NOTICE

Public Law 117-263 requires the Office of Inspector General to post written responses received within 30 days of publication from nongovernmental organizations or business entities specifically identified in an OIG report.

To comply with this statute, this attachment includes written responses in their entirety. The content of each response is the sole responsibility of the submitting organization and their inclusion here does not imply our endorsement or agreement. Questions regarding the content of the attached responses should be directed to the respective nongovernmental organization or business entity. We reaffirm the findings and recommendations in our report.

As required by generally accepted government auditing standards, Department of Commerce management's official response to our evaluation is included in the report, along with our assessment of their response.

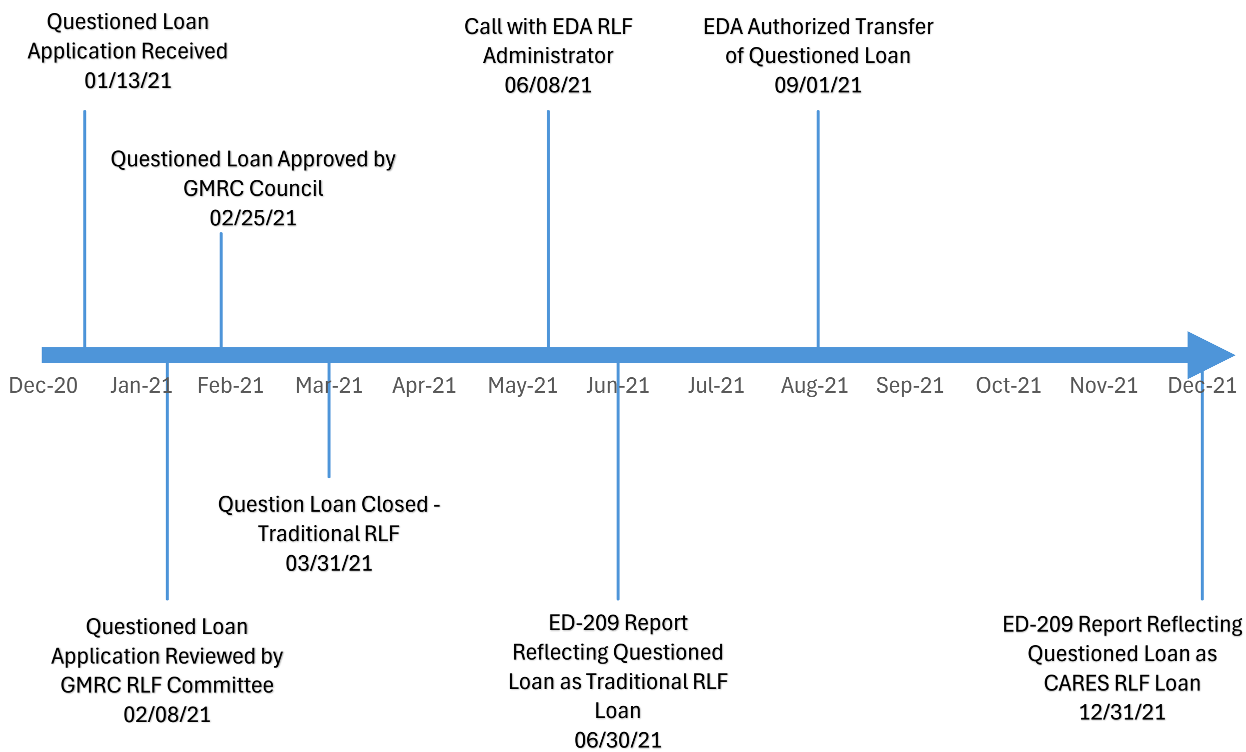
Background

The Georgia Mountains Regional Commission (GMRC) operates two Revolving Loan Funds (RLF). The first being referred to as the Traditional RLF that was awarded to GMRC on March 4, 1987. In March 2020, the President declared the COVID-19 pandemic a national emergency and signed into law the Coronavirus Aid, Relief, and Economic Security Act of 2020. From that, GMRC was awarded $2,101,000 in non-competitive federal funds from the Economic Development Administration (EDA) to administer a second RLF referred to as the CARES RLF that was awarded to GMRC on July 9, 2020. Each RLF operates based on an RLF Plan that must be approved by EDA. GMRC's Traditional RLF Plan was approved by EDA in June 2016, and a temporary amendment was approved to provide certain flexibility to recipients of EDA-funded RLF awards due to the impact of COVID-19 for a period of one year between May 7, 2020, through May 6, 2021. On August 27, 2020, an addendum was approved for the CARES RLF to provide for variations to the existing Traditional RLF Plan.

Pursuant to the CARES Act, EDA awarded GMRC the CARES RLF under "Unusual and Compelling Urgency." Because of the unusual and compelling urgency, GMRC certified that it would use its best efforts to implement the project at an acceptable pace, "as determined in EDA's reasonable discretion in accordance with the approved Grant Administration Plan" which could result in EDA taking action to reduce a "portion of the Award by an amount that EDA, in its reasonable discretion, deems appropriate." On June 8, 2021, a phone call was placed to GMRC's Executive Director from EDA's RLF Administrator. During the conversation, the EDA RLF Administrator indicated that she was concerned with the low percentage of CARES act funding that had been lent out by GMRC. Several projects were discussed including a large loan that had recently been awarded through the GMRC Traditional RLF (i.e. the loan in question identified in the OIG report). The EDA RLF Administrator stated that the questioned loan should have been awarded through the CARES RLF and made a recommendation to transfer the loan from the Traditional RLF to the CARES RLF. After expressing concern that GMRC would not be able to obtain a COVID impact statement, the EDA RLF Administrator stated EDA had indicated that all projects would be eligible because the American economy, as a whole, was hurt by the pandemic. After much consideration, and through the recommendation of the EDA RLF Administrator, the questioned loan was authorized by EDA to be transferred from the Traditional RLF to the CARES RLF on September

1, 2021. Ultimately, even after the questioned loan had been transferred to the CARES RLF, EDA made the determination to reduce GMRCs CARES RLF award due to not meeting lending benchmarks set by EDA.

Timeline of Questioned Loan



Response to Questioned Findings

OIG stated that "*GMRC's CARES Act RLF plan states it will help finance existing small, local, businesses throughout 13 counties in Northeast Georgia that were impacted by COVID-19. GMRC's traditional plan defines a small business as a company that has a net worth of $8.5 million or less. GMRC did not follow its CARES Act RLF plan by loaning $300,000 to a company (borrower I) that is a subsidiary of a multinational corporation with a net worth of approximately $13 million.*" The OIG in their report goes on to state that "*The borrower received the loan despite GMRC's CARES Act RLF plan requirement of a documented loss in* *revenue, jobs, or other significant impact since [the] start of COVID-19…Because this borrower did not meet the small business definition in GMRC's RLF plan and it was not economically injured by COVID-19, we are questioning the $300,000 loaned to borrower I*."

While it is true that GMRC's Traditional RLF plan defines a small business as having a net worth of $8.5 million or less**,** GMRC's plan goes on to state, "In addition, **any business** that **creates or saves jobs**, is a target business for the GMRC development strategy. Funds will be provided for **industrial**, retail, service, or any other commercial usage operating as **private corporations**, sole proprietorships, or partnerships that will provide the **highest number of jobs**." GMRC's plan also states, "*The financing strategy of the GMRLF program will be to meet the overall economic development goals for the area by encouraging the development of new industries and **the expansion of established industries** which will provide jobs for the unemployed, underemployed, and minority persons in the area*." The loan in question is a **private corporation** within the **industrial** industry. The issuance of this loan provided for **expansion** of operations to a company that **employed 214** employees. It is GMRC's opinion that this expansion ensured the **continued employment** of the existing employees and the issuance of this loan has **created an additional 125** employees per the borrower's CFO for a total employee count of 339.

Because this loan was originally issued through GMRC's Traditional RLF, it was not necessary to obtain a COVID-19 impact statement in order to issue the loan. OIG argued that GMRC did not follow its CARES RLF plan because it was not "economically injured" by COVID-19. GMRC argues that this loan did not have to show economic injury during the time of issuance since it was issued under the Traditional RLF and not the CARES RLF and only changed to CARES RLF after the recommendation from EDA RLF Administrator. However, the borrower provided audited financial statements showing an overall reduction in gross profits from 2018 to 2019 (during the onset of the pandemic) of 90% and a net loss overall of 27299% indicating economic injury. According to the unaudited financials provided by the borrower, for 2020, it continued to show an overall net loss.

Conclusion

GMRC disagrees with the OIG's decision to question this loan because it was an "ineligible business." It is GMRC's stance that not only did the borrower meet the criteria within GMRC's RLF plans but it was operating under the general guidance of the EDA RLF Administrator to transfer the loan from the Traditional RLF to the CARES RLF. At a time when the U.S. economy and our region specifically was still hemorrhaging thousands of jobs each month, saving 214 jobs (and ultimately creating an additional 125 jobs) and investing funds that allowed the expansion of a business by approving the loan was good reasoning behind the recommendation and approval of this loan.

Since the inception of this loan it has remained in good standing and has not once had a late payment or defaulted in any way. GMRC takes its role as an RLF operator seriously and would not recommend approving a loan that may put taxpayer dollars at undue risk. It is GMRC's belief that the loan in question did exactly what the RLF program through EDA is designed to do which is "operate a lending program that…enable the businesses to grow and generate new employment opportunities with competitive wages and benefits…"

The Upper Cumberland Development District (UCDD) appreciates the opportunity to formally respond to the Office of Inspector General's Final Report (OIG - 25-019-A) dated April 30, 2025, in which our organization was specifically referenced. We welcome the chance to provide additional context regarding the questioned loan and to clarify our position concerning the evaluation and conclusions presented in the report, particularly as they relate to Borrower 2 and UCDD's role in administering the loan.

> ***Businesses that were outside of the operator's service areas (Pages 5-6):***
> *"Upper Cumberland Development District's plan states that its RLF loan program will help existing local small businesses throughout a 14-county Upper Cumberland region in Tennessee recover from the COVID-19 pandemic. Federal regulations and RLF plans require that loans be made within specific geographical areas serviced by the RLF operators. However, UCDD loaned CARES Act funds to a borrower that planned to purchase equipment from a failing business located in a county outside of UCDD's service area. The borrower planned to buy land in the RLF operator's geographical area and relocate the equipment to the new site. However, the borrower's land purchase fell through, and the relocation did not occur; instead, the borrower was operating its business where the equipment was purchased, which was outside the service area. UCDD did not take remedial action when the borrower became noncompliant with the original intent of the loan to relocate the equipment to the UCDD region.*
>
> *UCDD stated that it did not intend to loan funds outside of its geographic area; however, UCDD stated that it believed the profit and growth of the business would generate revenue in the UCDD region. Further, UCDD stated that the loan allowed the borrower to expand its business by acquiring additional equipment to make parts not otherwise available during the pandemic due to supply chain issues. We found, however, that having employees and purchased equipment operating outside the UCDD service area does not comply with the RLF's plan requirement to benefit UCDD's region. As a result, we are questioning $869,000 of the $1,100,250 UCDD loaned to borrower 2."*
>
> ***Page 20 OIG Comment:*** *"We do not agree that the loans were originally intended to benefit the associated service area in UCDD … For the UCDD loan, we found no evidence to support a confirmed property location for the purchased equipment to be relocated."*

UCDD's Position

- We respectfully disagree with the premise that a business must maintain physical assets exclusively within a region at the time of loan issuance to qualify for funding. The **borrower is a**

legal entity headquartered and actively conducting business within our service area, and has demonstrated a clear, long-term commitment to consolidating operations and equipment locally. In today's economy, where businesses often operate across multiple counties or states, requiring separate loans based on the temporary location of assets imposes an undue and impractical burden. Strict adherence to regional boundaries in such cases not only creates administrative inefficiencies but also risks discouraging business growth. We have long maintained that "businesses don't see county boundaries," and our support for this borrower reflects both the economic realities of modern commerce and our commitment to fostering regional development.

- All revenue generated by the company at either location flows through its headquarters in our service territory, ensuring that the economic benefits and tax base are concentrated in our region.
- Revenues have increased 112% between the time of underwriting and 2024 EOY, providing said benefit to the UCDD service area.
- We respectfully question the reported amount of $869,000. According to the official loan closing documents, only $585,000 of the loan was allocated toward the purchase of the equipment in question. At this time, we are unable to determine the source for the OIG's referenced figure of $869,000.
- The borrower has never ceased efforts to relocate the equipment to the UCDD region. After their original lender withdrew due to pandemic-related cost fluctuations, they continued advancing the project while exploring alternative financing. They have since identified a new lender and are actively pursuing funding to resume construction. We continue to support the business as they work to complete the building expansion necessary for full relocation and operation within our region.
- In response to *"We do not agree that the loans were originally intended to benefit the associated service area in UCDD … For the UCDD loan, we found **no evidence to support a confirmed property location** for the purchased equipment to be relocated.",* UCDD has provided information on the property location that has been the intention of the borrower to expand upon throughout the entire process. Evidence to this point may be seen in the following examples:
    - The borrower <u>executed a contract with an engineering firm</u> for design services related to the expanded facility, with the final payment for the services made in September 2019, more than a year before the UCDD CARES loan closing.
    - In May 2021, the borrower <u>purchased a portion of the parcel of land adjacent to their property</u> which adequately met the expansion needs detailed in their business plan which was provided to OIG during the audit process. Furthermore, this parcel was included in the tour during the February 2024 OIG audit site visit.
    - The <u>property was subdivided</u> in September 2020 in preparation for the Borrower's purchase.
    - The Borrower has an executed Right of First Refusal for the remainder of the adjacent property for potential future expansion needs.

- The borrower <u>invested $85,531.75 to design and install a waterline</u> to serve this expansion.
- The borrower <u>received setback variance approval from the local planning commission</u> to accommodate the expansion in October 2020.

This borrower is a model client located within the Upper Cumberland service territory. The loan is currently and has always been in good standing. Communication has been frequent and timely, and at no point has the borrower given us any indication to question the reliability of the company or the full repayment of the loan. The balance of the loan has been paid down to $736,873 as of May 2025 and was $765,962 at the December 2024 ED209 reporting. This borrower is currently attempting to refinance existing debt, which is expected to fully repay the CARES RLF.

The Upper Cumberland Development District is grateful to have received EDA CARES Act funding to support our region's small businesses during a time of significant economic uncertainty. We take our role in administering the EDA loan program very seriously and are confident that, without these critical funds, many businesses would have faced closure. Those who endured would not be experiencing the level of growth and resilience we see today. We remain committed to utilizing these funds as intended—to continue strengthening and sustaining small businesses throughout the region.

INVESTATLANTA

May 27, 2025

ATT: Kelley Boyle, MS, CFE
Director Acquisition, Procurement & Grants
Office of Audit and Evaluation
U.S. Department of Commerce- Office of Inspector General
kboyle@boyle@oig.doc.gov
OAE_Projecttracking@oig.doc.gov

RE: Report No. OIG-25-019-A

Dear Office of Inspector General,

I am writing on behalf of Invest Atlanta in response to Report No. OIG-25-019-A. We appreciate the important work of your office and welcome the opportunity to continue our commitment and partnership with the U.S. Department of Commerce, Economic Development Administration (EDA) in supporting small businesses with access to funding.

While the report includes Invest Atlanta among the findings, we want to affirm that our administration of the loan program has been rooted in transparency, accountability, and adaptability. Over the course of this loan program, we have worked closely with EDA and OIG to ensure compliance and continuous improvement.

Attached, please find prior correspondence with Mr. Sajal "Jay" Haroom, Supervisory Auditor (OIG), which includes detailed discussions of specific cases (dated May 10, 2024, and May 16, 2024) that we believe addresses your questions. In addition, we welcomed a site visit from Janet Miller, EDA Program Analyst, on April 23, 2025, during which our files were reviewed, and recommendations were provided, reinforcing our continued efforts to meet all federal requirements.

Invest Atlanta's business practices include continuously enhancing its small business lending program by:

- Hiring a full-time Loan Specialist to manage borrower engagement and portfolio performance.
- Augmenting our comprehensive collections strategy through our Small Business Lending team, incorporating guidance from EDA, CDFIs, and financial institutions to ensure consistency and mission alignment.
- Strengthening internal compliance and audit procedures, including:
    - Assigning a dedicated internal compliance staff member to support both Economic Development and Community Development teams.

WWW.INVESTATLANTA.COM
P 404.880.4100 | F 470.498.4100
133 Peachtree Street NE, Suite 2900
Atlanta, GA 30303

We remain committed to maintaining open lines of communication and compliance with OIG and EDA. Thank you for your continued oversight and partnership as we work together to support small businesses across the city of Atlanta.

Sincerely,

Dr. Eloisa Klementich, CEcD
President and CEO

WWW.INVESTATLANTA.COM
P 404.880.4100 | F 470.498.4100
133 Peachtree Street NE, Suite 2900
Atlanta, GA 30303

May 29, 2025

Attn: Kelley Boyle
OIG Division Director

Attached you will find Southern Mississippi Planning and Development District, Inc.'s (SMPDD) responses to the *EDA Needs to Improve Oversight of CARES Act Revolving Loan Funds to Ensure Loans Are Made to Eligible Borrowers and Used as Intended OIG final report OIG-25-019-A.*

We understand that this report was for EDA specifically and we appreciate the opportunity to respond and provide clarification to the findings that OIG has presented to EDA in regard to SMPDD loans.

We hope that this information as provided will provide further clarification to the loans in question.

Respectfully,

Leonard L. Bentz,
Executive Director

SMPDD Response to Findings by OIG

1. Borrower 3; SMPDD - $1,000,000 Funds used outside of the service area

SMPDD Response: This business is registered with the Mississippi Secretary of State (as evidenced by Attachment 1). The business is also registered with the Louisiana Secretary of State as a ***non***-Louisiana company (Attachment 2). This business is an off-shore oil/gas vessel company that operates out of ports of entry across the United States (including the State of Mississippi and the Gulf of Mexico). The SMPDD region includes 3 counties (Hancock, Harrison and Jackson) that border the Gulf of Mexico. The Gulf of Mexico and the businesses that utilize its waters are an integral part of SMPDD's region. In 2022, the company, through direct hires and contract employees, employed 11 Mississippi residents, 8 of which were residents of SMPDD's region. Currently, the company employs 29 Mississippi residents, 18 of which reside in SMPDD's region. This information was gathered from an email received by the owner and states the following:

NONPUBLIC INFORMATION: [redacted]

Entity	2022	2025	Growth%
[redacted]	8	16	100%
[redacted]	3	13	333%

High percentage of these individuals reside in the SMPDD District.

Hope this helps,

[redacted]

[redacted]

SMPDD Response: The finding notes that the business rents office space in the service area for one of the owners to use and that there was no evidence of other employees or vessels. The business also leases space in Louisiana for the same purpose as the office in the service area. Evidence of employees, equipment or vessels would not be in either location as the business is an off-shore company. The OIG finding states that "In addition, the borrower stated that the company was minimally impacted by the pandemic…" A memo sent by SMPDD to EDA for an Advance Request for this loan states, "The following is a quote by management taken from a most recent accounting submission – "we currently anticipate 2020 performance to fall in between 2018 and 2019, due to COVID impacts in 1Q2020'." This memo also explains the impact of COVID-19 on the oil and gas industry and how this has impacted the borrower. In addition, the memo explains how the funds from this loan would assist the borrower in countering some of the impacts from the pandemic. The information contained in the memo was derived from conversations with the borrower and SMPDD loan staff. This loan was originated per SMPDD's Administrative Plan.

2. Borrower 4; SMPDD - $800,000 Funds used to refinance existing debt

   SMPDD Response: The loan made to this borrower was to provide permanent financing following the completion of construction funded by a construction loan. It is the opinion of SMPDD that providing permanent financing following the completion of construction funded by a construction loan is not a true refinance. The SMPDD loan approval documentation does not refer to this as an existing business and clearly stated that it was a start-up. In the SMPDD CARES Act Supplemental EDA Award Project Narrative, it is noted that SMPDD's EDA RLF Program provides loan funds to start-up businesses and that this practice would continue with CARES Act Awards funds. The wording from the EDA's CARES Act Award refers to "responding to economic injury as a result of the coronavirus." SMPDD's Project Narrative interprets this language as not only helping existing businesses respond to economic injury, but also to helping industries as a whole and the communities SMPDD serves to respond to economic injury. This would encompass lending to start-up's, whose opening a business during the pandemic would assist their specific industry and the community. This was accomplished through job creation, which was desperately needed during that time. Job creation and retention is one of the main purposes of SMPDD's RLF Program. The business plan for this borrower began prior to the COVID-19 pandemic; however, the owners decided to move forward with plans and to make adjustments related to the industry environment in order to respond to the effects and restrictions of the pandemic. The restaurant industry was heavily impacted which, in turn, affected the employees. Having a new restaurant open in the middle of the pandemic had a positive impact on the industry, the employees that were hired and on the resiliency of the region as a result of the CARES Act Loan. This was clearly stated in an Advance Request Memo to EDA from SMPDD. The business was originally scheduled to open in August 2020, but due to construction and pandemic related delays, it opened in October 2020 when the SMPDD permanent financing loan closed. As stated in the finding, this borrower used funds to provide permanent financing following the payoff of a construction loan in the amount of $800,000. The remaining $200,000 was used to pay for additional expenses above the construction. Invoices totaling $219,849.78 paid after the SMPDD loan was closed were provided to OIG and uploaded to Kiteworks (their portal system). The majority of the expenses were related to expenses for items outside of the restaurant, which were significant investments to increase business activities as this facility is located on the water and much of their marketing has been related to outside events. This also provided another impact to "injury" from the pandemic as more open spaces were needed at the time.

3. Borrower 5; SMPDD - $771,000 Funds used to refinance existing debt

   SMPDD Response: The loan made to this borrower was to provide permanent financing following the completion of construction funded by a construction loan. It is the opinion of SMPDD that providing permanent financing following the completion of construction funded by a construction loan is not a true refinance. The appraisal for the business completed in 2019 for the purposes of the construction loan which closed in February 2020. SMPDD took the application for this loan in August 2020 and closed in February 2021 following completion of construction. Similar to Borrower 4, the hotel and tourism industry was greatly impacted in SMPDD's service area. This business opened in the middle of the pandemic, providing open space and space for RV travelers to vacation as opposed to a hotel. This loan did assist the industry and the community "respond to economic injury as a result of the coronavirus" and also contributed to the region's resiliency. The tourism industry needed additional lodging options. The loan to this borrower provided an additional new option for open air lodging. This loan subsequently paid off in full in December 2022.

SMPDD understands and appreciates the important role the OIG plays ensuring federal funds are utilized prudently and proper. However, we strongly disagree with the findings regarding the aforementioned loans based on the clarifications we have provided.

Executive Director, Leonard Bentz was asked by OIG auditor, [redacted] to clarify some of our recipient's verbal responses as to whether they believed the loan was helpful to their businesses during the pandemic. In Attachment 3 (nonpublic information), you will see documented email correspondence between Leonard Bentz, OIG auditor [redacted] and our loan recipient's responses.

The fact is that the three businesses in question, are still open today, flourishing, and current on their loan payments or the loan is paid off and have contributed to the economic resiliency of the SMPDD service area. SMPDD believes the resiliency and continuity of these businesses is and was a direct result of the financial assistance provided through EDA's Cares Act Loan Funds.

Attachment 1

Michael Watson
SECRETARY OF STATE

This is not an official certificate of good standing.

Name History

Name

[redacted]

Name Type

Legal

Business Information

Business Type:	Limited Liability Company
Business ID:	[redacted]
Status:	Good Standing
Effective Date:	04/07/2009
State of Incorporation:	Mississippi
Principal Office Address:	[redacted]

Registered Agent

Name

[redacted]

Officers & Directors

Name	**Title**
[redacted]	Member
[redacted]	Member
[redacted]	Other

F0108
Fee: $

Michael Watson
SECRETARY OF STATE

2021010195

Business ID: 947665
Filed: 01/07/2021 04:07 PM
Michael Watson
Secretary of State

P.O. BOX 136
JACKSON, MS 39205-0136
TELEPHONE: (601) 359-1633

2021 LLC Annual Report

Business Information

Business ID: [redacted]
State of Incorporation: MS
Phone: (***)***-****
FEIN: **-*******

Business Name: [redacted]
Business Ema [redacted]

Principal Address: [redacted]

Registered Agent

Name: [redacted]
Address: [redacted]

Managers and Members

Members

Name:

[redacted]
Member

[redacted]
Member

Address:

[redacted]

[redacted]

Attachment 2

State of Louisiana Secretary of State

COMMERCIAL DIVISION
225.925.4704

Fax Numbers
225.932.5317 (Admin. Services)
225.932.5314 (Corporations)
225.932.5318 (UCC)

Name	Type	City	Status
[redacted]	Limited Liability Company (Non-Louisiana)	OCEAN SPRINGS	Active

Previous Names

Business: [redacted]
Charter Number: [redacted]
Registration Date: 2/26/2013

Domicile Address
[redacted]

Mailing Address
[redacted]

Principal Business Office
[redacted]

Registered Office in Louisiana
[redacted]

Principal Business Establishment in Louisiana
[redacted]

Status

Status: **Active**
Annual Report Status: **In Good Standing**
Qualified: 2/26/2013
Last Report Filed: 1/30/2025
Type: Limited Liability Company (Non-Louisiana)

Registered Agent(s)

Agent: [redacted]
Address 1: [redacted]
City, State, Zip: [redacted]
Appointment Date: 2/26/2013

Officer(s)

Additional Officers: No

Officer:	[redacted]
Title:	Member
Address 1:	[redacted]
City, State, Zip:	[redacted]

Amendments on File (1)

Description	Date
Foreign LLC Statement of Change	2/15/2016

Print

Officers

Title/Name:	*Address:*	*Director:*
President:		☐
Vice President:		☐
Secretary:		☐
Treasurer:		☐

☑ This LLC has a written Operating Agreement.

NAICS Code/Nature of Business

483111 - Deep Sea Freight Transportation

Signature

By entering my name in the space provided, I certify that I am authorized to file this document on behalf of this entity, have examined the document and, to the best of my knowledge and belief, it is true, correct and complete as of this day ***01/07/2021***.

Name:	*Address:*
[redacted]	[redacted]
Member	

<u>Officers List</u>

Name:

[redacted]

Member

[redacted]

Member

[redacted]

Other

Address:

[redacted]

[redacted]

[redacted]