

**B**  
**B**  
**C**  
BUSINESS  
DEVELOPMENT  
CORPORATION  
OF NORTHEAST FLORIDA, INC.


*Baker • Clay • Duval • Flagler • Lake • Nassau • Putnam • Seminole • St. Johns • Volusia*

*An SBA-Certified Development Company*

**MEMORANDUM**

Date: November 30, 2006

To: Business Development Corporation of Northeast Florida, Inc.  
Membership and Board of Directors

From: Brian D. Teeple, AICP -- President and CEO 

Re: December 7, 2006 – BDC Board Meeting

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A meeting of the Business Development Corporation of Northeast Florida, Inc Board of Directors will be held on Thursday, December 7, 2006, at 00 a.m. at the Northeast Florida Regional Council, 6850 Belfort Oaks Place, Jacksonville, FL, 32216.

**Business Development Corporation of Northeast Florida, Inc.**

Board of Directors Meeting

**AGENDA**

December 7, 2006

Northeast Florida Regional Council

10:00 am

1 Call to Order, Roll Call, Introductions

\* 2. Approval of Minutes

3. Update on BDC Status

\* 4. Dissolution of the BDC Membership

5. Any other business

6. Next Meeting Date and Location:

January 4, 2007

Business Development Corporation of Northeast Florida, Inc.

6850 Belfort Oaks Place

Jacksonville, FL 32216

7. Adjournment

\*Denotes Action Item

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# Agenda

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## Item

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**Minutes of the  
Business Development Corporation's  
Board of Directors Meeting  
August 4, 2005**

A meeting of the Board of Directors of the Business Development Corporation was held on Thursday, August 4, 2005, at 6850 Belfort Oaks Place, Jacksonville, FL 32216. Chairman Kanbar called the meeting to order with the following members present representing a quorum:

Linda Myers	Brad Purcell
Charles Prachar	Bob Sgroi
Clare Berry	Bob Spaeth
Rea Fleckenstein	Karen Stern
Blair Kanbar	Wes Larson
Joann King	Vernon Myers
Don Crichlow	

Excused Absence: Ginger Barber, Jerry Holland, Mary Lawson-Brown, Harry Waldron, James Weaver, Jim Swanson

Staff: Steve Mahaven, Brian Teeple, Barbara Rovedo and Peggy Conrad

Mr. Teeple called attention to the organizational structure of the Business Development Corporation and the flowchart containing information regarding the purpose and roll of the Membership, Board of Directors, and the Executive Loan Committee.

\*Approval of Minutes

**Mayor King moved approval of the February 10, 2005, meeting's minutes; seconded by Mr. Sgroi; motion unanimously carried.**

BDC Website Preview

Mr. Mahaven called attention to the new BDC website and stated this was still under construction but would be available within the next 30-60 days. There are several links available to applications, electronic newsletters, success stories, and links to all county developments served. Mr. Mahaven called attention to the two new BDC logos being considered and stated that members' comments are invited.

Portfolio Summary Report

Mr. Mahaven stated that the Portfolio summary included loans approved by the SBA or in the process of being closed. Through July 27, 2005, there are 27 loans that have been approved by SBA and as soon as they are closed they will be added to the portfolio for servicing.

Executive Director's Report

Mr. Mahaven called attention to an updated loan list through August 1, 2005, and the NADCO newsletter.

Mr. Mahaven mentioned that Mr. Harry Waldron and Mr. Bill Beurmann had recently retired and so two new Executive Loan Committee members are being sought.

Next Meeting Date and Location

The next meeting will be held on Thursday, February 2, 2006, at the Business Development Corporation of Northeast Florida, Inc. 6850 Belfort oaks Place, Jacksonville, FL 32216.

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Steven E. Mahaven, Executive Director

# Agenda

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## Item

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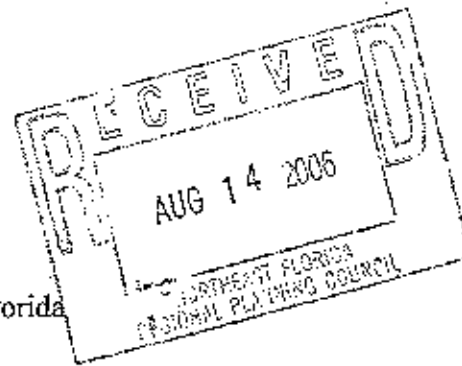
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U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

AUG 8 2006

Mr. Steven E. Mahaven  
Executive Director  
Business Development Corporation of Northeast Florida  
6850 Belfort Oaks Pl.  
Jacksonville, FL 32216



Dear Mr. Mahaven:

During our review of Business Development Corporation of Northeast Florida, Inc 's (the "CDC") ALP renewal, we have identified issues that need to be addressed to bring the CDC into regulatory compliance. Detailed below are our findings and the corrective actions that will need to be taken.

#### **MEMBERSHIP**

The CDC Membership must be comprised of representatives from government organizations, financial institutions, community organizations, and local businesses who actively support economic development in the Area of Operations. The regulation also prohibits any individual or entity from controlling more than 10% of the CDC's voting membership [13 CFR §120.822(a)].

We have reviewed Membership of the CDC and have noted the following:

- Thirty (30) of the thirty-five (35) members (which equates to 85.7% of the total membership) are members of the Northeast Florida Regional Council (Council) which is also the professional services contractor.

The composition of the CDC's Membership will need to be restructured to comply with the regulation.

#### **BOARD of DIRECTORS**

The CDC must have a Board of Directors elected from the Membership representing three (3) of the four (4) Membership groups where no single group shall have control (13 CFR §120.823). In addition, the CDC contracts professional services from the Council. SBA regulations state "No contractor (under this section) or Associate of a contractor may be a voting or non-voting member of the CDC's Board." [13 CFR §120.824(f)].

SBA IS AN EQUAL OPPORTUNITY EMPLOYER AND PROVIDER

Our review of the CDC's Board of Directors noted the following:

- Four (4) of the Board members are not Members of the CDC.
- Eleven (11) of the twenty (20) Board members are representatives of the Council. The Council represents the "Community Organization" which represents one of the four (4) "Membership Groups." As a result, one group controls.
- The Council which also is the contractor is sitting on the Board of Directors.

The composition of the CDC's Board of Directors will need to be restructured and, simultaneously, will need to ensure that no contractor or Associate of a contractor is a voting or non-voting member of the CDC's Board.

### **PROFESSIONAL SERVICES CONTRACT**

The review of the professional services contract between the CDC and the Council was conducted in accordance with the regulations as cited in 13 CFR §120.824 and Procedural Notice 5000-787. Contracts for professional services contracts must be approved in advance by SBA.

Our review of the existing contract has determined that in order for the contract to comply the following terms and conditions must be added:

- The compensation must be broken down by individual or position.
- The actual rate of compensation for each person/position must be stated as an hourly rate in the contract (or in an attachment to the contract).
- The contract must provide a basis that the fees are customary and reasonable for similar services in the area.
- The contract must include a provision that allows the CDC to terminate the contract without penalty prior to the expiration of the contract (usually 30 to 60 days).
- The term of the contract must be clearly stated.
- The contract must contain a statement that payment is for services actually performed.
- The contract must contain a statement prohibiting the contractor from requiring a borrower to purchase other services from the contractor as a condition of the contractor's performing CDC staff or management functions.

Please provide a draft of the revised contract that includes the above referenced items in order to satisfy SBA's requirements as stated in 13 CFR §120.824 and Procedural Notice 5000-787.

## **ARTICLES OF INCORPORATION**

Our review of the Articles of Incorporation finds them to be in compliance. However, detailed below is a recommendation for your consideration.

### **ARTICLE II – CORPORATION PURPOSE**

SBA's current regulations expand the Area of Operations for all CDCs to operate in the entire state of its incorporation. You may wish to expand the CDC's Area of Operations as it is currently limited to the counties of Baker, Clay, DuVal, Flagler, Nassau, Putnam, and St. John's.

### **BY – LAWS**

We have reviewed the By-laws and have identified areas that will need to be amended to bring the CDC into compliance with SBA's requirements. Where applicable, the use of regulatory language (not the numerical citations) and other requirements must be incorporated into the amendments.

### **ARTICLE II – OFFICE & BOUNDARIES**

Currently, this article identifies the CDC's Area of Operation to be Baker, Clay, DuVal, Flagler, Nassau, Putnam, and St. John's counties.

We recommend that this article be amended to reflect the CDC's ability to expand its Area of Operation to reflect SBA's regulatory limit. (This revision is optional.)

### **ARTICLE III – MEMBERSHIP**

Section 4: Power and Voting Rights – "No member or entity shall own or control more than 10% of the CDC's voting membership." [13 CFR 120.822 (a)].

### **ARTICLE IV – MEETINGS**

SBA requires that a quorum must be present for the Members to transact business. SBA defines a quorum as the presence in person or by proxy, of at least 51% of the membership entitled to vote

### **ARTICLE V – BOARD OF DIRECTORS**

Section 2: Number, Terms of Office, and Method of Election – Board of Directors must be elected from the Membership. Additionally, three (3) of the four (4) membership groups must be represented with at least one member other than the CDC manager having commercial lending experience. No single group shall have control [13 CFR §120.822 (a)].

Section 12: Vacancies – SBA permits the Board of Directors to fill interim vacancies on the Board of Directors. However, any individual filling an interim vacancy must stand for election at the next Annual or Special Meeting of the Members, whichever occurs first.

No contractor or an Associate of a contractor may be a voting or non-voting member of the CDC's Board [13 CFR 120.824(f)].

**ARTICLE VII – COMMITTEES**

The Executive Loan Committee is comprised of the Chair of the Corporation and six (6) other members of the corporation and/or financial community. SBA regulation, 13 CFR 120.824(a), permits the Board to establish a Loan Committee of non-Board members; the committee must:

- Report to the Board;
- Include at least one member with commercial lending experience acceptable to SBA;
- Have all members of the Loan Committee live or work in the Area of Operations of the State where the 504 project they are voting on is located; .
- Not have any CDC staff serving on a Loan Committee;
- Have a quorum of at least five (5) committee members who are authorized to vote;
- Have the CDC's Board ratify all actions of any Loan Committee; and
- Not have any actual or apparent conflict of interest with respect to any actions of the Loan Committee.”

**FINANCIAL ABILITY TO OPERATE**

“A CDC must be able to sustain its operations continuously, with reliable sources of funds (such as income from services rendered and contributions from government or other sponsors). Any funds generated from 503 and 504 loan activity by a CDC remaining after payment of staff and overhead expenses must be retained by the CDC as a reserve for future operations or for investment in other local economic development activity in its Area of Operations.” (13CFR§120.825).

A review of the CDC's audited financial statements for the FY 2005 reveals that it has a surplus of Operating Income and Net Income for that year alone. However, the CDC has a Net Deficit in the amount of \$293,201 as a result of the carry over amount. In the same report, FY 2004 shows an Operating Loss and Net Loss of \$64,048 with a Net Deficit of \$357,249. As a result, the CDC's financial ability to operate is called into question.

Please provide an explanation of the nature of the losses and the deficit net worth including the steps being taken to bring the CDC into compliance with this regulation.

**CONTROL/AFFILIATION**

“Concerns are affiliates of each other when one concern controls or has the power to control the other, or a third party or parties controls or has the power to control both. SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists.” (13 CFR§120.103)

In order to better understand the relationship of the CDC and the Council, we reviewed the FY 2005 audited financial statements in the Annual Report. In **Note A – Organization and Significant Accounting Policies** of the audit report, it states that CDC “... was formed by, and is a blended component unit of the Northeast Florida Regional Council (the Council). The Corporation falls under the scope of the audit of the

Council and its financial information is included in the Council's audited financial statements for the year ended September 30, 2005 that the Council has consolidated financial statements which includes BFC. In **Note B- Related Party Transactions** of the CDC's FY 2005 audit report, it states that "The Corporation's cash balance is part of a cash investment pool that is maintained by the Northeast Florida Regional Council. . . This allows the Council the ability to manage the daily cash position. The 'Equity in Cash Pool' consists of cash owned by the Corporation and is defined as resources that can be liquidated without delay or penalty. The amount of cash pool owned by the Corporation as of September 30, 2005 was \$201,459. The amount due the Council at September 30, 2005, resulting from a net cumulative operating deficit since the Corporation's inception is \$293,201."

The presence of the Council (contractor) on the CDC's Board and the auditor's comments relative to the CDC being a "component unit" of the Council make it evident that control or power to control exists with the Council.

Therefore, we have determined that Business Development Corporation of Northeast Florida is an affiliate of the Northeast Florida Regional Council. Our regulations and policies require that the CDC be independent and not controlled by any other entities, as we only regulate the CDC not the other entity.

The CDC must take immediate steps to redefine its relationship with the Council so that it is neither an affiliate of or controlled by the Council.

We welcome the opportunity to discuss the issues raised in this letter. If you should have any additional questions, please contact me at (202)- 205-7238.

Sincerely,



A. B. McConnell, Jr.  
Chief, 504 Program Branch

cc: Wilfredo Gonzalez – District Director, North Florida District Office  
Veronica Wallace – Team Leader, North Florida District Office

# Agenda

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## Item

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**BUSINESS DEVELOPMENT CORPORATION  
OF NORTHEAST FLORIDA  
BOARD OF DIRECTORS**  
(as of 11-30-06)

Ms. Ginger Barber  
Baker County Chamber of  
Commerce  
20 E. Macclenny Avenue  
Macclenny, FL 32063  
(B) 259-6433 (H) 259-2545  
FAX: 259-2737  
*Community Representation (B)*

Ms. Ros Fleckenstein  
Summit Contractors  
2604 Tacita Trail  
Jacksonville, FL 32223  
(IE) 268-3487  
*Business Representation (D)*

Hon. Inar n B. King  
Mayor of Bunnell  
P.O. Box 276  
Bunnell, FL 32110  
(B) 437-7500 (H) 437-3241  
FAX: 437-7503  
*Government Representation (F)*

Ms. Mary Lawson-Brown  
Brown Funeral Home  
201 North 2<sup>nd</sup> Street  
Palatka, FL 32177  
(B) 325-4544  
*Business Representation (E)*

Hon. Brad Purcell  
Putnam County Commissioner  
105 Point of Woods Trail  
Palatka, FL 32177  
(B/H) 904-328-9725  
*Government Representation (F)*

Mr. Robert 'Bob' Spaeth  
Nassau Chamber of Commerce  
Member  
82 Marsh Creek Road  
Amelia Island, FL 32034  
(904) 261-7427  
*Community Representation (N)*

Hon. Karen Stern  
**Vice Chairman**  
St. Johns County Commissioner  
P.O. Drawer 349  
St. Augustine, FL 32085-0349  
(B) 904-823-2402  
(Fax) 904-823-2362  
*Government Representation (St. J)*

Hon. Don Crichtow  
City of St. Augustine Commissioner  
24 Cathedral Place, Suite 300  
St. Augustine, FL 32084  
*Government Representation (St. J)*

Mr. Wes Larson  
**Loan Committee Member**  
President - Putnam County Chamber  
of Commerce  
P O Box 550  
Palatka, FL 32178-0550  
*Community Representation (E)*

Mr. Vernon Myers  
**Loan Committee Member**  
1419 Reid Street  
Palatka, FL 32177  
*Financial Representation (F)*

Mr. Harry Waldron  
**Loan Committee Member**  
118 Colton Avenue  
St. Augustine, FL 32084  
*Business Representation (F)*

Mr. James W. Weaver  
**Loan Committee Member**  
AVP-SBA/Commercial Lending  
First Coast Community Bank  
1750 South 14<sup>th</sup> Street  
Fernandina Beach, FL 32034  
*Financial Representation (N)*

Mr. Jim Swanson  
**Loan Committee Member**  
First Federal Bank of North Florida  
2501 U.S. One South  
St. Augustine, FL 32086  
*Financial Representation (St. J)*  
(904)-461-1481

**BUSINESS DEVELOPMENT CORPORATION  
OF NORTHEAST FLORIDA  
MEMBERSHIP**

11/30/06

Ms. Ginger Barber  
Baker County Charaber of  
Commerce  
20 E. Macclenny Avenue  
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Ms. Rea Fleckenstein  
Summit Contractors  
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*Business Representation (D)*

Hon. Joann B. King  
Mayor of Bunnell  
P.O. Box 276  
Bunnell, FL 32110  
(B) 437-7500 (H) 437-3241  
(Fax) 437-7503  
*Government Representation (F)*

Ms. Mary Lawson-Brown  
Brown Funeral Home  
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(B) 325-4544  
*Business Representation (F)*

Hon. Brad Purcell  
Putnam County Commissioner  
105 Point of Woods Trail  
Palatka, FL 32177  
(B/H) 904-328-9725  
*Government Representation (E)*

Mr. Robert "Bob" Spaeth  
Nassau Chamber of Commerce  
Member  
82 Marsh Creek Road  
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(904) 261-7427  
*Community Representation (N)*

Mr. Hugh D. Fish Jr.  
Attorney at Law  
P.O. Box 531  
Macclenny, FL 32063  
(B) 904-259-2737  
(Fax) 904-259-3485  
*Business Representation (B)*

Hon. Harold Rutledge  
Clay County Commissioner  
P O Box 1366  
Green Cove Springs, FL 32043  
(B) 904-269-6376  
(Fax) 904-278-4731  
*Government Representation (C)*

Ms. Mary Louise D. Agay  
H. Smith, Inc.  
One San Jose Place, Suite 7  
Jacksonville, FL 32257  
(B) 904-268-9990  
*Business Representation (D)*

Mr. Chip Laibl  
Laibl Tire  
514 Reid Street  
Palatka, FL 32177  
(B) 386-325-7835  
*Business Representation (F)*

Mr. Harry Maxwell  
Florida East Coast Railway  
P O Box 2213  
St Augustine, FL 32085  
(B) 904-794-0035  
*Business Representation (St. J)*

Ms. Linda Burnette  
SJRWMD  
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Palatka, FL 32178-1429  
(B) 386-329-4289  
(Fax) 386-329-4125  
*Government Representation (F)*

Hon. Karen Stern  
1100 Kilmarin Court  
St. Augustine, FL 32084  
St. Augustine, FL 32085-0349  
(B) 904-823-2402  
*Community Representation (St. J)*

Mr. Larry Parks FDOI Director of  
Planning & Production District  
Two  
1109 South Marion Avenue  
Lake City, FL 32025-5874  
(B) 386-961-7850  
*Government Representation (E)*

Mr. Gregory Strong  
FDOI Dir. of Dist. Mgmt  
7825 Baymeadows Way  
Suite B-200  
Jacksonville, FL 32256-7577  
(B) 904-807-3201  
*Government Representation (D)*

Mr. James Flecher  
Comm City of Atlantic Beach  
340 Garden Lane  
Atlantic Beach, FL 32233  
(B) 904-247-3600  
*Representation (AB)*

Ms. Carol A. Valler court  
Clay County School Board  
3345 Shenandoah Drive West  
Orange Park, FL 32065  
(B & H) 904-264-1589  
*Government Representation (C)*

Hon. Don Crichtlow  
City of St. Augustine Commission  
24 Cathedral Place, Suite 300  
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*Government Representation (St. J)*

Ms. Deidra O. Franklin  
2455 Stockton Street  
Green Cove Springs, FL 32043  
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*Business Representation (C)*

Hon. Tom Branan  
Nassau County Commissioner  
97540 Pirates Way  
Yulee, FL 32097  
(H/Fax) 904-261-7739  
(Call) 904-753-3489  
*Government Representation (N)*

Hon. Elaine Brown  
Councilwoman - Jacksonville City  
Council  
117 West Duval Street, Suite 425  
Jacksonville, FL 32202  
(B) 904-630-1381  
*Government Representation (D)*

Mr. Bill Basford  
4330 Raggedy Point Road  
Flaming Island, FL 32003  
(B) 904-278-9100  
(F) 904-278-0088  
*Business Representation*

Mr. Wes Larson  
*Loan Committee Member*  
President - Putnam County Chamber  
of Commerce  
P O Box 550  
Palatka, FL 32178-0550  
*Community Representation (F)*

Mr. Vernon Myers  
*Loan Committee Member*  
1419 Reid Street  
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*Financial Representation (F)*

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*Loan Committee Member*  
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St. Augustine, FL 32084  
*Business Representation (F)*

Mr. Jim Swanson  
*Loan Committee Member*  
First Federal Bank of North Florida  
2501 U.S. One South  
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*Financial Representation (St. J)*

Mr. James W. Weaver  
*Loan Committee Member*  
VP-SBA/Commercial Lending  
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*Financial Representation (N)*