



MINUTES

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

BOARD OF DIRECTORS MEETING

January 12, 2021, 12:00 P.M.

By Public Teleconference

(866) 845-1266, 65069804#

- I. Chairman Hopper opened the meeting at 12:10 and welcomed the Board and guests. Mr. Pisons was asked to conduct a roll call for the telephonic meeting:
 - A. Board Directors present: Vice Chairman Neil Amin, The Honorable Manju Ganeriwala, Mr. Linh Hoang, Mr. Corey Holeman, Chairman John Hopper, Mr. Ronnie Johnson, Mr. Michael Joyce, Ms. Jennifer Mayton, Mr. Sanjay Puri, Mr. William Smith
 - B. Board Directors absent: Ms. Susana Marino
 - C. VSBA Staff present: Mr. Howard Pisons, Ms. Anna Mackley, Ms. Linda Tackett, Ms. Karen White, Ms. Robin Foster, and Ms. Todd Boyle
 - D. Others present: Mr. Thomas Rea, Senior Vice President and Market President, Bank of the James, Shenandoah Valley
- II. Chairman Hopper called the meeting to order and read the Emergency Declaration allowing public board meetings and hearings to be held by toll free telephonic conferencing due to the COVID-19 state-of-emergency.
- III. Approval of Minutes

A motion was made by Ms. Ganeriwala and seconded by Mr. Joyce to approve the 12/8/2020 Board of Directors Meeting minutes. Mr. Pisons called the roll. Voting aye: Vice Chairman Amin, Ms. Ganeriwala, Mr. Hoang, Mr. Holeman, Mr. Hopper, Mr. Johnson, Mr. Joyce, Ms. Mayton, Mr. Puri, and Mr. Smith. Voting nay: None.

The Public Hearing was declared open at 12:16 p.m.

- IV. Loan Guaranty Program Request

Ms. Mackley presented a request from the Bank of the James (BOJ) to guaranty the lower of 75% or \$750,000 of a \$3,500,000 Line of Credit (LOC) it is proposing for Augusta Cooperative Farm Bureau, Inc. (ACFB). The LOC is a component of a debt restructure for ACFB to buyout its existing pension plan. By doing so, ACFB should incur annual savings to improve profitability and position it for long-term growth.

The proposed LOC will be secured by a first priority lien on all business assets, with the exception of ACFB's commercial real estate which will secure BOJ's fifteen-year term loan of \$3,936,000 that will be supported by the USDA Business and Industry Guarantee program. The LOC will also be secured by a second deed of trust behind the USDA. Because ACFB is a cooperative

personal guarantees are not available for either loan.

Ms. Mackley and Mr. Rea presented an overview of ACFB business model and financial performance. Pursuant to the presentation questions raised by Messrs. Johnson, Hopper and Joyce, and Ms. Ganeriwala, found that:

1. The LOC has a one-year term with four annual renewals for a five year maximum term potential. VSBFA would receive a one-time fee of 1.50% at closing and no fee for the annual renewals
2. BOJ is seeking assistance from the VSBFA to help mitigate economic uncertainty, lower than expected real estate values, and no personal guarantees
3. The most recent interim financial statements reviewed were 6/30/2020 and cash flow projections were not submitted

A discussion ensued with respect to requiring the continuation of audited financial statements as a condition of approval. Mr. Rea requested flexibility on that matter which the Board agreed for the BOJ to use their discretion to require them or not. Having no further discussion the Board required a review of 9/30/2020 interim financial statements, or better, and monthly cash flow projections satisfactory to the VSBFA prior to closing. Ms. Mackley noted that the USDA also required cash flow projections.

Chairman Hopper called for the motion to approve the loan guaranty request. Ms. Ganeriwala motioned for approval subject to VSBFA satisfactory review or 9/30/2020 interim financial statements or better and cash flow projects before closing. The motion was seconded by Mr. Smith and approved by the Board by roll call. Mr. Pisons called the roll. Voting Aye: Vice Chairman Amin, Ms. Ganeriwala, Mr. Hoang, Mr. Holeman, Mr. Hopper, Mr. Johnson, Mr. Joyce, Ms. Mayton, and Mr. Smith; Voting Nay: None, Abstained: Mr. Puri

V. Board Review and Ratification of Loans Approved and Declined by Staff

Ms. Mackley reviewed the list of approved and declined loan applications that were submitted for ratification. Ms. Mackley explained that VSBFA is expanding the information requested for greater balance of our credit review. Pursuant to brief remarks from the Board, Mr. Hopper called to ratify the loans presented by roll call. Mr. Pisons called the roll. Voting Aye: Vice Chairman Amin, Mr. Hoang, Mr. Holeman, Mr. Hopper, Mr. Johnson, Mr. Joyce, Ms. Mayton, Mr. Puri, and Mr. Smith; Voting Nay: None; Abstained: Ms. Ganeriwala

VI. Public Comment Period

Chairman Hopper called for comments from the attending public. Hearing none the comment period and the Public Hearing was closed at 1:37 p.m.

VII. Other Business

A. Update. VSBFA \$750,000 EDLF for Churches in One Accord (COA), dba Center for Global Diplomacy in Virginia Beach. Mr. Pisons recalled for the Board that COA was counting on our \$750,000 loan plus a \$750,000 grant from the City of Virginia Beach to purchase the subject property to re-open a child day care center (Phase 1), then develop 35 LIHTC units 12-18 months after closing the subject acquisition (Phase 2). Fulton Bank was providing the development loan which would extinguish our loan when that loan was closed.

Mr. Pisons explained that on 12/16/2020, a meeting with the DHNP Director, Fulton Bank Lender and Dr. Williams (Borrower) was convened to discuss the terms and conditions of DHNP's commitment letter.

1. The DHNP Director explained that the commitment is subject to conditions and with the understanding that the actual funding would not be provided unless and until all the requirements are met.
2. Significantly, funding would be provided only as part of the closing on the financing of the affordable LIHTC development project which is Phase II and not for Phase I, the acquisition of the property which Borrower needs to accomplish to proceed to Phase II.
3. The DHNP capital would be structured as a no-interest forgivable loan (no debt service requirements), versus a grant, as a mechanism to file a Second Deed of Trust in case the project does not succeed.
4. Borrower has two deliverable hurdles: 3/10/2022 and 7/15/2022 to complete tax credit applications and receive tax credit funding, respectively; and 9/30/2022, if Borrower fails to close both the acquisition funding (VSBFA) and development financing (Fulton Bank).

Pursuant to these findings, Mr. Pisons asked the Board if it would consider increasing our loan from \$750,000 to \$1,000,000. Borrower would then approach Seller with a million dollar payment and a request for \$500,000 of Seller financing for one year, with the same pricing and amortization as our loan. It is also understood that the VSBFA will maintain a first deed of trust, however, our loan to value will increase from approximately 47% to 63%.

The Board said it would be interested in a presentation by Mr. Pisons to consider his request. Mr. Pisons informed the Board that time was of the essence and therefore planned to poll the Board for approval by distributing his Credit Approval Memorandum to them next week.

- B. Introduced Jennifer Mayton as Interim SBSA Agency Director
- C. Update on VSBFA response to JLARC's 8/2020 Audit Report
- D. Update on Rebuild VA wind down: responding to inquiries and requests to appeal denial decision; and positioning for reopening should additional stimulus funds become available by Congress or the State
- E. Update on VSBFA staffing and new Executive Assistant to start on 1/25/2021.

VIII. The meeting was adjourned at 1:53 pm.