to CRCOG.
- Refinance and/or restructure of existing debt is allowed, subject to a clear and compelling economic benefit to the borrower beyond the benefit of a lower interest rate (i.e. longer term, higher loan to value, etc.).

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commercial or residential property. Borrowers must occupy, on a permanent basis, at least 50% of any real estate which is being financed by the LRLF.

Loan Servicing and Workouts

In general, the LRLF will follow the processes and procedures outlined in the CRDC Lending Procedures and Internal Control Manual. Hazard and key person life insurance and federal tax returns and corporate financial statements are collected, spread, and risk ratings of LRLF loans shall be re-affirmed annually. If the loan is current and all required information has been received or evidence of an extension (i.e. tax return) has been provided, site visits/collateral inspections shall be required every other year until the collateral advance rate is below a 50% cumulative loan to value. If required information has not been received and/or evidence of an extension (i.e. tax return) has not been provided, site visits/collateral inspections will be required annually regardless of cumulative loan to value. If the borrower is delinquent more than 60 days, a site visit and client meeting shall be held within 30 days. Any recovered loan principal (after write-down and/or charge-off) shall be considered as income in the current period, with eligible uses as identified under LRLF Interest and Fees above. The CRDC Board of Directors shall allocate, based upon the recommendation of staff, any reserves necessary to minimize the negative financial impact of impaired and/or charged-off loans.

Exceptions to Guidelines and Lending Parameters

The CRDCOG Board delegates authority to the CRDC Board of Directors for all lending decisions and any exceptions to be made under these Guidelines and Lending Parameters. Exceptions may be made by vote of the CRDC Board with a majority of the members present voting in the affirmative to grant an exception. In no case shall any exception violate any of the restrictions and/or provisions of the EDA Defederalization Agreement or PWEDA.

Future Changes to Guidelines and Lending Parameters

If the CRDC Board believes, based upon a staff or other recommendations, that permanent change(s) in LRLF Guidelines and Lending Parameters are necessary and prudent for the fiscally sound and productive operation of the LRLF in the future, any of the aforementioned Guidelines and Lending Parameters may be modified with 75% of the CRDC Board members present voting in the affirmative to make a permanent change. In no case shall any modified Guideline or Lending Parameter violate or contravene provisions of the EDA Defederalization Agreement or PWEDA.