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Time Posted: \_\_\_\_\_  
Posted By: Evelyn Baker  
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**MINUTES OF A SPECIAL MEETING  
OF THE  
JACKSON COUNTY  
BOARD OF COMMISSIONERS  
HELD ON  
DECEMBER 12, 2011**

The Jackson County Board of Commissioners held a Special Meeting on December 12, 2011 at 2:15 p.m., Justice & Administration Building, 401 Grindstaff Cove Road, Room A201, Sylva, North Carolina.

Present: Doug Cody, Vice Chair	Chuck Wooten, County Manager
Charles Elders, Commissioner	Evelyn B. Baker, Clerk to the Board
Joe Cowan, Commissioner	J. K. Coward, County Attorney
Mark Jones, Commissioner	

Absent: Jack Debnam, Chairman

Doug Cody, Vice Chair, called the meeting to order and stated the purpose of the Special Meeting is to consider two requests from the Revolving Loan Committee regarding applications from 540 Broadcasting Co., Inc. and Jackson Paper Mfg. Co.

Mr. Wooten gave an overview of the two applications:

**(1) 540 Broadcasting Co., Inc.** The funds are requested to assist with the purchase of WRGC Radio Station from current owners, Carolina Georgia Broadcasting (CGB). Included in the purchase is an approved FCC 5000 watt broadcasting license which would carry the 540 AM code as well as all equipment necessary to make the radio station functional. In addition, one tower is a part of the purchase. Roy Burnette is the CEO of 540 Broadcasting Co., Inc. The amount requested is \$110,000 which, combined with a companion loan of \$179,000 from the Economic Development Fund, would provide a total of \$289,000. The terms of the loan would be repayment over a period of ten years at a 2% interest rate with the first payment due on May 10, 2012. The collateral is the assignment of the FCC License and all equipment including towers necessary to make the radio station functional. The county will be furnished a detailed list of the equipment with serial numbers, etc. that will be pledged as collateral

Mr. Wooten and Attorney Coward talked with Art Sutton of CBG earlier today concerning the FCC License. Attorney Coward also talked with the attorney for CBG who specializes in FCC Licenses. According to Mr. Sutton, December 10, 2011 was the date the license was scheduled to expire and the request for an extension of one month was not approved by the FCC. What had to happen was the current owners had to prove that that particular signal was up and running and confirm that it actually did work. This past Saturday CGB installed equipment so that 540 Broadcasting was actually on the air that night for about 1-2 hours, thus the signal was confirmed and it does work. With that information, CBG can petition the FCC to transfer the license to the new owner, 540 Broadcasting, Inc. This process could take 60-90 days before the FCC will take action to either approve or disapprove the transfer.

Mr. Burnette has provided proof of preliminary approval of a \$100,000 bank line of credit for working capital secured by his personal guarantee. Attorney Coward will do the necessary title search associated with the transaction as well as preparing the County loan documents. The funds would be held in escrow until the FCC License is transferred.

Attorney Coward stated that because the County cannot be a lien holder on the license, the expertise of an FCC attorney is necessary. That attorney has stated he could move this process forward in a reasonable amount of time and the subsequent documentation will protect the County if Mr. Burnette should, for whatever reason, choose not to operate the radio station. In that event, the County would have control over the license until the loan is fully satisfied.

Attorney Coward stated it was necessary to talk to the seller's (CBG) attorney who does FCC work in Washington, D. C.; however, it would be a conflict of interest for the seller's attorney to represent both the seller and the County. An engagement letter from a Washington, D. C. firm was presented which outlines a number of issues that must be addressed in order to finalize the transfer. The basic idea was that the firm could put together a package that completely protects the County's collateral position. Both attorneys said the license definitely has a value, is marketable and can be transferred as long as correct procedures are followed which would give the County strong potential in the event of default. He recommended that the firm be engaged to commence the paperwork. The attorneys did state it is a 45-90 day process, but there may be a way to temporarily start operations before the transfer is finalized. The process begins with an application for a transfer of the license. He recommended that the letter of engagement be executed so the County can review documents and assess the situation. He would keep the Board updated on the process.

Mr. Wooten stated that 540 Broadcasting Inc. could, if it chooses, enter into a separate agreement with CGB to lease the tower and 5000 watt license until such time as the license is transferred.

Attorney Coward recommended depositing the loan proceeds in his firm's escrow account so the seller and FCC know the transaction is proceeding. The funds remain in escrow until the County is satisfied with the collateral documents. If the transaction is not finalized, the funds would be returned to the County.

***MOTION:*** *Commissioner Elders moved to approve a loan from the Economic Development Revolving Loan Fund 42 to 540 Broadcasting Co., Inc. in the amount of \$110,000 with 2% interest for a term of 10 years with the first payment due on May 10, 2012 and that the loan application fee be waived, that an FCC attorney be hired and the loan proceeds placed in escrow until the FCC License is transferred and the County is satisfied with the collateral documentation. Commissioner Jones seconded the Motion.*

Commissioner Cowan stated he has reservations about the collateral although it has been determined that the license has a value and marketability. However, based on the collection rate from other revolving loans, he is reluctant to approve any loan unless there is concrete recoverable collateral.

*Motion carried by unanimous vote.*

(2) **Jackson Paper Mfg. Co.:** Mr. Wooten stated the proceeds of the loan will be used to rebuild the wood fired boiler at the existing recycled paper manufacturing plant located at 152 W. Main St., Sylva. The boiler is the most critical component of the plant operation as it generates the steam that powers the turbine-driven paper machine and dryers and heats the plant. He introduced the principals, Tim Campbell, President and Jeff Murphy, Vice President. The company is requesting a \$250,000 revolving loan which is a companion loan from the Sequoyah Fund also in the amount of \$250,000. The terms of the revolving loan is for a term of ten years at a 3.25% interest rate with the first payment due on February 1, 2012. The collateral is a second lien on real property consisting of buildings and 47 acres in downtown Sylva. The Sequoyah Fund will hold the first lien. Independent verification will be obtained to confirm there are no other claims against the real property. The Town of Sylva is considering participating in the loan. In the event the Town of Sylva approves a \$125,000 loan, the loan from the County would be reduced accordingly. In the event the Town of Sylva chooses not to participate, the County would loan the entire \$250,000. The company has provided audited financial statements and based upon those statements it has the financial viability and ability to repay the loan. Because of some other financing, the company is out of compliance with some of the covenants, and does not have access to a line of credit line for funds to rebuild the boiler.

***MOTION:*** Commissioner Jones moved to approve a loan from Economic Development Revolving Loan Fund 42 to Jackson Paper Mfg. Co. in the amount of \$250,000 with 3.25% interest for a term of 10 years with the first payment to due on February 1, 2012 and that the loan application fee be waived.

*Commissioner Elders seconded the Motion.*

Commissioner Cowan stated he has the same problems with this loan as he does with the first one. The first application he saw a couple of weeks ago reflects that the Town of Sylva was going to consider making a \$125,000 loan, thus reducing the amount from the County. As of today, the Town has not approved a loan and questions whether the County should approve a \$250,000 loan before the Town takes action. Further, if the Sequoyah Fund will not accept a second lien, why should the County? The County should, if possible, be a "first co-lien holder" and insist on sufficient collateral. He stated he was also concerned about the company being out of compliance on two covenants with a bank.

*Motion carried by a vote of 3-1 with Commissioner Cowan voting "nay".*

**CLOSED SESSION:** Vice Chair Cody stated there was a need for a closed session pursuant to G. S. 143-318.11(a)(3) Legal.

***Motion:*** Commissioner Elders moved to go into closed session. Commissioner Jones seconded the Motion. Motion carried.

Vice Chair Cody called the meeting back to order and reported no action was taken in closed session.

There being no further business, Commissioner Jones moved that the meeting be adjourned. Commissioner Elders seconded the Motion. Motion carried by unanimous vote and the meeting adjourned at 3:45 p.m.

Attest:

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Evelyn B. Baker, Clerk to the Board

Approved:

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Doug Cody, Vice Chair