



**Buffalo and Erie County Regional Development Corporation
Meeting of the Board of Directors**

**December 18, 2024
At 12:00 p.m.**

**ECIDA Offices
95 Perry Street, 4th Floor Conference Room
Buffalo, New York 14203**

- 1.0 Call to Order**
- 2.0 Approval of Minutes**
 - 2.1 Approval of October 23, 2024 Minutes of the Board of Directors (Action Item) (Pages)
- 3.0 Reports / Action Items / Information Items:**
 - 3.1 Financial Report (Informational) (Pages)
 - 3.2 Loan Status Report (Informational) (Page)
 - 3.3 Approval of Sumitomo Employee Loan Fund (“SELF”) (Action Item) (Pages)
- 4.0 Management Team Reports:**
 - 4.1
- 5.0 Adjournment- Next - Meeting January 22, 2024**

**MINUTES OF THE MEETING
OF THE
BOARD OF DIRECTORS
OF THE
BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
(RDC)**

DATE AND PLACE: October 23, 2024, at the Erie County Industrial Development Agency, 95 Perry Street, 4th Floor Conference Room, Buffalo, New York 14203

PRESENT: Denise Abbott, Rev. Mark Blue, Patrick Boyle, Hon. Joseph H. Emminger, Hon. John J. Gilmour, Michael P. Hughes, Hon. Brian Kulpa, Richard Lipsitz, Jr., Brenda McDuffie, Glenn R. Nellis, Hon. Brian Nowak, Hon. Christopher P. Scanlon and Kenneth A. Schoetz

EXCUSED: James Doherty, Thomas R. Emmerling, Dottie Gallagher, Tyra Johnson and Hon. Mark C. Poloncarz

OTHERS PRESENT: John Cappellino, President & CEO; Beth O’Keefe, Vice President of Operations; Mollie Profic, Chief Financial Officer; Atiqa Abidi, Accounting Manager; Grant Lesswing, Director of Business Development; Daryl Spulecki, Assistant Loan Manager; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Soma Hawramee, Compliance Portfolio Manager; Brian Krygier, Director of Information Technology; Michelle Moore, Compliance Associate; Elizabeth Hughes, General Counsel/Harris Beach PLLC and Robert G. Murray, Esq., General Counsel/Harris Beach PLLC

GUESTS: Zachary Evans on behalf of Erie County; Daniel Castle on behalf of Erie County; Yessica Vasquez on behalf of City of Buffalo; Jonathan Epstein on behalf of the Buffalo News; J. Dale Shoemaker on behalf of Investigative Post

There being a quorum present at 12:30 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by its Chair, Ms. McDuffie.

MINUTES

The minutes of the September 24, 2024, meeting of the members, were presented. Mr. Kulpa moved, and Mr. Nellis seconded, to approve of the minutes. Ms. McDuffie called for the vote, and the minutes were then unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Finance and Audit Committee Update. Ms. Profic advised that the committee last met on September 17 and noted we are coming to the end of our 2025 budget process. The Board will be asked to vote on the 2025 budget today in order to meet the November 1 ABO deadline. Mr. Lipsitz directed that the report be received and filed.

Approval of 2025 Proposed Budget. Ms. Profic reviewed the RDC's 2025 proposed budget. Ms. Profic explained the narrative portion which gives an overview of the budget and any changes, along with risk factors impacting the budget. Budgeted revenues consist of mainly interest income from loans, at \$600,000 based on anticipated loan closings by the end of 2024. Budgeted expenses are made up mainly of the ECIDA Management Fee (salary and benefit costs of ECIDA staff based on time spent on RDC business) and a provision for loan losses, estimated at 1.8% of projected outstanding loans or \$300,000. The budgeted figures result in budgeted net income of \$25,625. Ms. Profic noted the provision for loan losses is a conservative estimate and the budget is broken out by loan fund. Ms. Profic also reviewed the 3-year forecast as required by the ABO.

Mr. Nellis moved and Mr. Scanlon seconded to approve of the 2025 proposed Budget. Ms. McDuffie then called for the vote and the motion was unanimously approved.

Governance Committee Update. Ms. Profic advised the Board that the Governance Committee met on October 18 to review the recommendations for professional legal services. She advised this was the culmination of about a 4 month process, as documented below:

- RFP developed with feedback from staff, Governance Committee, prior RFP
- RFP distributed in July via multiple channels to reach as many firms as possible
- 5 proposals were received – firms were invited to propose on any combination of positions, however no contingent proposals were permitted
- Staff committee reviewed and scored proposals based on the qualifications and experience of assigned attorneys as well as the firm overall, proposed hourly rates/fees, and M/WBE development.
- After the initial scoring, the committee interviewed 3 firms
- After the interviews were complete, the staff committee regrouped to discuss overall recommendations based on the results of the interviews

Ms. Profic advised that the Governance Committee concurred with the staff committee's recommendations and requested the Board approve entering into contracts with the recommended firms and noted that the contracts will be for a period of three years, with 2 one-year extensions available (can be exercised with Governance Committee approval).

Ms. McDuffie then asked for a motion authorizing the President, Executive Vice President, Treasurer and/or Assistant Treasurer to enter into a contract for legal services with each of the following law firms as recommended by the Governance Committee: Harris Beach as General Counsel, Tax-Exempt Bond Counsel-conflict counsel and Loan Counsel-conflict counsel, Hodgson Russ as Tax-Exempt Bond Counsel; and Hurwitz & Fine as Loan Counsel and

General Counsel-conflict counsel. Mr. Schoetz moved, and Mr. Kulpa seconded, to engage the aforementioned law firms as noted. Ms. McDuffie called for the vote and the motion as unanimously approved.

Loan Status Report. Mr. Spulecki provided this report to Board members. Ms. McDuffie directed that the report be received and filed.

Financial Report. Ms. Profic presented the September financial reports. The balance sheet shows that the RDC finished the month with total assets of \$23.1M, consisting of cash and loans receivable. Liabilities reflect amounts due to ECIDA for estimated 2024 costs. Fund balance is \$22.9M. The September income statement reflects \$46,000 of loan interest income, and \$121,000 of expenses. Included in that figure is \$94,000 of provision for loan losses, a non-cash expense. After non-operating revenue of \$25,000, there was a net loss of \$50,000 for September. The year-to-date income statement shows operating revenue of \$456,000, \$377,000 of operating expenses, and \$130,000 of non-operating revenue, combining for net income of \$209,759 so far in 2024. Loan interest income is about \$100,000 below budget, due mostly to loan payoffs received early in 2024 that were not budgeted for. Ms. McDuffie directed that the report be received and filed.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 12:39 p.m.

Dated: October 23, 2024

Elizabeth A. O'Keefe, Secretary

Regional Development Corporation

Financial Statements

As of November 30, 2024

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet
November 30, 2024

| | November 2024 | October 2024 | December 2023 |
|---|-----------------------------|-----------------------------|-----------------------------|
| ASSETS: | | | |
| Restricted Cash and Equivalents** | \$ 8,394,936 | \$ 8,051,012 | \$ 4,004,723 |
| Accounts Receivable | 268,989 | 267,595 | 282,734 |
| Direct Loans * | 15,091,048 | 15,374,656 | 19,102,476 |
| Reserve for Loan losses | (486,999) | (487,322) | (394,000) |
| Total Loan Assets, net | <u>14,604,050</u> | <u>14,887,334</u> | <u>18,708,476</u> |
| TOTAL ASSETS | <u>\$ 23,267,975</u> | <u>\$ 23,205,941</u> | <u>\$ 22,995,933</u> |
| | | | |
| LIABILITIES & NET ASSETS | | | |
| Accounts Payable | \$ - | \$ - | \$ 2,043 |
| Deferred Revenue | - | - | 12,509 |
| Due to ECIDA | 304,553 | 277,683 | 300,327 |
| Total Liabilities | <u>304,553</u> | <u>277,683</u> | <u>314,880</u> |
| Restricted Fund Balance | <u>22,963,422</u> | <u>22,928,258</u> | <u>22,681,053</u> |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 23,267,975</u> | <u>\$ 23,205,941</u> | <u>\$ 22,995,933</u> |

| * Loan Portfolio Summary: | November 2024 | October 2024 | December 2023 |
|----------------------------------|---------------|--------------|---------------|
| # of Legacy RLF Loans | 33 | 33 | 38 |
| # of CARES Act RLF Loans | 27 | 27 | 28 |
| | <u>60</u> | <u>60</u> | <u>66</u> |

** Cash and restricted cash is invested in interest bearing accounts at M&T Bank and obligations of the United States of America at Wilmington Trust. The maximum FDIC insured amount = \$250,000 with the remainder of the cash balance collateralized with government obligations by the financial institution. Collateral is not required for U.S. government obligations.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
Month of November 2024

| | Actual vs. Budget | | |
|-----------------------------------|--------------------------|------------------|-----------------|
| | Actual | Budget | Variance |
| REVENUES: | | | |
| Interest Income - Loans | \$ 43,605 | \$ 60,000 | \$ (16,395) |
| Administrative Fees | - | 1,146 | (1,146) |
| Other Income | - | 208 | (208) |
| Total Revenues | 43,605 | 61,354 | (17,749) |
| EXPENSES: | | | |
| Management Fee - ECIDA* | 24,000 | 24,000 | - |
| Provision for Loan Losses | (323) | - | (323) |
| Rent & Facilities Expenses | 2,200 | 2,267 | (67) |
| Professional Services | 924 | 2,917 | (1,993) |
| General Office Expenses | 670 | 333 | 337 |
| Other Expenses | 149 | 1,481 | (1,332) |
| Total Expenses | 27,619 | 30,998 | (3,379) |
| OPERATING INCOME(LOSS): | 15,986 | 30,356 | (14,370) |
| NONOPERATING REVENUE: | | | |
| Interest Income | 19,178 | 1,692 | 17,487 |
| Total Nonoperating Revenue | 19,178 | 1,692 | 17,487 |
| NET INCOME/(LOSS): | \$ 35,164 | \$ 32,048 | \$ 3,116 |

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2024 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: November 30, 2024

| | Actual vs. Budget | | | Actual vs. Prior Year | | |
|-----------------------------------|-------------------|------------------|-------------------|-----------------------|-------------------|--------------------|
| | Actual | Budget | Variance | Actual | Prior Year | Variance |
| REVENUES: | | | | | | |
| Interest Income - Loans | \$ 531,162 | \$ 660,000 | \$ (128,838) | \$ 531,162 | \$ 594,448 | \$ (63,287) |
| Administrative Fees | 3,650 | 12,604 | (8,954) | 3,650 | 21,250 | (17,600) |
| Grant Income - CARES Act RLF | 12,509 | - | 12,509 | 12,509 | 24,613 | (12,103) |
| Other Income | 16 | 2,292 | (2,276) | 16 | 1,211 | (1,195) |
| Total Revenues | 547,337 | 674,896 | (127,559) | 547,337 | 641,521 | (94,185) |
| EXPENSES: | | | | | | |
| Management Fee - ECIDA* | 264,000 | 264,000 | - | 264,000 | 257,400 | 6,600 |
| Provision for Loan Losses | 92,999 | 262,500 | (169,501) | 92,999 | (986) | 93,984 |
| Rent & Facilities Expenses | 24,200 | 24,933 | (733) | 24,200 | 24,200 | - |
| Professional Services | 28,213 | 47,575 | (19,362) | 28,213 | 29,564 | (1,351) |
| General Office Expenses | 2,235 | 3,667 | (1,431) | 2,235 | 1,029 | 1,207 |
| Other Expenses | 20,555 | 16,294 | 4,261 | 20,555 | 23,487 | (2,932) |
| Total Expenses | 432,202 | 618,969 | (186,767) | 432,202 | 334,694 | 97,508 |
| OPERATING INCOME/(LOSS): | 115,135 | 55,927 | 59,208 | 115,135 | 306,827 | (191,692) |
| NONOPERATING REVENUE: | | | | | | |
| Interest Income | 167,233 | 18,608 | 148,625 | 167,233 | 66,133 | 101,100 |
| Total Nonoperating Revenue | 167,233 | 18,608 | 148,625 | 167,233 | 66,133 | 101,100 |
| NET INCOME/(LOSS): | \$ 282,368 | \$ 74,535 | \$ 207,833 | \$ 282,368 | \$ 372,960 | \$ (90,592) |

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2024 budgeted figures.



**Loan Status Report
December 2024**

RDC Loans Approved Since Last Meeting
Gilded Buffalo, LLC d/b/a Hartman’s Distilling Co.
Angola Theater, Inc.

| <u>Municipality</u> | <u>Amount</u> |
|---------------------|---------------|
| Buffalo | \$ 50,000 |
| Angola | \$150,000 |

RDC Loans Closed Since Last Meeting
Gilded Buffalo, LLC d/b/a Hartman’s Distilling Co.

| <u>Municipality</u> | <u>Amount</u> |
|---------------------|---------------|
| Buffalo | \$ 50,000 |

Loans in Closing Process
THSPCD, LLC dba Secondary Source
Angola Theater, LLC

| <u>Municipality</u> | <u>Amount</u> |
|---------------------|---------------|
| Buffalo | \$2,000,000 |
| Angola | \$ 150,000 |

Loans in the Pipeline
None

| <u>Municipality</u> | <u>Amount</u> |
|---------------------|---------------|
| | \$0 |

| <u>2024 - Loans Closed</u> | <u>YTD Loan Total</u> | <u>Jobs to be Created</u> | <u>Retained Jobs</u> | <u>Dollars Leveraged</u> |
|---------------------------------------|-----------------------|---------------------------|----------------------|--------------------------|
| 5 MBE/WBE Loans: 3 1-MBE; 2-WBE | \$830,000 | 23 | 70 | \$4,260,000 |

Loan Portfolio Performance

Past Due Loans:

| <u>Name</u> | <u>Loan Balance</u> | <u>Principal/Interest Amount Past Due</u> | <u>Days Past Due</u> | <u>Comments</u> |
|---------------------------------|---------------------|---|----------------------|---|
| Affordable Technology Solutions | \$28,456 | \$28,456 | 360+ | Borrower filed Chapter 13 Bankruptcy. Hearing Adjourned to Feb. 5th. Attorneys monitoring |

Portfolio Delinquency Rate (90+ day Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

\$28,456 / \$15,180,676 = **0.19% Delinquency Rate** (62 total loans in portfolio)

RDC Funds Available to Lend: \$6,018,456



Date: 12/18/2024
To: RDC Board of Directors
From: RDC Lending Team
Re: Creation of the Sumitomo Employee Loan Fund ("SELF")

Background:

The Regional Development Corporation [RDC], which serves as the lending arm for the ECIDA, established a Revolving Loan Fund ("RLF") through a federal grant overseen by the Economic Development Administration [EDA] in 1979. Since its inception through 6/2024, the RLF has funded 707 loans totaling \$144 million, generating private local investment of over \$928 million (1:6 community benefit) and creating/retaining over 3,655 jobs. The RLF currently has a fund balance of \$21.7 million and has currently loaned \$15.2 million.

In October 2021, the Economic Development Administration released their federal interest in the RLF, giving the RDC flexibility to offer more accommodating lending programs, loan terms and products to meet the needs of the community. The release of federal interest only applies to the original RDC legacy loan fund. The \$5 million loan fund the RDC received as part of the EDA CARES Act RLF is still subject to EDA oversight.

To help alleviate the sudden and severe economic dislocations caused by Sumitomo Rubber closing their Tonawanda, NY tire manufacturing facility and the abrupt job loss affecting 1,550 workers, the RDC is requesting to create the Sumitomo Employee Loan Fund ("SELF") targeting displaced employees interested in pursuing entrepreneurship.

The RDC is proposing to set aside \$500,000 of the RLF to provide low-interest small business loans to the former employees of Sumitomo Rubber interested in starting a small business in Erie County. Loan funds may be used to finance working capital and equipment needs for startup and small businesses.

Proposed loan terms include loan amounts ranging from \$20,000 to \$30,000 at below-market interest rates and loan terms of up to 6 years with an interest-only period. Specific details of the terms and conditions will be finalized with the goal of making the program available in early January 2025, and the RDC will also work with our partners and other lenders to provide services to help support potential startup businesses.

The RDC typically does not finance start-up businesses due to the high risk associated with these types of loans. However, in an attempt to mitigate the negative impact of such a large number of suddenly displaced workers, the RDC is proposing to create this program as a tool to help Sumitomo's displaced employees who may be interested in opening a small business. The SELF program is intended to serve as a pilot effort, with possible future expansion as a potential response to other large closings and/or large layoffs.

Requested Action:

Seeking approval to set aside \$500,000 of the RDC revolving loan fund to create the Sumitomo Employee Loan Fund ("SELF") to help displaced workers with financing the startup of a small business, and to create the terms and conditions necessary to implement the loan program.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
RESOLUTION**

The meeting of the Buffalo and Erie County Regional Development Corporation was convened on Wednesday, December 18, 2024 at 12:30 p.m.

The following resolution was duly offered and seconded, to wit:

**RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION (THE “RDC”) TO CREATE THE RDC’S
SUMITOMO EMPLOYEE LOAN FUND (“SELF”)**

WHEREAS, the RDC was incorporated as an affiliate of the Erie County Industrial Development Agency (the “Agency”) for the purpose of making direct loans to existing and new companies utilizing the resources from various Revolving Loan Funds (each, an “RLF”); and

WHEREAS, on or about November 7, 2024, Sumitomo Rubber (“Sumitomo”) closed its manufacturing plant located in Erie County, which has resulted in the elimination of approximately 1,550 jobs associated with the manufacturing plant; and

WHEREAS, in furtherance of its mission and purpose, and to help alleviate the sudden and severe economic dislocations resulting from the Sumitomo plant closure, the RDC desires to set aside \$500,000 from the RLF to create a Sumitomo Employee Loan Fund (“SELF”), which shall in relevant part target displaced employees of Sumitomo interested in pursuing entrepreneurship by providing small business loans ranging from \$20,000 to \$30,000 at below-market interest rates and loan terms of up to 6 years with an interest-only period for working capital, equipment and payroll needs associated with the start-up and operation of small businesses opened by former Sumitomo employees, subject to the finalization of the specific terms and conditions of the SELF by the RDC; and

WHEREAS, the SELF is being established in conformity with RDC’s Loan Administration Plan (the “LAP”), as the SELF will (i) in accordance with the LAP’s Business Development Strategy, expand business, employment and ownership opportunities for Erie County residents who have been negatively impacted by Sumitomo’s regional divestment in the advanced manufacturing trade, and (ii) in accordance with the LAP’s Financing Policies, provide funds to eligible start-up businesses in an effort to prevent the relocation of such businesses or jobs outside of Erie County; and

WHEREAS, the RDC now desires to establish the SELF in conformity with the foregoing.

NOW, THEREFORE, BE IT RESOLVED BY THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION, AS FOLLOWS:

Section 1. The RDC hereby approves and establishes the SELF as described herein, subject to the finalization of specific terms and conditions related to the SELF as may be authorized by the President/Chief Executive Officer, in consultation with the RDC Chair.

Section 2. The officers, employees and agents of the RDC are hereby authorized and directed for and in the name and on behalf of the RDC to do all acts and things required and to negotiate, execute and deliver all such certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolutions and to cause compliance by the RDC with all of the terms, covenants and provisions of the documents executed for and on behalf of the RDC.

Section 3. Any and all actions heretofore taken or authorized by the RDC and/or its officers, employees and agents with respect to this resolution are hereby ratified, approved and confirmed in all aspects.

Section 4. This resolution shall take effect immediately.

Dated: December 18, 2024