

STATE OF LOUISIANA

LOUISIANA SMALL BUSINESS AND ENTREPRENEURSHIP

COUNCIL

BOARD OF DIRECTORS MEETING

BEING HELD ON WEDNESDAY, AUGUST 31, 2022

AT THE LOUISIANA STATE CAPITOL

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1 APPEARANCES :

2 RICHARD VINCENT HAYWARD (VIA ZOOM)

3 BRYAN GREENWOOD

4 ALLISON CLARKE

5 COURTNEY DAVIS

6 ANGELICA RIVERA

7 CASSIE FELDER (VIA ZOOM)

8 JOHN EVERETT

9 ZAZELL V. DUDLEY (VIA ZOOM)

10 KELISHA GARRETT

11 STEPHANIE HARTMAN

12 KELLY RANEY

13 SONJA CHRISTOPHE

14 CHRISTOPHER CASSAGNE

15 TAYLOR BOUDREAUX

16 CAMILLE CAMPBELL

17 SOLOMAN LEE

18 ADREJIA LAJOY ANN BOUTTE '

19

20

21

22

23 REPORTED BY: KELLY S. PERRIN, CCR

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25

1 P R O C E E D I N G S

2 MS. HARTMAN: (BEGINNING AT 10:15 A.M.)

3 All right. Thank you everybody for your  
4 patience. I apologize for the difficulties  
5 with trying to come back together for the  
6 first time in quite a while in person. So  
7 we'll go ahead, we'll get started today. I'm  
8 going to -- we have a couple of people that  
9 had issues in transit, so I'm going to sit  
10 here so that they could hear from the  
11 microphones. And so welcome again and thank  
12 you all for joining for our first in-person  
13 Small Business Entrepreneurship Council  
14 Meeting in quite some time. We do have a  
15 number of very interesting speakers here to  
16 share with us today.

17 First, we will get started with the roll  
18 call, so I will pass it over to Ms. Sonja to  
19 go through roll call.

20 MS. CHRISTOPHE:

21 Alta Baker?

22 (No response)

23 MS. CHRISTOPHE:

24 Allison Clarke?

25 MS. CLARKE:

1                   Here.

2           MS. CHRISTOPHE:

3                   Courtney Davis?

4           MS. DAVIS:

5                   Here.

6           MS. CHRISTOPHE:

7                   Zazell Dudley?

8           MS. DUDLEY:

9                   Here.

10          MS. CHRISTOPHE:

11                  John Everett?

12          MR. EVERETT:

13                  Here.

14          MS. CHRISTOPHE:

15                  Cassie Felder?

16          MS. FELDER:

17                  Here.

18          MS. CHRISTOPHE:

19                  Kelisha Garrett?

20          MS. GARRETT:

21                  Here.

22          MS. CHRISTOPHE:

23                  Bryan Greenwood?

24          MR. GREENWOOD:

25                  Here.

1 MS. HARTMAN:

2 Stephanie Hartman?

3 MS. HARTMAN:

4 Present.

5 MS. CHRISTOPHE:

6 Vince Hayward?

7 MR. HAYWARD:

8 Here.

9 MS. HARTMAN:

10 Edward "EJ" Krampe?

11 (No response)

12 MS. CHRISTOPHE:

13 Angelica Rivera?

14 MS. RIVERA:

15 Here.

16 MS. CHRISTOPHE:

17 Mr. Soule?

18 (No response)

19 MS. CHRISTOPHE:

20 Iam Tucker?

21 (No response)

22 MS. HARTMAN:

23 Okay. Well, we have a quorum. Chairman

24 Krampe sent his apologies. He, at the last

25 minute, was not able to join us here today,

1 but I'd like to ask for a motion to call this  
2 to order.

3 MR. GREENWOOD:

4 So moved.

5 MS. HARTMAN:

6 Second?

7 MS. GARRETT:

8 Second.

9 MS. HARTMAN:

10 All those in favor?

11 (AYES BY ALL)

12 MS. HARTMAN:

13 So we will go ahead and move on to the  
14 first order of business, which is going to be  
15 adoption of the minutes from our February 22nd  
16 meeting, which was shared with everyone. Do I  
17 have a motion to adopt the minutes?

18 MS. DAVIS:

19 So moved.

20 MS. CLARKE:

21 Second.

22 MS. HARTMAN:

23 And all those in favor?

24 (AYES BY ALL)

25 MS. HARTMAN:

1 Any oppositions or corrections needed to  
2 the minutes?

3 All right. The ayes have it, so the  
4 minutes have been adopted.

5 So we will go ahead and move straight  
6 into our first guest speaker. During our last  
7 meeting in the presentation on insurance,  
8 there were some questions from the group  
9 related to cyber security. So some followup  
10 questions in conversations led to ask to have  
11 a presentation to the Council on cyber  
12 security matters related to small business and  
13 protection issues related to that. So we were  
14 introduced to Ms. Adrejia Boutte', who will be  
15 presenting for us today. I'm going to go  
16 ahead and introduce her to you all as we pull  
17 up her presentation to share.

18 Ms. Boutte' is a native of New Iberia and  
19 currently practices with Doran & Cawthorne.  
20 She is a former in-house counsel for the State  
21 of Louisiana and a commercial defense  
22 litigator. She has presented nationally on  
23 issues of cyber security risk insurance on  
24 diversity and on the Innocence Project Program  
25 in law schools. Statewide, she has presented



1 on cyber risk, the value of multicultural  
2 organizations, Louisiana Vocational  
3 Rehabilitation Services, the value of written  
4 contract, diversity, and Ethics and  
5 Professionalism. Adejia received a Bachelor  
6 of Science in Psychology from Xavier  
7 University School of Louisiana, a JD from  
8 Southern University Law Center, and also has a  
9 Master of Law degree in Business Law.

10 So I will, with that, go ahead and  
11 present the floor over to Ms. Adrejia Boutte'  
12 to speak to us today about cyber security.  
13 Thank you so much for being here with us  
14 today.

15 MS. BOUTTE':

16 Good morning.

17 MS. HARTMAN:

18 Good morning.

19 MS. BOUTTE':

20 Everyone hear me okay? Okay. All right.  
21 Thank you so much for having me here this  
22 morning. And my purpose this morning is not  
23 to bore anyone but, hopefully, to share some  
24 things that you haven't heard, but to give you  
25 a little information or reminder, I should

1 say, on things that you should be familiar  
2 with. And then at the end, I would love to  
3 feel as though I've left you with some great  
4 advice regarding getting some insurance. And  
5 I think, I love to think that some of this  
6 would be some practical, scenical sort of  
7 things that you'll hear; but, hopefully,  
8 there's also some stuff that you just haven't  
9 really thought about before.

10 So this big business of cyber crime,  
11 we've all heard about a lot of data breaches,  
12 we know about Target getting breached, we know  
13 about Equifax. We've heard about pretty much  
14 every sort of entity and every industry that  
15 we often patronize as a consumer, but why  
16 are -- you know, the number of breaches  
17 increasing so much? You know, that's really  
18 the question, aside from the fact that we're  
19 using more technology; right. Well, the  
20 answer to that is that cyber crime is a huge  
21 business.

22 And so let me start with a little video I  
23 would like to show that will give you a great  
24 idea of what it means about this cyber crime  
25 and big business of it because, essentially,

1 we are as protected, you know, our protection  
2 is only as good as we make it; right. So  
3 let's get started. Let's see here.

4 (VIDEO PLAYING)

5 MS. BOUTTE':

6 All right. Is everyone okay? You guys  
7 are a little shaken a bit? No? Quite okay.  
8 So, listen, I show this video because it's  
9 important to just see just how easy it is to  
10 be hacked. And if you don't have the proper  
11 measures to protect yourself, it's just  
12 inevitable, it's a matter of time; right.

13 So here I have the technical definition  
14 of what is cyber risk.

15 Here is the technical definition in  
16 layman's term. All you need to know is that  
17 this is basically talking about and looking at  
18 and considering your financial loss as a  
19 result of unauthorized access; okay. And  
20 you'll see on the handouts that I have, I have  
21 a couple of extra terms. I like to include  
22 those because sometimes we don't always know  
23 some of the technical definitions of some of  
24 these industry terms, but you'll hear people  
25 mention them.

1           Next slide is, what is cyber security?  
2           So cyber security is what you want to have.  
3           They're essentially just the measures that you  
4           are imploring to protect your electronic  
5           systems. And when I say electronic systems,  
6           let me just be clear, I don't just mean your  
7           work systems. I also mean your internet of  
8           things that you have at home because a lot of  
9           us are working remotely at times or working on  
10          work on our home internet system, so you need  
11          to be aware that every time you connect your  
12          laptop, your work laptop, your personal  
13          laptop, or what have you, even your  
14          refrigerator and that nice, beautiful  
15          automatic coffeemaker, you are creating a  
16          risk. So the type of security that you decide  
17          to employ even at home is your cyber security,  
18          and you are only as protected as you make  
19          yourself; okay.

20                 So top five cyber crimes: You've heard  
21                 about phishing. Cyber extortion is exactly  
22                 what it sounds like, someone has hacked or  
23                 breached or phished or something they did not  
24                 have access to your system, and now they are  
25                 charging ransom or they are holding whatever,

1 pictures that they have found on your laptop,  
2 on your phone, which is also your miniature  
3 computer, and they're asking for something in  
4 return; right. Then No. 3 which is a data  
5 breach, which is what you hear about the most,  
6 but I mean, essentially, all of these can lead  
7 to data breaches.

8 Identity theft, we talk about this. You  
9 see those infomercials at two o'clock in the  
10 morning about getting something for your  
11 identity theft. Well, identity theft, FYI, is  
12 usually one of the areas that's covered under  
13 homeowners policies just initially. A lot of  
14 homeowners policy carriers, they'll offer  
15 identity theft and not offer like a cyber risk  
16 insurance policy that I'll talk a little bit  
17 more about that later. And No. 5, harassment,  
18 someone has hacked into your cell that you  
19 also access your computer systems at work  
20 through and now they have found some  
21 embarrassing emails or they have found some  
22 politically insightful emails that they now  
23 want to threaten to release, and you really  
24 don't want that because then you have to  
25 consider your reputation and rehabbing and

1 we'll talk about some of those expenses that  
2 come with post-cyber breaches.

3 Now what type of data is at risk?

4 Personally identifiable information, PII, real  
5 short. Simple things like your name, your  
6 social security number, your first name, your  
7 second name, your email address that has your  
8 actual name in it, things like your address,  
9 your gender, your race, all of these things  
10 including your ZIP code, all of these things  
11 can be used as individual variables and pull  
12 together to collectively create a demographic  
13 of an individual or a demographic of where  
14 they live, et cetera. Valuable information,  
15 let me tell you, on the dark market or even  
16 just to any sort of retailer. There are lots  
17 of third-party entities who love to purchase  
18 this information so that they can figure out  
19 who to target this demographic using a ZIP  
20 code. They can figure out what type of things  
21 this person searches for online, what kind of  
22 retail items to go ahead and solicit to them  
23 on that every time you get online, if you  
24 notice, all of a sudden you were shopping for  
25 shoes yesterday or shopping for, I don't know,

1 something, cars the day before and, suddenly,  
2 you're getting these ads that are unsolicited,  
3 these are targeted ads.

4 And part of the ways that people are able  
5 to figure out what to keep soliciting to you  
6 is through methods like this. They're  
7 gathering little bits of information that's  
8 personally identifiable information that we  
9 don't realize that when you're accessing  
10 legitimate sources, legitimate sites that  
11 maybe they have an understanding in very, very  
12 small print which is their conditions or terms  
13 that says, we have the ability and would like  
14 to exchange information with other entities;  
15 maybe not wholeheartedly specific information  
16 about your entire character, but it's the  
17 little bits of information that can be just as  
18 valuable.

19 Sensitive client data is the second one,  
20 very, very self-explanatory. It can go -- it  
21 can be as far as financial information to even  
22 just maybe your client's list or client's  
23 client list. It just depends on your  
24 industry. Some industries are a little more  
25 sexy to steal from than others are; medical

1 information for your obvious reasons, private  
2 personal diagnoses, et cetera, et cetera.  
3 This becomes an extra big deal when you're  
4 dealing with a company with a CEO or a  
5 president who is over some valuable area or  
6 who is -- plus a company that, you know, has  
7 some very interesting commodities that they're  
8 exchanging, but it's also very important just  
9 on the basic level.

10 Then you have valuable digital assets.  
11 As I said, you know, business trade secrets is  
12 another thing. Customer lists are always  
13 important as well. That can be cross applied  
14 to sensitive data, client data as well. And  
15 then, finally, the most obvious but often the  
16 most overlooked would be our human resources  
17 data. We forget about our own employees and  
18 we forget about how their information is just  
19 as valuable as the data that we're storing on  
20 behalf of our own clients.

21 All right. So I'm hoping that you're not  
22 sleeping yet. So I thought I would give you  
23 some examples of what it might look like one  
24 day when you open your computer and you're  
25 thinking you're going to have a very



1 productive day, but then you get this email  
2 and you see, oh, gosh, you know, my child has  
3 just started school this week or last week and  
4 you're sending me an email from the  
5 university, and let me open it because it's  
6 really important information that somehow I  
7 overlooked. But because you're busy, we're  
8 all business people, right, we don't always  
9 read all the details in the email before we  
10 click on them, so we might click on the link  
11 that's in there or we don't realize that at  
12 the bottom, it's called My University as  
13 opposed to a more realistic name of a  
14 university.

15 We're not looking at the address of where  
16 the email comes from. We're just clicking  
17 because we see university and maybe this is  
18 something that's very pertinent. And then the  
19 next thing you know, you have created a  
20 wonderful portal for some person sitting in  
21 some jogging pants at their home or at their  
22 office part of like a really large crime group  
23 and they now have access to your system, and  
24 who knows what's going to happen after this.

25 Something else I like to bring up, we

1 often have our voicemails forwarded to our  
2 emails now. There are a lot of options for  
3 these days, especially with our ability to  
4 work remotely. But what happens, you'll get  
5 an attachment, and it's the audio for your  
6 voicemail. And a lot of times, you'll click  
7 it real quickly to hear and to see who sent us  
8 a voicemail that we missed since we are not in  
9 the office, but we don't realize and we're not  
10 looking at the name and the title of the  
11 attachment and we're not looking at, you know,  
12 maybe even the time that it's coming in. All  
13 of these are tips and clues that you should  
14 pay attention to that can alert you to the  
15 possibility that this is not a legitimate  
16 voicemail, but it looks like it is.

17 All right. So we've been talking about  
18 the breach. We've been talking about the  
19 cyber risk. What can a cyber breach actually  
20 cost you? Here's just a little demographic to  
21 give you an idea of how the change in the cost  
22 has gone up. In 2015, it was originally  
23 estimated that it was a \$3 trillion expense in  
24 the U.S. -- or I'm sorry, global. And then  
25 2021, there was a prediction of \$6 trillion,

1 so it's doubled.

2 I would venture to say it's a little  
3 higher than that as far as the actual final  
4 count, but this is according to the Global  
5 Cyber Crime damage predicted to reach  
6 \$6 trillion annually by 2020. It was an  
7 article from the Cyber Crime Report in 2018  
8 and it is just a good example of how the cyber  
9 crime industry has grown and has just really  
10 flourished. But when we're talking about on  
11 an entity level, right, because we -- you  
12 know, it's most interesting to know exactly  
13 how much it would cost your business, perhaps  
14 if you were breached, these are a couple of  
15 things that are most commonly cited to the  
16 insurance companies where people have filed  
17 claims after they've been breached.

18 But in general, I mean just going down  
19 the list, you have to consider how much is it  
20 going to cost to rehab your reputation once  
21 you've been breached; okay. Okay. And so  
22 there's rehabbing of your reputation whether  
23 you're a small business or midsize business or  
24 large business, this is often where a lot of  
25 your expenses come from. You're initially

1 always going to have expenses when it comes to  
2 maybe having to upload new software, buy new  
3 software, maybe even buying new hardware  
4 depending on just how detrimental this breach  
5 was and if it deposited a virus on your system  
6 and just, you know, deleted files or et  
7 cetera.

8 But the other part of that is what you  
9 often don't know or think about is the cost of  
10 maybe getting a PR group to help rehab your  
11 reputation, the cost to build the confidence  
12 in your clients again for services that help  
13 monitor their information on the dark web.  
14 You can offer one- or two-year service where  
15 to build your client's confidence to remind  
16 that we're keeping, you know, we're invested  
17 in you and we want to retain you and we'll  
18 have a service that will just make sure that  
19 they're looking to see if your personal  
20 information is occurring and the dark web is  
21 being sold and exchanged and those sort of  
22 things.

23 But then you also have your IT expenses.  
24 And if you don't have an internal IT person,  
25 you will want to hire an IT forensic firm and

1 you'll want to hire other professionals that  
2 I'll talk about as well to help you get back  
3 whole again.

4 And, of course, the last two, the obvious  
5 is you get sued, you know, do you have  
6 insurance and, you know, you're filing a claim  
7 with your insurance, is it being covered; do  
8 you have to sue your insurance company  
9 directly? So you have first party and third  
10 party claims that could be an issue. The cost  
11 can go up and go up. It's so much cheaper  
12 just to take some precautionary measures and  
13 to focus on your cyber security right now  
14 before you actually experience the breach.

15 So is there a way to mitigate the  
16 expenses? Is there a way to recoup and to  
17 bring yourself whole? Well, you actually know  
18 the answer to this because you, I'm sure, I'm  
19 assuming you all have auto insurance and you  
20 have homeowner's insurance if you own a home.  
21 At the very least for your businesses, I'm  
22 hoping that you have some sort of commercial  
23 general liability policy at the very least.  
24 So everyone pretty much understands the value  
25 of having insurance, but we often don't think

1 about it in terms of the value of having cyber  
2 risk insurance.

3 Now it's really important to know the  
4 difference if you have a commercial general  
5 liability policy, that's usually what triggers  
6 the coverage is going to be different than  
7 what triggers the coverage from the cyber risk  
8 insurance policy. Your general commercial,  
9 CGL, commercial general liability policies are  
10 triggered by something visible. It's the same  
11 thing with your homeowner's policy and your  
12 automobile policy usually. It's either  
13 physical disruption out of your business  
14 because of XYZ. But your cyber risk insurance  
15 policies, they are triggers that or coverage  
16 is triggered by usually the activity of a  
17 person that's an individual, could be you,  
18 could be a third party vendor that you've  
19 brought on to handle maybe just copying or  
20 managing files or holding data or transferring  
21 data or et cetera, but it is an individual  
22 usually.

23 And so we look at the types of things  
24 that cyber risk insurance can cover, it's a  
25 little bit different than your regular

1 policies. Now, your commercial general  
2 liability policy insurer often offers an  
3 endorsement or a rider or a standalone policy  
4 that covers cyber risk issues. But something  
5 that you may not know is that a lot of  
6 homeowners insurance companies also offer, not  
7 just identity theft protection, but they may  
8 offer actually cyber risk insurance as well,  
9 so you should inquire.

10 Cyber risk insurance has been around for,  
11 like, 40 years. So a lot of well-established  
12 insurers carry it in different manners. And,  
13 you know, it could just be a little something  
14 extra that you add to your current policy, but  
15 just know that it's not going to be the same  
16 and so it's not the same as your regular  
17 policy. So when you're talking about the  
18 types of things that it covers, I have a few  
19 things listed here, but also understand that  
20 it covers extra things in some instances,  
21 depending on your insurer, like a breach  
22 coach, someone you can just call to help guide  
23 you through what do I do next; okay, I think  
24 you've been breached; who do I need to call  
25 aside from my insurance company? Of course,

1 you know you call them first as soon as you're  
2 aware of a potential claim being filed and you  
3 go from there.

4 But you have your first party and your  
5 third party expenses you have to consider when  
6 you're talking about getting coverage and when  
7 you're talking about what your coverage can  
8 cover. And so your first party, of course, is  
9 going to cover your direct expenses that's the  
10 entity that's the insurer that's named and  
11 your third party costs are going to be the  
12 expenses that occur to you because someone has  
13 sued you or et cetera, et cetera.

14 And now insurance, we know, has a proven  
15 reputation. What I will say to you is, in  
16 terms of trying to figure out what your limits  
17 need to be and trying to figure out exactly  
18 what areas need to have coverage, you need to  
19 work with a CPA or your HR Department, if you  
20 have an HR Department, someone that has a  
21 realistic idea of what your financial risk is;  
22 because risks and insurance go hand in hand  
23 together. Okay.

24 And so you really want to look at the big  
25 picture. You want to look at your compliance,



1 with your entity's compliance with whatever  
2 industry regulations they have. And then you  
3 want to look at your financial risk based off  
4 of the type of service that you offer. And  
5 then together, those things should be  
6 comprehensively used to determine what type of  
7 policy limits you need on any sort of  
8 insurance, but particularly on a cyber risk  
9 insurance policy.

10 Now, all right, some of the requirements,  
11 it's just like any other policy in the sense  
12 that your application for insurance is going  
13 to ask you to confirm XYZ, but what's a little  
14 bit different is that on your cyber risk  
15 application, they also will ask you questions  
16 like, are you employing cyber security  
17 measurers. So are you doing it every six  
18 months, every three months, once a year? What  
19 type of measures are you employing?

20 Are you monitoring your employees'  
21 assets? Do you have things like are you GDPR  
22 compliant? I know you've probably heard that  
23 acronym before, it's not a U.S. regulation,  
24 but the GDPR is something that is global.  
25 It's really a European regulatory influence,

1 but it's a great step that a lot of companies  
2 ask if you are in compliance with.

3 But, basically, you want to make sure  
4 that everything you said yes to on this  
5 application, and this goes true for any kind  
6 of insurance policy, that you're being  
7 truthful; because Heaven forbid, you actually  
8 need to file a claim and they go back or they  
9 hire a defense attorney like I used to do and  
10 we go back and pull a copy of the application,  
11 because that was always the first thing I  
12 would ask for. And I'm going to go down the  
13 list and see, did they say yes that they  
14 actually had some sort of cyber security  
15 policy; did they say yes to saying -- not  
16 policy but cyber security measures; did they  
17 say yes to how often they would review this,  
18 and is there any evidence that they have done  
19 this maintenance process; any evidence to show  
20 me that they having actually been checking and  
21 making sure that they're filling in patches  
22 and holes in their security system, making  
23 sure that they're employing a service that can  
24 do a review of their security system.

25 It's just like a physical security of

1 your building, you care about having that. So  
2 it's the same sort of idea, but it's to  
3 protect your electronic data, which is just as  
4 valuable or if not more so these days; all  
5 right. So pay attention to these.

6 And I have a couple of cases I'm going to  
7 introduce to just kind of talk to you about  
8 it; because at the end of the day, if a claim  
9 needs to be filed and you have failed to just  
10 do the basics that your policy application has  
11 asked of you, then you stand to experience a  
12 denial of coverage. And then that's when the  
13 expenses really blow up.

14 A third thing is to make sure that when  
15 you're getting your policy that you are  
16 getting the right limits based off of your  
17 particular type of risks, based off of your  
18 particular industry; right. But also know  
19 that you can stack some limits. And so you  
20 may have to ask your agent, an educated broker  
21 or agent, ask them how much is their sublimits  
22 max. And it it's not enough based off the  
23 risk that you already had assessed by your  
24 CPA, et cetera, then you ask them if you can  
25 add multiple sublimits to stack and create the

1 total package that you know can give you real  
2 value. And then the fourth thing is to make  
3 sure that you're consulting with an agent or a  
4 broker who really understands cyber risk  
5 insurance.

6 Okay. So a couple of cases, some real  
7 details here and some of them are on the  
8 handouts, but I just want you to just get an  
9 idea. The first one is something that you may  
10 have heard of. How many of you, show of  
11 hands, watched Game of Thrones back in the  
12 day? All right. I don't know if y'all  
13 remember, in the last season, there was a leak  
14 of this really great episode, I want to say --  
15 it may have not been the last season, but I  
16 want to say it might have been like the Red  
17 Wedding or something, but it was all over the  
18 internet and got exposed long before the  
19 episode actually aired, and that was part of  
20 this suit; okay. It was one of those things  
21 that happened as a result of this suit.

22 Sony had an insurance policy, but they  
23 actually had a traditional, commercial,  
24 general liability policy that, of course, they  
25 had a whole bunch of subsidiaries because

1           they're a huge entity and all of the  
2           subsidiaries were not named as insured. That  
3           was the first problem. Second problem was  
4           they had a breach. Somebody hacked in or  
5           phished, an employee sent a phishing email of  
6           something that they got into system and they  
7           had a cyber risk issue. And as a result,  
8           there were a lot of claims that were filed.

9           So, first, they filed as first party  
10          because they thought they were insured. What  
11          they found out was that all of their  
12          subsidiaries were not actually named as a  
13          insured on the policy. That was problem  
14          number one. Problem number two, all of the  
15          claims that were filed against them by clients  
16          who are having the issue with the fact that  
17          their information, i.e. TV shows were released  
18          ahead of time, et cetera, et cetera. They  
19          filed suits.

20          And then they found out that the claims  
21          that were made were not specifically covered  
22          under the policy, but the problem is that this  
23          was a cyber security issue; right. So that's  
24          not being covered under a traditional,  
25          commercial, general liability policy period.

1 They weren't aware of that. The lesson from  
2 this case is know what kind of policy you  
3 have, make sure it's covering the things that  
4 you needed to cover, make sure that all of  
5 your insureds are actually covered and named  
6 on your policy. And the last, of course, you  
7 want to make sure you have some cyber risk  
8 insurance coverage whether you have an  
9 endorsement that's added to your CG or a  
10 stand-alone policy. So they didn't have any  
11 of this, that was the problem.

12 Next case, there we go -- all right.  
13 This was the third-party breach. This goes  
14 back to you signed on your application for  
15 insurance and you said, yes, we employ cyber  
16 security measures, including we have oversight  
17 of our third-party vendors. Keep in your mind  
18 that your risk is as great as your vendor's  
19 risk. So I don't care if you're just hiring  
20 somebody to make copies and you're sending  
21 them electronic files, they're holding your  
22 data at their entity. They don't have any  
23 real cyber security measures.

24 And so now, they get breached, and so you  
25 then need to file a claim with your insurance

1 company, but then they're going to go back and  
2 look at whether or not you were actually  
3 overseeing their security measures as well.  
4 This case was really crazy because it was a  
5 healthcare provider. Essentially, they sent  
6 their electronic data to another -- they hired  
7 a third-party vendor who was holding all of  
8 their medical patient files. And the  
9 third-party vendor decided to -- they were  
10 transferring it back to them, I think is what  
11 it was, but they posted a link that actually  
12 was not secure.

13 So, essentially, anyone can randomly  
14 google John Doe, Peter Pan, whomever, and find  
15 out what their diagnosis was last week and et  
16 cetera. And this, I mean, it was a complete  
17 mess. And so the provider filed suit against  
18 their insurance company. The insurance  
19 company agreed to cover them with a  
20 reservation of rights, we'll cover you in your  
21 initial suits and everything and we'll cover  
22 the expenses, but we're reserving the right to  
23 then go back to the Court and ask the Court to  
24 declare that the coverage is not viable.

25 And that's what happened. They went back

1 to the Court. They determined that it wasn't  
2 that the client, the insured which was the  
3 healthcare provider did not properly comply  
4 with the policy in terms of protecting  
5 themselves. And so, it was essentially their  
6 fault. And so the insurance company asked for  
7 a declaratory judgment to indicate that they  
8 should not be responsible and that they should  
9 be reimbursed for all of the expenses that  
10 they had offered to cover all of the  
11 third-party claims because clients were suing  
12 them, patients were suing them. I mean  
13 they -- it was just a really bad case. One  
14 takeaway from this case aside from the fact  
15 that you need to make sure that you monitor  
16 your third-party vendors' security, give them  
17 something to sign off on so you can hold them  
18 responsible.

19 The second part of the takeaway is it's  
20 important to know that even with this case, it  
21 didn't just stop with the insurance; it didn't  
22 stop with the Court's order. I mean I think  
23 it ultimately resolved in an alternative  
24 dispute resolution manner, which was through  
25 mediation based off of their agreement, but



1 this breach triggered something else. It  
2 triggered the Department of Justice in  
3 California to go after them and investigate.  
4 It triggered several other governmental  
5 agencies, state and federal to investigate.

6 And then you have the issue of the  
7 assessed fines and sanctions. And so there's  
8 a whole other section of expenses and costs  
9 that come with breaches, and it's not just  
10 your direct issues in terms of can I get back  
11 up and run my business and can I get back into  
12 my files, and et cetera.

13 Now this next case hits a little closer  
14 to home. I don't know how many of you have  
15 actually stayed at the Hotel Monteleone in New  
16 Orleans; yes? No? But you know where it is;  
17 right? Nice hotel. They've been breached at  
18 least twice, my last count. The first time  
19 was in 2013. So they had a huge breach and  
20 they knew exactly how much it cost to get  
21 themselves back together.

22 And so they went to -- they used this  
23 insurance, and I think they might have been  
24 the underwriter, and I think they went to  
25 Lloyd's of London first, and they used this

1 insurance as the underwriter or vice versa.  
2 And, basically, they said, listen, we've  
3 already been breached, we know exactly how  
4 much we need in terms of policy limits; this  
5 is what we want -- and at least this is  
6 allegedly what happened -- this is what we  
7 want. They communicated this to the agent and  
8 a broker, which by the way, the agent and a  
9 broker is not responsible to tell you what  
10 type of limits you need. Their responsibility  
11 is only to give you what you ask for.

12 So going back to my earlier slide, how  
13 important it is for you to make sure you have  
14 a realistic idea of what your financial risk  
15 is, this is why all this ties in. So you're  
16 going to your agent and your broker, they ask  
17 for X amount of dollars, turns out they get  
18 breached again, they find out the policy  
19 limits is not even anything compared to it, it  
20 was a misunderstanding, an error, I don't  
21 know, but this case got tied up in court for  
22 many years.

23 And the takeaway for that case is to  
24 understand exactly what limits you have. When  
25 you get your policy, read your policy. At the

1 very least, just read the declaration page and  
2 you can see what limits are listed and  
3 offered. And make sure it's what it is that  
4 you asked for. Because at the end, when you  
5 get breached, it's a story and it's just he  
6 said versus she said and what you can prove  
7 and what you can't prove and et cetera.

8 Nowadays, more agents and brokers in the  
9 past 10 or 15 years are being brought into  
10 court. Prior to, they were never really part  
11 of lawsuits. That's why they have the errors  
12 and omissions policies that they're required  
13 to have in their practice. But just know that  
14 it can get a little sticky and a little hard  
15 to prove, but you're still dealing with  
16 issues.

17 Now, the breach has occurred; what do we  
18 do now? That case, by the way, is in your  
19 handout. all right. So a couple of people we  
20 need to notify, sometimes maybe, maybe not at  
21 all, you have to assess that depending on what  
22 type of business you have and how large your  
23 business is and how big your risk is and et  
24 cetera. The FBI might be on your list. You  
25 definitely want to contact your cyber risk

1 insurance carrier, which I'm hoping that you  
2 have one to call.

3 If that provider offers you a breach  
4 coach, that's going to be who you're going to  
5 call as well. Your other industry specific  
6 professionals might be someone like your IT  
7 forensic company that you have on retainer or  
8 that you have an easy access to. What you  
9 really should have, period, is a list of all  
10 the people that you need to call, a contact  
11 name, email and/or phone number already  
12 established like today or go back to your  
13 office and do it tomorrow.

14 And so have that already easy to access.  
15 You can just whip out that sheet if something  
16 happens and you go from there. I have the  
17 FBI's website on there. And I have a lot of  
18 great tips on there. But what you really want  
19 to know is that, federally, when you have a  
20 breach that occurs, there are no  
21 comprehensive, like, one big body of law and  
22 act or et cetera that tells you what to do if  
23 you've been breached. However, what you do  
24 need to know is there are a lot of other  
25 things that you need to consider.

1           But as far as the state's, all 50 states  
2           have some form of breach notification law on  
3           the books, including Louisiana, but there's  
4           only Virginia, Colorado, and California that  
5           have a statewide comprehensive act that says  
6           this is for everyone in this state that has  
7           any sort of business affiliation or the right  
8           to conduct businesses, what they have to  
9           follow. Every industry though, depending on,  
10          literally, if you're in finances or if you're  
11          in healthcare or et cetera, there are going to  
12          be federal regulations that you already know  
13          that you have to follow.

14          For example, if you're a healthcare  
15          provider, you know that you have to comply  
16          with HIPAA regulations. The act that is  
17          HIPAA, it has specific requirements for how  
18          you're transferring data, who has access to  
19          your patient's data, stuff like that, right,  
20          that you're already familiar with. But a lot  
21          of these regulatory bodies, these acts or what  
22          have you, they also have steps that you need  
23          to follow if you experience some sort of  
24          breach. And a lot of these steps have to do  
25          deal with notifications.

1           So I'm going to give you a couple of  
2           examples, but just know that, as I said  
3           before, these breaches can trigger other sort  
4           of entities that are federal and/or state.  
5           The regulatory bodies are not prosecuting or  
6           litigating these breaches in these cases, but  
7           they refer them to the federal government or  
8           even your state offices, like the AG's office,  
9           et cetera who have cyber crime investigative  
10          units and et cetera and et cetera. So it's  
11          not just a federal thing; it's also a  
12          statewide thing.

13           Some of the industry regulators, I have  
14          the GDPR listed first. It's not really an  
15          industry regulator, but it is, I guess it's  
16          something that most entities care about at  
17          least listing that they are GDPR compliant.  
18          And a lot of clients, for instance, if you're  
19          an industry, for example, and maybe have a  
20          client that's an insurance company, they want  
21          to know that you're following these guidelines  
22          because the guidelines are so good in terms of  
23          recommended practices and steps to take. It's  
24          just something great to put and say that we  
25          are GDPR compliant. But you have a HIPAA, you

1 have FINRA for your financial institution and  
2 even the Payment Card Industry Security  
3 Standards, they have requirements.

4 And so in your handouts, I have a little  
5 more detailed information about the  
6 differences between the federal state  
7 agencies, what they do versus these regulatory  
8 bodies and what you need to be aware of, but I  
9 will just say to you to make sure that you  
10 know what your regulatory bodies, what the  
11 main acts are that you need to consider and  
12 that you need to reference, and if you need to  
13 have someone break it down for you, that it's  
14 valuable to have that done.

15 So here we go with investigations, as I  
16 said, some of these agencies, they are state  
17 or some of them are federal. They should look  
18 familiar to you at the very least by their  
19 acronyms, but this is just a starting list. I  
20 have a more extensive list in the handout as  
21 well, but they handle various aspects of it.  
22 But I'm telling you, fines and sanctions can  
23 be everything from you're not able practice  
24 whatever it is that you do for so many years  
25 to now you have to pay \$5,000 per breach

1 per -- I mean it can pile up. It can be  
2 little or it can be great. Just be aware.

3 But for Louisiana, I don't care what kind  
4 of entity you are, we do have a breach  
5 notification law and that's, it's cited right  
6 there. Essentially, the states, their breach  
7 notification laws, they are always going to  
8 cover these six things that I have listed  
9 here. It's going to give you an idea of how  
10 much time you have to notify your Attorney  
11 General, that's usually who is the Body that's  
12 regulating these notifications. And,  
13 oftentimes, these states publish list of  
14 entities that have been breached.

15 It's not going to apply to everyone. If  
16 you're a small entity, you're like, oh, my  
17 gosh, it's too expensive to even send out  
18 notifications to my clients. It really  
19 depends on the size of your entity, the type  
20 of data that you have that's in jeopardy and  
21 how long you're even, even to the degree of  
22 how long you're required to retain their data.  
23 All of these things are going to be very fact  
24 specific, but it is important to be aware that  
25 it doesn't matter whether you're a private or



1 a public entity. These breach notification  
2 laws are something that you need to be aware  
3 of.

4 So in conclusion -- everyone still awake  
5 out here? Your eyes are open? Because I want  
6 to say, you guys are great at napping with  
7 your eyes open; you're really cool. So quick  
8 tips, look at your insurance policy, look at  
9 the application requirements, look at your  
10 sublimits. If you don't want to look at it,  
11 ask someone else to look at it and to break it  
12 down for you and send it to you in a short  
13 email, something; just care about it.

14 Also, if you're going to get cyber risk  
15 insurance as a stand-alone policy or as an  
16 endorsement to your existing CGL or your  
17 homeowners policy, don't forget, make sure  
18 that you have, again, I can't say enough, a  
19 realistic idea of your financial loss. Also  
20 as a note in the packet, I have a few tips of  
21 ways that you can minimize your cyber risk  
22 attacks. And I say minimize because it's  
23 going to happen. It's not if, it's a matter  
24 of when.

25 And there's some very, like, practical

1 things you can do like adding a password to a  
2 document that you're emailing out. Start  
3 having a system in place, have that protocol  
4 list of who you call as soon as something  
5 happens. Make sure your employees have a  
6 regular training as to things like, don't  
7 write out your password. I can't tell you how  
8 many times I walk into people's offices and  
9 they have their passwords so neatly taped to  
10 their computer. And I'm like, should I take a  
11 picture of this and use it? No, I'm not a  
12 hacker.

13 But if I were a hacker, I would or I  
14 would sell it to somebody because the thing  
15 is, it's ridiculous. Even if it's physically  
16 written there, sometimes people also just put  
17 it in their phone and the phone gets hacked,  
18 and now they have passwords perfectly spelled  
19 out and also directly correlated to exactly  
20 what site it goes to so that they don't  
21 forget. Well, you don't forget and you're  
22 being helpful to your unauthorized access  
23 users. So I don't know, pick one, pick a lane  
24 and do what I do. I put my notes, but I'll  
25 leave out letters or something and I'll just

1 give myself reminders of what it could be.  
2 And that way, you always have it written out.  
3 This a gazillion sites, right, and you  
4 probably have about 500 passwords to  
5 everything and it still works. You still feel  
6 safe.

7 So in closing, I'd like to leave you with  
8 a few kind words from one of my favorite  
9 little guys, who is now all grown up, but this  
10 is him whenever he was a kid and his name is  
11 Kid President.

12 (VIDEO PLAYING)

13 MS. BOUTTE':

14 The role for you today is to employ some  
15 cyber security measures and protect yourself.  
16 Join the cool table. Any questions?

17 MS. DAVIS:

18 I have more of, I guess -- first of all,  
19 thank you very much for coming here today and  
20 kind of giving some of the tips, but I think I  
21 probably got more frustrated through this  
22 whole thing more than anything else for a  
23 couple of different reasons.

24 MS. BOUTTE':

25 Okay.

1 MS. DAVIS:

2 Just the fact that insurance companies  
3 are allowed to deny these claims is very  
4 frustrating to me. Because if you're going to  
5 give me a policy that I'm paying for, but  
6 you're not doing your due diligence to making  
7 sure that I am aligned with that policy, I  
8 don't -- that, to me, is extremely frustrating  
9 because I'm paying all of this money; and then  
10 at the end, you're going to turn around and  
11 say, oh, you didn't do this one little thing  
12 that you didn't read in the fine print of your  
13 insurance policy. So, now, I'm not going to  
14 pay this claim for you blows my mind.

15 It almost makes me think I'm too stupid  
16 to even have cyber insurance because why would  
17 I pay an insurance company to then just be  
18 screwed in the end and have them not pay out  
19 the claims and I'm still held with the same  
20 amount of liability but at least I held onto  
21 that premium that I've been paying them for no  
22 reason at all.

23 And then I guess the other thing that was  
24 frustrating to me is just that all of these  
25 federal agencies that want to fine me after

1           this happens, what are they doing in -- what  
2           are they doing to stop the criminals in the  
3           beginning?

4           MS. BOUTTE':

5                     Okay.

6           MS. DAVIS:

7                     So I'm very curious about that.

8           MS. BOUTTE':

9                     All right. So first question, all right,  
10           it's just cyber risk insurance is just like  
11           any other kind of insurance and so you stand  
12           the same chance. My house was flooded, like,  
13           two or three months ago in May to be exact. I  
14           still have no floors and parts of my walls are  
15           gone. I thought with -- I had two coverages,  
16           home warranty and then I have homeowners  
17           insurance. I literally had to file a claim in  
18           both of them to have different parts of the  
19           same issue covered. And in the end, I still  
20           didn't have all of -- I mean I put out way  
21           more money than what they paid me back. So  
22           it's the nature of the business. But at the  
23           end of the day, it is a contract is how you  
24           have to look at it.

25                     It's the same sort of exposure that you'd

1 have if you decided to sign up to go ahead and  
2 purchase a car and your car doesn't have what  
3 it is that you want it to have or whatever.  
4 Any kind of contract you get into with any  
5 other sort of business entity, it is your  
6 obligation, unfortunately, to understand what  
7 it's offering. That's why it's important that  
8 you, whichever agent or broker you choose to  
9 communicate with, that they can break all of  
10 that down for you and give you the  
11 information.

12 They are the information resource.  
13 They're not there to tell you what type of  
14 limits to get. That's when you go ahead and  
15 you rely on your financial advisors, but  
16 that's just part of the business  
17 unfortunately. And so if your agent can  
18 explain the policy and the terms that's in the  
19 policy to you, that's where you go to. And,  
20 ultimately, hopefully, you have an attorney  
21 that you can also consult with, but there are  
22 free services as well as, you know, actual  
23 paid services. But those are the other sort  
24 of professionals that you want to lean on.

25 I mean we don't -- from any insurance

1 defense practitioner in the past, right, I  
2 learned a lot about insurance policies because  
3 I was practicing. I had never really actually  
4 read an entire policy. I mean nobody really  
5 does, unless that's what they do, right.

6 So you just have to think about it.  
7 Don't let it overwhelm you. Just think about  
8 it in the sense of, if I can't understand it,  
9 let me go and get an educated source that can  
10 break it down for me. But in the end, it is  
11 the same in terms of practicality as having  
12 the same reason why you get homeowners  
13 insurance. You don't not get it because you  
14 don't understand the policy. The same reason,  
15 ultimately, you don't not get it -- you know,  
16 it's the same thing.

17 So your second question though, that FBI  
18 link that I listed, they have a lot of great  
19 resources on there and they do kind of break  
20 down some of the things that the government is  
21 doing to sort of minimize the overall access,  
22 you know, our -- something big, you know, like  
23 our government being hacked even on a lesser  
24 level like our electronic grids being accessed  
25 and hacked or whatever. I mean there are

1 steps that they are taking.

2 But I really think, my personal opinion,  
3 I think cyber risk insurance should be  
4 required. It should be one of things like  
5 just like having minimal automobile insurance,  
6 I don't sell insurance, by the way. I don't  
7 get commission by just saying that. In my  
8 opinion, I think it should be required for the  
9 same reason that you're trying to minimize  
10 people's financial loss. Because at the end,  
11 it's better to have something covered versus  
12 nothing covered. Does that help?

13 MS. DAVIS:

14 Sure.

15 MS. BOUTTE':

16 It's overwhelming, but --

17 MS. DAVIS:

18 I wasn't expecting you to fix the  
19 problem. I'm just voicing my frustrations  
20 over the entire just issue of this.

21 MS. BOUTTE':

22 No. No, I get it. Yeah. Yeah.

23 MS. DAVIS:

24 And I think that there should be more  
25 onus on an insurance company before they can



1 deny a claim, but that's not something, you  
2 know --

3 MS. BOUTTE':

4 Yes.

5 MS. DAVIS:

6 They should have done their due diligence  
7 prior when they sold me the policy to make  
8 sure that I completely understood it and had  
9 in place what they're selling me, you know.

10 MS. BOUTTE':

11 So I'm going to say to you that that is  
12 always going to be the onus you because you're  
13 signing a contract.

14 MS. DAVIS:

15 Uh-huh. I know.

16 MS. BOUTTE':

17 But I will say that that's why you have a  
18 right to sue your insurance company --

19 MS. DAVIS:

20 Uh-huh. Yeah.

21 MS. BOUTTE':

22 -- if you disagree with it.

23 MS. DAVIS:

24 Yeah.

25 MS. BOUTTE':

1           -- sue them. And a lot of times, you do  
2 get coverage after that or get recouped.

3 MS. DAVIS:

4           Yeah.

5 MS. BOUTTE':

6           Yes, ma'am?

7 MS. GARRETT:

8           So I have a question about the extension  
9 of the policy to employees that are remote in  
10 business. What is, like, best practices right  
11 now just because they are -- there are still  
12 individuals that are working remotely part of  
13 a full-time requirement for an organization.

14 MS. BOUTTE':

15           Uh-huh.

16 MS. GARRETT:

17           And so while we have coverage, it's now  
18 on their server. And so what -- what have you  
19 seen as best practices regarding that?

20 MS. BOUTTE':

21           So I will say this, I am, one thing,  
22 waiting for insurance companies to start  
23 making specific requirements in these policies  
24 as to how the insured, that would be you, the  
25 entity, is monitoring. So tips that I give

1 and that I also see other businesses do is  
2 that if you can afford it now, this is going  
3 to all depend on what size your entity is,  
4 right, but some entities will issue their  
5 remote employees routers that can -- it's a  
6 safe way for them to access the internet. So  
7 there are miniature routers that they can  
8 carry with them or there are scramblers, I  
9 don't know the technical term, but there are  
10 devices that can be purchased.

11 Now, there are many routers that are,  
12 like, super inexpensive, like \$40. I know I  
13 bought one myself, and it adds a level  
14 encryption to your access. A lot of times,  
15 VPN is an old way to add a level of secure  
16 remote access; right. But it does work.

17 It does add an extra level of protection,  
18 so you're giving your employees VPN access  
19 into your hard drive system or your F drive,  
20 your C drive, whatever it is. And with the  
21 VPN access, if you require them to have a  
22 multi-authentication method of accessing;  
23 meaning, I'm going to go ahead and -- so it  
24 will send maybe a code to their cell phone.  
25 MS. GARRETT:

1           And notify them.

2           MS. BOUTTE':

3           Exactly. So some of the tips that I have  
4           on the handout, those are simple ways to make  
5           sure that your remote workers, when they're  
6           sending documents and when they're accessing  
7           things on your hard drive that is encrypted by  
8           adding passwords or something like that,  
9           another way is to invest the money in a  
10          system. For example, Citrix and NetDocs, if  
11          you've heard of that, these are cloud-based --  
12          well, NetDocs is a cloud-based document  
13          storage system. And a lot of cloud-based  
14          systems are going to be a little safer in  
15          terms of creating that easy access for your  
16          remote workers.

17          But also NetDocs, for example, I know  
18          because I happen to talk to one of the owners  
19          at some conference randomly, they individually  
20          encrypt every document that is stored. And so  
21          you can access remotely. You don't have  
22          somebody having to log into your hard drive.  
23          What they're doing is they're only going to a  
24          website, and that in itself makes it safer for  
25          your actual hard drive and your server system

1 at your entity. So that's another way.

2 And then there are ways, like Citrix  
3 offers and so did NetDocs an extra expense to  
4 have the ability to send out a secured link to  
5 documents as opposed to your employee at home  
6 having documents on their desktop and just  
7 sending it loosely with no passwords and no  
8 form of encryption, but stuff like that. I  
9 mean there are little things and it can get as  
10 expensive as you want it to get.

11 And, ultimately, I don't know who has the  
12 ability other than a very large entity to go  
13 in and assess a home office and to assess what  
14 type of internet system they have. So I would  
15 employ that the best way to do that is to  
16 offer other methods of secure transactions.  
17 And then that way, you're at least you're  
18 mitigating it. Does that make sense?

19 MS. GARRETT:

20 (Nods head.)

21 UNKNOWN:

22 Oh, I actually didn't have a question,  
23 but I also can help answer that one.

24 MS. BOUTTE':

25 Yes.

1 UNKNOWN:

2 So another thing, so what you're talking  
3 about with routers is mobile hotspots. So  
4 that's to make sure that if you have,  
5 essentially, your home network, you need to  
6 have them put a password on it. And that is a  
7 hundred percent the first thing that needs to  
8 happen, and it should happen with every router  
9 that you get right now. None of them come  
10 without passwords now.

11 But a mobile hotspot will allow them to  
12 connect wherever they are and on that specific  
13 device; because the problem, the real issue is  
14 that anybody else on your network can see  
15 internet traffic and can do what's effectively  
16 the man-in-the-middle attack where you try to  
17 go to Google, and it says, okay, well, I am  
18 Google, let me give you whatever I want to as  
19 far as a bad link or something to that effect.

20 The other thing she was talking about was  
21 VPNs. OTS actually says you have to have a  
22 VPN when you're logging into your computer.  
23 And that, effectively, creates a tunnel that  
24 takes out the rest of your network. So it  
25 sends straight from your computer to the

1 encrypted office or the encrypted office  
2 internet, so that's another thing. And then  
3 the other thing I think of, and I'll talk to  
4 you about this later if you want to, but the  
5 question I had for you is legally, right.

6 So we, a lot of companies when they get a  
7 ransom ware attack, they have a -- they freak  
8 out and they say, okay, I need to go and find  
9 something to fix this immediately, right. If  
10 they go to a white hat group, which is a group  
11 of ethical hackers, like, they know more  
12 ransom ware, are they opening themselves up to  
13 more liability because they are then putting  
14 another group that they have not -- that  
15 they've hired but not paid into their system?

16 MS. BOUTTE':

17 That's a good question, and only someone  
18 with an IT background would do it. You know,  
19 I've never really seen a lot of literature on  
20 it to be able answer you the liability  
21 exposure there. I would think that at the end  
22 of the day, if you're bringing in another  
23 entity and something goes awry, they're not  
24 who you thought they were or whatever, yes,  
25 that's going to increase your liability off of

1 GP because now you go making the problem  
2 worse. Because, for instance, a lot of these  
3 cyber risk insurance companies, they'll offer  
4 coverage to reimburse you for ransom that  
5 you've paid; right.

6 So they're reimbursing for a ransom that  
7 you've paid and you've brought in a third  
8 party that now is creating a more disruptive  
9 scenario, I'm pretty sure they're going to  
10 want you to pay for that. And then that's  
11 going to -- that's going to also cause another  
12 problem with the claim that you've filed.  
13 That may interrupt your ability to have proper  
14 coverage and may cause a denial; because now,  
15 you've introduced a third party. So I would  
16 just say, be weary. And I would think that  
17 that would be more like a larger entity's  
18 consideration, right, of a company that has  
19 larger assets maybe. You know, it's always  
20 useful to have an understanding of how your  
21 system can be hacked. That's a test.

22 A lot of entities will bring in, I guess  
23 is what you're talking about, the ethical  
24 hackers, just to see. And then they'll have  
25 what they call it, not sprints -- is it



1 sprints maybe where they'll have like IT  
2 individuals who work for them, just have like  
3 a marathon event where they're trying to see  
4 who can hack into it. It's educational  
5 because you want to know. It's like a test  
6 run, let me just see how strong my security  
7 systems are, but it's a third party you're  
8 bringing in, so it's always a risk; right, but  
9 it's a good risk; right, I would say.

10 But if you're doing it after you've  
11 already been breached, unless it's part of,  
12 like, your IT forensic company, the company  
13 that's coming in to help prepare your system,  
14 I would say just be a little cautious about  
15 it. Because, ultimately, when you bring your  
16 system back up, they're going to have to run  
17 tests, right. Somebody is going to have to  
18 test it to see how secure the new version of  
19 it is. Does that make sense?

20 UNKNOWN:

21 Yes.

22 MS. BOUTTE':

23 Okay.

24 MS. HARTMAN:

25 I think we have time for one more

1 question. Okay. Well, then I'll take the  
2 last question.

3 Just for myself, you mentioned the FBI  
4 resources on cyber security. In terms of  
5 freely-accessible resources for small  
6 businesses, understanding this is a complex  
7 issue, are there any particular ones that you  
8 would recommend that business owners sort of  
9 avail themselves of or visit?

10 MS. BOUTTE':

11 So I'm always a big proponent of pushing  
12 inexpensive line items for that type of stuff.  
13 And that's why on the handout, I have those  
14 tips because they are, they are just very  
15 effective measures. And it's not an extra,  
16 for the most part, you do not have to itemize  
17 an extra expense. If you're a small entity or  
18 a medium-sized entity, that may be something  
19 that deters you from employing these things.  
20 But if you're just doing basic things, like  
21 creating passwords and forcing your --  
22 creating an internal protocol for your  
23 employees, change your passwords every three  
24 months; you have to, or make your IT system  
25 force your employees to change their passwords

1 to your system as frequently as three months  
2 to six months or whatever you decide.

3 Have annual trainings so that you're  
4 teaching your employees not just what they  
5 need to do, but you're reminding them and also  
6 giving them the impression that you're  
7 monitoring them, which that's a whole nother  
8 conversation just how much monitoring to do,  
9 but doing things like that, and even like an  
10 internal IM group, if your entity uses Skype  
11 for Business or something like that or  
12 whatever, some sort of internal instant  
13 message system, what have you, limit what  
14 they're able to attach, like disable the  
15 ability to send attachments through it.

16 You know, those are the types of things  
17 that you can do on a small level without  
18 having to actually find an entity to retain  
19 and try to figure out how to cover it. Those  
20 are things you can do within your own entity.  
21 Does that kind of give some examples?

22 MS. HARTMAN:

23 Yes.

24 MS. BOUTTE':

25 Okay. Great.

1 MS. HARTMAN:

2 And I think it's a lot of what we hear  
3 and I'm sure folks at the table hear this as  
4 well is that it's something like legal, it's  
5 something that's very easy to ignore until you  
6 have an issue yourself.

7 MS. BOUTTE':

8 Yes. Always.

9 MS. HARTMAN:

10 And simple or accessible things are a lot  
11 easier, I guess, to approach than a full scale  
12 understanding.

13 MS. BOUTTE':

14 Right. Right. And so that's why I do  
15 like to always have, like, just some basic  
16 tips because I do find that it's like anything  
17 computer related, people kind of get -- well,  
18 for me, it's like taxes. I don't even like to  
19 do my own taxes. Don't give me numbers; I do  
20 words. But so it's -- it is -- if you give it  
21 to people in little bites and tangible ways  
22 that, you know, you really are kind of doing  
23 already and that you've already been exposed  
24 to. Because if you have a credit card or an  
25 online account somewhere or retail or

1 otherwise, you're already being forced to  
2 change your passwords usually or you're being  
3 forced to exercise a multi-authentication  
4 method. Like, those are things that you are  
5 kind of already doing, and so let's move it  
6 into your business; right. Let's take the  
7 things that you know are working or you're  
8 being forced to do in other aspects of your  
9 life and put it into your business for the  
10 same reasons.

11 MS. HARTMAN:

12 Yes.

13 MS. BOUTTE':

14 Okay. All right. Well, thank you guys  
15 so much. I have here my contact information,  
16 feel free to reach out; or if you have any  
17 questions or you just want to vent, reach out.

18 MS. HARTMAN:

19 Thank you so much. I do want to thank  
20 you again for allowing us to have another  
21 conversation about something that at the same  
22 time is frustrating as well as probably  
23 terrifying, so I appreciate that overview.

24 I do want to move on. We have a number  
25 of things on the horizon through LED, and

1 we'll get to some LED updates later.  
2 Fortunately, we're able to have Executive  
3 Management here today because we had some  
4 overlap with dates with the Governor's  
5 revitalization groups that LED was  
6 coordinating, but there has been much  
7 anticipation around the opportunity for  
8 Louisiana to provide additional support for  
9 small businesses through the U.S. Treasury's  
10 State Small Business Credit Initiative 2.0.  
11 This group was very helpful in providing input  
12 and feedback in the formative stages of that  
13 application that LED put together.

14 If you remember in our last meeting,  
15 Assistant Secretary Brenda Guess mentioned  
16 that when we met again, there would probably  
17 be able to be an update on that application on  
18 those programs that are being structured. And  
19 so we have with us here today Ms. Kelly Raney,  
20 who is the Manager within our business  
21 incentives group. She's going to provide an  
22 update on the State's Small Business Credit  
23 Initiative, LED's application, and some plans  
24 regarding programming to help support capital  
25 access for small businesses because that has

1           been such a pivotal point for Small Business  
2           and Entrepreneurship Council.

3           Kelly?

4           MS. RANEY:

5           Good morning.

6           MS. HARTMAN:

7           Good morning.

8           MS. RANEY:

9           So my former employer, coming off the  
10          topic of cyber security, would actually test  
11          us, I think this is after you left Bryan.  
12          They would send out emails to their employees.  
13          And if you had clicked on a link within that  
14          email, you had three attempts to pass the test  
15          successfully or you were introduced to another  
16          round of cyber security training. And one  
17          particular email that got me was when the  
18          employer quote/unquote sent out an email  
19          saying that there was an error in their HR  
20          Payroll Department and they were sending out  
21          duplicate W2s. And it happened to be in  
22          January when those W2s come out.

23          So I will let you guess how many of the  
24          employees passed that particular cyber  
25          security test for that month. There was quite

1 a bit of training being done in that  
2 particular January. So I just echo that cyber  
3 security is, unfortunately, very prevalent in  
4 today's age. If everybody could just do the  
5 right thing, we wouldn't have to worry about  
6 this.

7 But moving on to SSBCI, so Brenda may  
8 have, Assistant Secretary Brenda Guess may  
9 have presented some of the programs that we  
10 look to launch I'm going to say any day now.  
11 Because I feel like the last time I was here  
12 in February, right after we had just submitted  
13 our application, and we noted that there were  
14 55 other applications submitted as of Friday  
15 before last. I believe the number is up to 23  
16 states that have been approved for their  
17 application. And so it was this time last  
18 year that we were doing this waiting for the  
19 guidance to come out to know how to apply for  
20 that funding. And we are at that same time  
21 this year doing this waiting for the final  
22 approval from the Federal Treasury Office. So  
23 we are eager to get that. And in which case,  
24 we will then be able to launch these programs  
25 and make them open and available for



1 application for loans and for equity  
2 investments.

3 Some of you may have heard this  
4 presentation a couple of times. We've given  
5 it quite a bit over the past several months,  
6 so my apologies if it's redundant. But it's  
7 important to know, as Stephanie stated, that  
8 we've heard the feedback that not only did  
9 this particular group provide to us, but many  
10 other groups listed up here behind me. And we  
11 took all of that information back to really  
12 develop some goals for all of the five SSBCI  
13 programs that we intend to launch. We want to  
14 leverage private capital. We want to attract  
15 outside investment into the State of Louisiana  
16 into Louisiana businesses. We want to make  
17 Louisiana a destination for startups.

18 We want to expand the Small Business and  
19 Entrepreneurial ecosystem for Louisiana, as  
20 well as enhance and expand our current debt  
21 programs. It is very important that we look  
22 to the market place to see what needs existed  
23 across the geography of the state to penetrate  
24 that for small businesses; not to compete with  
25 what's already available in the marketplace,

1 but to complement that.

2 So our SSBCI strategy has a two-prong  
3 approach, debt and equity. And on the equity  
4 side, we will have some enhancements to our  
5 existing Venture Capital Program and then we  
6 will also have a new SEED Capital Program,  
7 which will be available for small businesses  
8 as well. I'm going to try and use this chart  
9 right in front of me so I don't have to keep  
10 looking back behind me and make sure I'm on  
11 target.

12 All right. So interestingly enough, when  
13 we did research for equity investing, of the  
14 16 Southern states, Louisiana is at the bottom  
15 for equity investing in small businesses. So  
16 looking at the glass half full, that presents  
17 an opportunity to really inject more capital  
18 into that program so small businesses may  
19 benefit from that type of financing. It's a  
20 perfect match considering the type of recovery  
21 that we are undergoing from the COVID pandemic  
22 as opposed to the financial crisis of 2010,  
23 where SSBCI originally rolled out. So of the  
24 preliminary allocation that the Treasury has  
25 disclosed for each state, Louisiana was

1 slotted to receive initially \$74.2 million.  
2 However, Treasury has come out to each state  
3 and expanded that preliminary allocation to  
4 include goals and penetrating underserved  
5 communities. And if we are successful, that  
6 \$74.2 could be a little bit more than \$113  
7 million. And all of that money is intended to  
8 benefit small businesses.

9 So the lion's share of that funding is  
10 going to go on the equity side. And some of  
11 the information we've learned over the past 16  
12 years, with equity funding, there have been  
13 283 equity deals done since 2006 through first  
14 quarter of 2022. And that represents roughly  
15 \$728 million. Now what's important to note of  
16 those statistics I just shared is that those  
17 are the equity deals that are happening within  
18 our state over the past 16 years in  
19 geographies that the U.S. Treasury Office has  
20 deemed as a certified development investment  
21 area. And that's significant because it  
22 correlates to penetrating those underserved  
23 communities. Oftentimes, rural communities  
24 may fall in those geographies as well. Low to  
25 moderate income communities may fall into that

1 category also.

2 Approximately, 60.2 percent of our state  
3 is considered and classified by the U.S.  
4 Treasury Office as a CDFI investment area. So  
5 I think with the funding available through  
6 SSBCI 2.0, there should be a lot of access to  
7 capital, which is the purpose of SSBCI for  
8 small businesses. Our group is looking to  
9 develop a system to match interested business  
10 owners with those fund program participants  
11 that will be providing those equity dollars.

12 So there's two parts of the equity  
13 program, SEED Program which will be for those  
14 much smaller dollars for those very early  
15 stage portfolio companies looking to get  
16 started. We do ask that those fund firms that  
17 are providing those investments have a  
18 one-to-one match. We are extending the same  
19 requirements to those program participants  
20 that fund firms providing those investments  
21 that Treasury is requiring of us; and that is,  
22 we leverage capital. So on our SEED Program,  
23 we are asking that for every dollar of SSBCI  
24 money that we invest in a portfolio company,  
25 that that fund -- firm also inject a minimum

1 of one dollar.

2 But on our larger side, our Venture  
3 Capital side, you'll see there the expectation  
4 for that leverage is much higher, depending  
5 upon if it's a for profit or a nonprofit  
6 company. And so, let's see, for those fund  
7 firms, these details are fairly significant,  
8 because unlike in the 1.0 Version, there is an  
9 extra incentive for those fund firms to  
10 provide the equity financing to the portfolio  
11 companies in the term of compensating their  
12 service for providing growth-related services  
13 or technical assistance rather in addition to  
14 the capital and making sure they succeed.

15 So where we're at right now with our  
16 application process is we are at the finish  
17 line, not crossing it, but right at the finish  
18 line about to cross it in the next couple of  
19 weeks with the request for qualification  
20 process that the LED agency has undergone in  
21 order to identify and evaluate program  
22 participants for the equity program as well as  
23 one of debt programs, the Micro Loan Program.  
24 So we are wrapping up those internal  
25 evaluation processes for the RFQs for our

1 Venture Capital and SEED Program participants  
2 right now and we'll have those completed over  
3 the next couple of weeks, and then SEED will  
4 be completed in October.

5 We also know from the U.S. Treasury  
6 Office that our application is in review. So  
7 we are keeping our fingers crossed but not  
8 holding our breath that the days are numbered  
9 before we get the final AP on our  
10 applications.

11 Now in addition to having capital  
12 provided to small businesses by equity  
13 investments, there are three programs that  
14 will be available to small businesses to help  
15 them either with some of their financing needs  
16 to help provide cash support or maybe as a  
17 very small micro level financing unit some  
18 businesses may have. So there are three  
19 programs we're looking to roll out under that  
20 side of the SSBCI framework for the debt  
21 programs.

22 The first one is the Micro Loan Program,  
23 the second one is the Collateral Support  
24 Program, and the third one is the Small  
25 Business Loan Guaranty Program, which actually

1 is in existence today, but we are going to  
2 make some enhancements to the current  
3 parameters of that program, maximizing those  
4 parameters where we can, allowed by Treasury.  
5 It's important to note that each program was  
6 intentionally built with ease of use in mind  
7 and flexibility upholding the requirements of  
8 Treasury but not adding any other requirements  
9 that were not necessary to meet the Treasury  
10 requirements as well as the agency and  
11 statutory -- excuse me, State regulatory  
12 requirements.

13 So under the Micro program, these are  
14 going to be for your very small businesses,  
15 most likely the definition of very small  
16 business which Treasury has defined for SSBCI  
17 purposes of being fewer than ten employees, so  
18 that would be nine or less. Those would be  
19 the businesses that we're really looking to  
20 care for the Micro Program. Those dollar  
21 amounts can range from 1,000 to 100,000 and  
22 this gives the lender the flexibility to  
23 ultimately structure the loan request to match  
24 the needs of the borrower. The payment is up  
25 to five years, but the collateral that's

1 required, if any, would be up to the lender to  
2 ascertain. The documents would be reviewed by  
3 the LED Micro Loan team for approval and  
4 compliance, and then the lender would close  
5 the loan and disburse funds to the borrower.

6 You may have heard a couple of things  
7 that collateral, if required, this particular  
8 program does allow the option for the lender  
9 to offer an unsecured loan up to \$50,000. If  
10 the loan is to exceed \$50,000, the program  
11 does require collateral.

12 So outside of the Micro Loan Program, we  
13 have our Collateral Support Program, which we  
14 have received an overwhelming response just  
15 with excitement because, currently, there is  
16 nothing available in the marketplace on a  
17 federal level or a state level. And,  
18 essentially, if there is a borrower who  
19 exhibits a shortfall of collateral, this State  
20 program that we are building will offer up to  
21 a \$250,000 cash deposit to be pledged to that  
22 borrower's loan at the lender's bank at the  
23 lender, with the lender rather, excuse me, for  
24 the term of that loan.

25 In the event that the loan is repaid, the



1 lender is made whole. That deposit is  
2 returned to LEDC so that we can then lend that  
3 money to another small business owner who may  
4 exhibit a shortfall of collateral. It's  
5 important to note that it is intended to help  
6 small business owners short of a shortfall of  
7 collateral. It's not intended to be a full  
8 source of collateral.

9 Most of you already know, small business  
10 owners are strapped with their resources as it  
11 is. Coming up with equity, collateral, their  
12 business plan, if they don't have historical  
13 financials, they're going to have to put  
14 together some projections. So the Collateral  
15 Support Program will help those business  
16 owners who have almost everything the lender  
17 is asking, except they just don't have enough  
18 to support the collateral that is being  
19 required to get approved for the loan. In  
20 that instance, this program, again, will offer  
21 up to a \$250,000 cash collateral deposit to be  
22 pledged to that loan.

23 All right. Let me just take note to see  
24 where we're at here. All right. So I've just  
25 basically summarized this slide here. And

1 with our Micro Loan Program, and I'm going to  
2 blend the two since we're already in  
3 Collateral Support, they have appropriate  
4 structural requirements that are standard of  
5 all three of these programs. So, for example,  
6 the eligible uses of these funds for Micro  
7 Loan and Collateral Support Program now, it  
8 needs to be either for equipment or inventory  
9 purchases, term loan financing, unoccupied  
10 real estate, or maybe working capital needs.  
11 We do ask that there is a job creation or  
12 retention parameter future for each of our  
13 programs.

14 And for Small Business Loan Guaranty,  
15 that actually increases to two depending upon  
16 the dollar amount however, ineligible uses  
17 are very common of all three. And those are  
18 going to be things that are currently  
19 disallowed today, such as pyramid sales,  
20 crypto-currency, any illegal activity  
21 obviously. Investment real estate, nonowner  
22 occupied real estate, that's going to be  
23 something that is discouraged as well.

24 Now with the Collateral Support Program,  
25 we do ask the borrower inject at least

1           10 percent equity; whereas, there was  
2 flexibility on the Micro Loan Program side of  
3 the lender to make that distinction. We have  
4 put more here in the Collateral Support and  
5 ask for the 10 percent equity. Again, just  
6 recapping some of the permissible uses of the  
7 funds, which will be standard for not only  
8 this program, the Collateral Support, but the  
9 Micro Program as well as the Guaranty Program  
10 you will soon see. And so I'll start sounding  
11 a little bit redundant when it comes to some  
12 of these topics; prohibited uses of the funds.

13           Similar to the Micro Loan Program, the  
14 lender -- or excuse me, the applicant will  
15 apply with the lender. The lender will submit  
16 the application package to our team for  
17 review. They will communicate with the  
18 banker. The banker will then communicate with  
19 the borrower to disclose all of the loan  
20 structural and approval requirements and then  
21 make arrangements to close the loan.

22 MS. DAVIS:

23           Is there any -- like interest rates, is  
24 that determined by the -- where are the  
25 interest rates determined on these sort of

1 loans? Like, who determines that?

2 MS. RANEY:

3 Great question. So under our Micro  
4 Program, the lender will actually determine  
5 the interest rate. That particular program  
6 gives discretion to the lender to structure  
7 those smaller loans. And, again, that can  
8 vary if the loan is unsecured, for example, on  
9 those smaller loans or if it's a larger size  
10 loan or it could be a smaller loan and the  
11 borrower may want to pledge collateral so that  
12 they could have an improved interest rate. As  
13 you know, unsecured lending is more expensive,  
14 but that is an option under the Micro Loan  
15 Program.

16 Now with the Collateral Support Program,  
17 while the lender does set that interest rate,  
18 there is going to be review and consideration  
19 by the Collateral Support team for those loan  
20 transactions, because as we all know, cash is  
21 typically kept. So if part of the collateral  
22 is going to be pledged as cash, that should be  
23 passed onto the borrower in the terms of a  
24 better interest rate cost savings because the  
25 lender situation has been improved because

1           some of their collateral could be up to  
2           \$250,000 in cash. So that's the expectation  
3           with the interest rate on the Collateral  
4           Support.

5           And with our Guaranty Program, the  
6           interest rate is set by the lender as well.  
7           But I'd like to also add, you know, with all  
8           three of those programs, there is an interest  
9           rate cap, which is a provision actually of the  
10          SSBCI guidance for we had built into our  
11          program rules that the interest rate cannot  
12          exceed either the National Credit Union  
13          Association interest rate or it cannot exceed  
14          the Federal Credit Union Association interest  
15          rate or exceed any future enacted State  
16          regulatory interest rate, which currently does  
17          not exist, but wanted to make sure we were  
18          being cognizant of that in case that was  
19          enacted in the future.

20          This is a 10-year program, so that very  
21          well could happen in a rising interest rate  
22          environment. Very good question especially  
23          because we are in a rising interest rate  
24          environment, which is why I think that the  
25          Collateral Support Program should be able to

1 yield a lower interest rate from lenders to  
2 the borrowers because of the cash being  
3 pledged as collateral to help shore up that  
4 shortfall.

5 On the flip side of that, it would be a  
6 great time to pursue and explore the  
7 opportunities to fund your business financial  
8 needs through equity investing since it does  
9 not require, necessarily, a form of monthly  
10 P&I repayment so to speak typical of a loan.  
11 Just things to be mindful of as the economic  
12 plans state changes over the next ten years,  
13 because it will. Good question.

14 MS. HARTMAN:

15 Kelly?

16 MS. RANEY:

17 Yeah?

18 MS. HARTMAN:

19 I'm sorry to -- before you go on, related  
20 to eligibility, can you highlight a couple of  
21 the differences between the previous SSBCI and  
22 what's allowable through loan guarantee in  
23 terms of industry like retail in restaurants  
24 versus what you all have structured for Micro  
25 Loan and Collateral Support because there was

1 some questions about that?

2 MS. RANEY:

3 Absolutely. So there is a big  
4 difference, and you just actually said one of  
5 them, a big difference in these programs  
6 compared to the 1.0 is that we have been  
7 mindful to include restaurants, food trucks;  
8 they're all included. If the lender will  
9 consider that business entity, then it is  
10 permissible through our State program. And  
11 that's important because there are different  
12 lenders have different risk tolerance;  
13 correct. And so we've built a program that  
14 will enable the borrower to utilize those  
15 provisions within the program when they're  
16 working with a lender that will allow those  
17 type of transactions.

18 So a big difference is restaurants are  
19 eligible now; whereas before, they were  
20 actually excluded. We like to eat here in our  
21 state, so I'm glad you brought that up,  
22 Stephanie. Oftentimes, restaurant owners,  
23 they may get overlooked for some of these type  
24 of programs or disqualified because of  
25 industry risks. And so we have included them

1 for all of these programs for consideration.

2 Thank you for bringing that up.

3 And also, Stephanie, you're going to have  
4 this step that you can send out if anybody is  
5 interested thereafter as well. And so our  
6 Guaranty Program is currently in existence  
7 today, as I've previously stated. Before, it  
8 offered up to a 75 percent guarantee. We were  
9 able to squeeze out a little more on that side  
10 going up to 80 percent under SSBCI. In order  
11 to stay within the SSBCI guidance, that was  
12 the maximum that we could allow.

13 We do, however, for our business owners  
14 who are certified through our LED Small  
15 Business Services Group, that are certified as  
16 small and SEBD companies, then they would be  
17 eligible for up to a 90 percent guarantee and  
18 with the collateral requirement not to exceed  
19 the 80 percent. So I want to make that  
20 distinction.

21 That is outside of SSBCI, but that is  
22 also an enhancement that we were able to tap  
23 on independently of the SSBCI funding. So  
24 that is currently going to be available as  
25 well to try and help promote all of the



1 existing programs that we have within LED and  
2 workforce center logistically for those  
3 businesses.

4 Earlier, I mentioned we would ask for  
5 larger job creation or retention. And so  
6 depending upon the dollar amount, we've  
7 increased that to two per loan transaction on  
8 the guarantee side. Very similar in terms of  
9 the eligibility requirements for the program,  
10 uses of funds. Ineligible, very consistent  
11 with what I've already mentioned before.

12 And the process is not much different  
13 than the Collateral Support Program in a sense  
14 that the borrower will go to the lender, make  
15 the application. Lender will transfer that  
16 loan documentation to our agency for review,  
17 making sure it adheres to all of the U.S.  
18 Treasury SSBCI guidance. We will communicate  
19 back to that lender. The lender will  
20 coordinate with the borrower for closing and  
21 disbursement of funds. All three of the  
22 programs will have reporting thereafter  
23 between the lender and LED or the Equity Fund  
24 Firm and LED for each of those investments or  
25 loans on their performance.

1           The SSBCI Program is intended to be a  
2           10-year program. So these programs, again,  
3           after much thorough conversation, much  
4           research, much feedback were built to cater to  
5           businesses in many different stages of the  
6           business life cycle whether they're just  
7           starting out or they're looking to expand  
8           offering smaller terms to larger terms under  
9           the DID program.

10           And, again, I'd like to add that they  
11           were intended to complement what's currently  
12           available, not compete. So, for example, if a  
13           longer amortization is needed for the business  
14           owner to buy a building and it's better for  
15           them to go to SBA for that guaranteed loan,  
16           that's perfect. If they need working capital,  
17           they may be able to come to all of that and we  
18           might be able to help them with a line of  
19           credit for some of their working capital  
20           needs. Maybe they don't have all of the  
21           collateral to support the working capital  
22           request, but that's where the Collateral  
23           Support Program can come in.

24           So there are ways that we can coexist  
25           with other programs, not to compete benefits,

1 but coexist with other programs. I'll pause  
2 and see what other questions there are.

3 MS. DAVIS:

4 So I apologize because I didn't grasp  
5 this in the beginning, I know that you were  
6 talking about it. This has already passed?  
7 Because it's saying summer of 2022 that the  
8 programs are anticipated to open.

9 MS. RANEY:

10 So this was the beginning work on this  
11 and, yes. So we were anticipating in summer  
12 of 2022 when we submitted our application in  
13 February that we would have the federal  
14 funding by now. So where we are right now  
15 August 31st, I consider summer to be over  
16 because my kids are back in school. When kids  
17 are back in school, the fun is done. So  
18 summer is over, and I'm thinking probably  
19 going to be early fall before we receive that.

20 Having said that, I made this disclaimer  
21 that there's going to be Zoom webinar updates  
22 with the Treasury Office about this  
23 application that, and one of those  
24 conversations, I do know that there is a goal  
25 for the Treasury Office that was disclosed to

1 us to have all of the, all of the 55  
2 applications reviewed by October. So they've  
3 got a little work to do if they're already up  
4 to 23. That's why I say, I think any day now,  
5 Louisiana, since we've already been notified  
6 that we were being reviewed, it should be in  
7 the near future. I can't -- it's obviously  
8 not summer because, to me, summer is over;  
9 kids are back in school.

10 MS. DAVIS:

11 Well, so tomorrow -- no.

12 MS. RANEY:

13 Well, what we are doing to make sure that  
14 we can pull the trigger simultaneously is  
15 we're working in tandem with the application.  
16 So all of the program forms, the agreements,  
17 the contracts, the program participants, all  
18 of that is being fine tuned and finalized  
19 right now so that it's a matter of signing and  
20 executing documents once we receive that  
21 federal funding, which we have to sign a  
22 document with the U.S. Treasury Office too, by  
23 the way, before we can get the dollars so that  
24 once we do sign an allocation agreement with  
25 the Treasury Office and receive those federal

1 dollars, we are well-positioned to start there  
2 and take application on all of our programs.

3 Now we all know that when it comes to  
4 equity investing, it takes time to, you know,  
5 review those portfolio companies screen them,  
6 make sure they're a good fit, gather all of  
7 the information needed, but they're not  
8 starting from that particular point at ground  
9 zero because they will have already been  
10 identified. Those that are going through the  
11 RFQ process right now, they're aware of the  
12 goals of SSBCI intermission and how they're  
13 being asked to look for investments in  
14 portfolio companies in our state that they may  
15 not have intentionally sought out before. And  
16 so we are trying our very best to make sure  
17 that, well, what we're doing right now, we're  
18 waiting on the Feds; they're not waiting on  
19 us.

20 Any other questions? This was a lot of  
21 information, I know.

22 MS. DAVIS:

23 I think it was great information.  
24 Honestly, there was a couple of programs I  
25 would like to utilize personally. That's why

1 I'm asking, like, when, when.

2 MS. RANEY:

3 I can also share with you that I'll make  
4 sure to give Stephanie updates as soon as we  
5 get any mark forward, but I know there's  
6 intention to make all of this available on our  
7 website and there will be other systems that  
8 will be put in place to help identify where  
9 the Equity Fund Firms and the lenders are  
10 located and who kind of specializes and caters  
11 to what.

12 MS. HARTMAN:

13 Thank you again, Kelly. And also, the  
14 other part of this that is currently being  
15 worked on right now is the technical  
16 assistance piece where Louisiana stands to be  
17 able to apply for up to \$3 million in applied  
18 programming for technical assistance. So  
19 we're currently working with our technical  
20 assistance partners to try and structure what  
21 that could possibly look like. The intent of  
22 that from Treasury is to assist small  
23 businesses in accessing capital in some of  
24 these funds and also management of those funds  
25 as they proceed in their business endeavors.

1           So a couple of things and we'll try and I  
2           want to be mindful of everyone's time because  
3           I know we got started a little bit late here  
4           today, but we do have some updates just from  
5           our Small Business Service Assistant Director,  
6           Chris Cassagne to come up and give us some  
7           updates on what's going on with the LED Growth  
8           Network, but just a couple of things on the  
9           immediate horizon. Our residential  
10          Contractors Accreditation Institute -- excuse  
11          me, our Louisiana Contractors Accreditation  
12          Institute Residential seminar closed on  
13          Monday. We do have applications open for that  
14          for the Business and Law Seminar that is  
15          starting on October 3rd, I believe. And so  
16          that's the third in this year series. Every  
17          year, we have our Business and Law, our  
18          General Contractors, and our Residential  
19          Contractors seminars, so that's the next one  
20          on queue.

21                 We are working closely with the Small  
22          Business Development Centers to get the PAVED  
23          Program back up and running and that we'll be  
24          having the first boot camp, I believe, on  
25          September 21st. So a couple of folks very

1 heavily engaged in that today as well as for  
2 our team.

3 Another thing just to give an update on  
4 because the Hudson initiative and expenditures  
5 with our local Louisiana based small  
6 businesses has also been a high priority item  
7 for this group, the not final, but nearly  
8 final numbers for Fiscal Year '22 did come out  
9 from the Division of Administration. So in  
10 Fiscal Year 2022, \$79,499,953 were spent with  
11 Hudson and Veteran certified companies. That  
12 number does not include the report filing from  
13 Higher Education last year. For example,  
14 Higher Education numbers came in about  
15 \$8 million additional dollars to that number.  
16 That is an increase, a slight increase from  
17 last year's total number. But with the  
18 anticipated number coming in from Higher  
19 Education, it should be significantly higher.

20 One of the things that we have upcoming  
21 is to sit down with the Office of State  
22 Procurement to develop those goals for Fiscal  
23 Year 2023 as they issue those with that drive  
24 towards continuing to increase in the amount  
25 spent from our state agencies with our local



1 small businesses in Louisiana. So that's  
2 something that continues to be a high priority  
3 for the Department. This past year, 13  
4 agencies met or exceeded their annual goal and  
5 we go through a process with OSP to increase  
6 everyone's goal each year, so that's  
7 continuing to kind of drive progress in that.

8 Another big thing on the horizon that  
9 we've been working for and something that I  
10 think is pertinent to this group is a resource  
11 navigator and calendar system through a  
12 partnership in Source Link that's going to be  
13 called Louisiana Business Hub. So LED has  
14 gone into a contractual agreement with Source  
15 Link, if anyone is familiar with that. They  
16 provide assistance with ecosystem building and  
17 kind of building an online resource navigator  
18 as well as online calendar tool that it takes  
19 a lot of legwork on LED's side and a lot of  
20 our resource partners to be able to build the  
21 functionality of that. But that's something  
22 that we are taking the first step in this  
23 year.

24 We are piloting and we are building that  
25 based off of our regional system so that we

1 now have local ownership versus just a state  
2 top down. Our pilot will be -- we're planning  
3 to launch, soft launch in November, but  
4 hopefully a full launch in December in the  
5 capital region, and that will go on top of  
6 what has already happened in North Louisiana.  
7 EAP in North Louisiana received EDA funding  
8 and they were able to launch what they call  
9 launch network, which is also a Source Link in  
10 Northwest and Northeast Louisiana that will  
11 tie into the statewide regional model that  
12 we'll be working over the coming two years, I  
13 believe, to add the additional regions all  
14 over the state.

15 And so this is kind of our first endeavor  
16 to try and build that and make sure that we  
17 have binding from all of the resource partners  
18 as a valuable tool to them so that we can have  
19 their engagement and make sure that we have  
20 all of that information accessible to our  
21 small business owners at any time so that they  
22 can go in, say what kind of need do they have  
23 in terms of what type of training they may be  
24 looking for, assistance with business  
25 planning, capital access as the topic for

1           today, and be shown a list of resource  
2           providers that they can directly connect with  
3           to be able to assist with those needs. So we  
4           will plan to invite all of you to that soft  
5           launch to be able to kind of walk through that  
6           tool and make sure that you can see what's  
7           being built there before we go fully live, but  
8           I did want to make everyone here aware of  
9           that. And we've been working with Lindsay at  
10          the Secretary of State's Office as well to be  
11          engaged in that process. The full Secretary  
12          of State's Office is a very key place that we  
13          made sure that all of those --

14         MS. CLARKE:

15                 Well, I'm happy to hear.

16         MS. HARTMAN:

17                 And so with that, I do want to go ahead  
18                 and ask Chris Cassagne to come up and give  
19                 some updates for the LED Growth Network and  
20                 some of the programming that we have recently  
21                 gone through and have upcoming for second  
22                 stage companies.

23         MR. CASSAGNE:

24                 I'll try to do my part and focus on the  
25                 key items and try to get out of here on time.

1 So Chris Cassagne, Assistant Director, Small  
2 Business LED. The historic of our high growth  
3 activities, LED Growth Network programming,  
4 and for those of you who might not be  
5 familiar, that's a suite of services designed  
6 to accelerate the growth of our second stage  
7 small business community here in Louisiana,  
8 and it was recognized in 2021 by the  
9 International Economic Development Council  
10 with the Gold Award in the Entrepreneurship  
11 category. Today, there are about 600  
12 companies that are part of that are part of  
13 that network that employ over 21,000 full-time  
14 equivalent employees and generate in excess of  
15 \$4 billion in annual sales each year. So I'll  
16 try and catch y'all up to speed real quick  
17 since our last meeting in February, so I'll  
18 run through the calendar.

19 Starting in April, we had 10 companies  
20 that were recognized as Louisiana Growth  
21 Leaders. That's our fourth class of Louisiana  
22 Growth Leaders of companies that were at our  
23 2022 Spotlight Louisiana event that was held  
24 in April. The way that works is 15  
25 organizations that are the panel member

1 organizations evaluate companies on a number  
2 of different criteria, including growth,  
3 strategy, innovations, company culture and  
4 leadership, innovation and philanthropy as  
5 well as other intangibles and select the  
6 awardees this year. We did have our inaugural  
7 Louisiana Growth Leader Legend award that in  
8 the past growth leaders from 2019, 2020, and  
9 2021 were eligible to apply for. We've got a  
10 2023 Spotlight Louisiana event planned in our  
11 application period for the 2023 class of  
12 Louisiana Growth Leaders will open up on  
13 October 1st of this year.

14 Also, noteworthy at this year's Spotlight  
15 event, the Department was recognized by the  
16 Edward Lowe Foundation. That's a national  
17 nonprofit organization based in Michigan.  
18 Therefore, the trustees actually came down to  
19 Louisiana to attend the Spotlight event and  
20 presented the Department with their first ever  
21 founders award and recognized us as basically  
22 a national best practice related to second  
23 stage business support. The award itself was  
24 a statute of a Golden Cat, which was a  
25 metaphor that the late Edward Lowe, who was

1 the inventor of Kitty Litter and Tidy Cats  
2 used as a metaphor to symbolize excellence and  
3 ease of the businesses quite often.

4 In May, we launched our second annual  
5 Rural Entrepreneurship initiative. Ten  
6 companies participated in that. It's a  
7 comprehensive initiative that consist of a  
8 virtual retreat and three monthly roundtable  
9 meetings. And all of those companies went  
10 through their own customized strategic  
11 research engagement as well.

12 In June, we graduated 66 companies that  
13 completed Fiscal Year 2022, their yearlong CEO  
14 Roundtable experiments and they were reported  
15 at creating 294 jobs throughout their yearlong  
16 journey. We've got another 80 participants  
17 that came into the fold in July that just  
18 begun their yearlong experience and in-person  
19 roundtables kicking in at Acadiana, Capital,  
20 Northwest, and Southeast regions as well as a  
21 statewide initiative return on investment from  
22 the CEO Roundtables program and capital. Each  
23 year, the state gets in excess of almost  
24 nearly \$9 for every \$1 that will go into that  
25 program. And I do want to recognize Taylor,

1           whose taking over administration of that  
2           program for LED.

3           American Academy of Entrepreneurs, we  
4           launched that, our third annual cohort in July  
5           of this year. Sixteen LED Growth Network  
6           companies traveled to that Edward Lowe  
7           Foundation and they went to Michigan for a  
8           leadership retreat. We had eight mentors and  
9           mentees that paired up. And now, they're  
10          engaged in six monthly one-on-one meetings to  
11          work on the scope of work that can help the  
12          company.

13          Next month, September 20th through the  
14          22nd, we have our second annual Diversity in  
15          Entrepreneurship launch, very similar in  
16          structure to the Rural initiative that I just  
17          explained. And by the way, we have a couple  
18          of slots. Courtney knows this. Thank you for  
19          the contacts. A couple of slots remaining if  
20          there's anybody that meets the qualifications  
21          that would want to participate in that.

22          Also in October, Angelica, you know this  
23          because you're coming with us, we have a  
24          leadership retreat at the Edward Lowe  
25          Foundation called Leading a Resilient

1 Organization. We have 13 companies that are  
2 traveling to Michigan. The program is really  
3 designed to challenge business leaders related  
4 to their management practices and expose  
5 participants to strategies and tools to affect  
6 a culture of engagement and maximize their  
7 team's productivity. So we're looking forward  
8 to that, Angelica.

9 And then, finally, we have our ongoing  
10 System for Integrated Growth. That's our  
11 strategic research based program. It's 11  
12 companies so far in this Fiscal Year have been  
13 accepted into the program. Since inception,  
14 357 companies have participated and reported  
15 creating over 3,000 new full-time equivalent  
16 jobs and increased annual sales by over \$671  
17 million. And the State gets in excess of \$10  
18 in return for every \$1 invested in that  
19 program.

20 Any questions?

21 MS. DAVIS:

22 Wow.

23 MR. CASSAGNE:

24 Thank you.

25 MS. HARTMAN:



1           Thank you, Chris. And the LED Growth  
2 Network being that continuum of support to be  
3 able to provide help for businesses in the  
4 early stages and then as they pass that as  
5 some members in the room are very familiar  
6 with to provide resources with that growth and  
7 continuing to move forward.

8           So before we ask for a motion for  
9 adjournment, we are a little limited on time,  
10 I did want to give an opportunity to speak  
11 with any of the members that have anything  
12 they want to bring the table. And I kind of  
13 volunteered Bryan to share. Since our last  
14 meeting was February 22nd, I just wanted to  
15 make sure everyone was aware of updates with  
16 the Small Business Development Center and  
17 where you all are currently located because I  
18 believe we have not fully gone over ownership  
19 and you joining as the Assistant Associate  
20 Director.

21 MR. GREENWOOD:

22           So I'm trying to remember deadlines. All  
23 right. So LSU is the new lead center host  
24 effective February 1 of '22. And for the  
25 first three months of that time period from

1 February three months in, LSU hired its staff,  
2 I being hired as the State Director, and then  
3 we have the Associate State Director, and then  
4 we hired John as our Finance person, so that  
5 rounds out currently the State office  
6 perspective. So we are a federal, state, and  
7 university partnership. There's one of us in  
8 every state. We have 10 locations at  
9 different universities. And right now, our  
10 initiatives are to continue the things that  
11 are happening at the federal level as well as  
12 the state level.

13 So a lot of the things that you heard  
14 based on what LED provides services, we also  
15 promote those in buying small businesses. And  
16 our portfolio is to take advantages of all  
17 those opportunities. There's no real new  
18 initiative right now because we are at the end  
19 of the federal cycle to start the next cycle  
20 beginning October 1. And there's no real new  
21 initiative there. All the old initiatives  
22 continue.

23 I will say that soon, the Federal Reserve  
24 System will be sending out a national survey,  
25 credit survey for small businesses. And the

1 goal annually is to get a feel for what the  
2 lending environment is for the entire country  
3 for small business.

4 So this one is kind of a critical one  
5 because of the fact that say since the  
6 pandemic, there have been a number of stimulus  
7 opportunities for small businesses to take  
8 advantage of. However, the challenge is we're  
9 in an uprate market environment that will  
10 continue to increase in rates that are going  
11 to cause some issues, fundamental issues of  
12 cash flow of businesses that have an  
13 adjustable rate facility.

14 So the partnership with LED will be  
15 sending the survey links out. So if you can  
16 help us get the word out, because the Federal  
17 Reserve does special reporting for states that  
18 have more than a certain number of people that  
19 participate in those surveys and it provides a  
20 good wealth of information and understand what  
21 currently the dynamics are in small  
22 businesses.

23 So just something, you know, there and  
24 we're available for one-on-one consultation  
25 with small businesses as well as training

1 throughout the state. We're easing into the  
2 in-person world of training, still doing  
3 hybrid and so forth. So I can go on, but I'll  
4 stop. And if anybody has any questions  
5 afterwards, I'm happy to have a conversation.

6 MS. HARTMAN:

7 I appreciate that. Thank you, Bryan.

8 MR. GREENWOOD:

9 You're welcome.

10 MS. HARTMAN:

11 And I know that I just wanted to  
12 recognize because I don't think that we had  
13 the opportunity in the last meeting to  
14 celebrate you making Assistant Director and  
15 that is a partnership we look forward to with  
16 LSU.

17 So any other comments? Yes?

18 MS. CLARKE:

19 I think you're going to see in your  
20 emails, I received an email from the National  
21 Association of Secretaries of State --

22 MS. HARTMAN:

23 Okay.

24 MS. CLARKE:

25 -- and they have put up -- they're

1 forwarding the guide from CSISA, the Cyber  
2 Security Information and Security Agency and  
3 it's the cyber guide for small business  
4 information, and I'll email that to everybody  
5 when I get back to the office.

6 MS. HARTMAN:

7 That sounds excellent.

8 MS. CLARKE:

9 And it's very to what was referred today  
10 and parallel to that.

11 MR. GREENWOOD:

12 And there's the new guidelines coming  
13 out. And so any business that's going to do  
14 federal contracting work is going to have to  
15 adhere to further regulatory requirements that  
16 this is going to help. So it's something that  
17 people need to be very aware of what's going  
18 on in the cyber world.

19 MS. HARTMAN:

20 And that answers actually one of my  
21 questions, are we going to replace the  
22 repository, the general baseline best  
23 practices and also kind of recommendations, so  
24 thank you.

25 Any other comments?

1 MS. DAVIS:

2 I have a question, if I can get the  
3 slides from the presentations?

4 MS. HARTMAN:

5 Yes. So I have the slides from both  
6 cyber security presentation as well as the  
7 SSBCI, which SSBCI is in PDF format, but I  
8 have those to distribute to everybody after  
9 the meeting.

10 MS. DAVIS:

11 And then one other thing that's  
12 completely off topic for anything that we  
13 discussed today, but it was something that I  
14 had brought up last year around this time, and  
15 we're getting into that season again,  
16 hurricane season, I just wanted to bring it  
17 up. I'm not sure if it's anything that we can  
18 dive into at any point in the future, but just  
19 the fact that during this time when there are  
20 hurricanes and federally federal funds are  
21 sent to Louisiana, that those funds, that  
22 there needs to be more of a focus that those  
23 funds are spent with Louisiana businesses.

24 MS. HARTMAN:

25 Yeah. So one update on that, I know that

1 FEMA was coordinating some work group meetings  
2 to provide recommendations to the Governor's  
3 Office on several channels to be able to try  
4 and promote more of that from both an equity  
5 standpoint as well as a localized standpoint  
6 of doing more procurement with Louisiana based  
7 businesses. And it --

8 MS. DAVIS:

9 It starts from the top when a project is  
10 funded that it starts with a local --

11 MS. HARTMAN:

12 Right.

13 MS. DAVIS:

14 -- not a national, like some group that  
15 comes from another state because you're more  
16 likely to have those funds spent with  
17 businesses in the state if we're not giving  
18 the funds immediately to an organization --

19 MS. HARTMAN:

20 Right.

21 MS. DAVIS:

22 -- or a business that is not located in  
23 the State of Louisiana.

24 MS. HARTMAN:

25 And I think, Courtney, if there are any

1 items that I could provide to that group that  
2 would be helpful, part of that is because the  
3 Governor made an ask for recommendations for  
4 them. And so if there's anything in  
5 particular that you think should be included  
6 in that, we can talk about what --

7 MS. DAVIS:

8 Sure.

9 MS. HARTMAN:

10 -- they discussed previously, I would  
11 definitely want to make sure that that's sent  
12 to the Governor's Office as well.

13 MS. DAVIS:

14 Thank you.

15 MS. HARTMAN:

16 Any other comments?

17 And then I believe, so one thing I did  
18 want to just note, when we meet next time, and  
19 we'll vet the dates with all of you, we should  
20 probably be able to have -- we did include a  
21 Legislative update from this year's session,  
22 but we should hopefully be able to have  
23 presentation from Makesha Judson, who is our  
24 Legislative liaison with things that they see  
25 on the horizon with the upcoming session. One



1 of the other things that I wanted to offer and  
2 just ask the group if you would like to have  
3 someone speak to is in that Legislative  
4 update, you will see that there was new  
5 Legislation passed relative to SBIR and STTR  
6 programming and funding.

7 And so I wanted to propose, if you would  
8 like to have the authors of the Legislation,  
9 Representative Willard and Representative  
10 Presley and also LED give some updates or  
11 notes on what is being planned with that,  
12 okay, and I'll vet that with everybody  
13 afterwards, but that is just something that is  
14 on the horizon. They're working on building  
15 out the implementation of that Legislation and  
16 that programming, so it may be good timing for  
17 an update with that.

18 Okay. With that, if there are no other  
19 comments, I'll ask for a motion to adjourn.

20 MS. DAVIS:

21 Motion.

22 MS. CLARKE:

23 Second.

24 MS. HARTMAN:

25 All right. Ayes for those will vote to

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adjourn?

(AYES BY ALL)

MS. HARTMAN:

All right. I believe we will adjourn.  
Thank you all for being here with us today and  
we appreciate your service with the Council.

(ENDING AT 12:10 P.M.)

1 R E P O R T E R ' S C E R T I F I C A T E

2 I, KELLY S. PERRIN, a Certified Court  
3 Reporter, Certificate #23035, in good standing with  
4 the State of Louisiana, as the officer before whom  
5 this meeting was taken, do hereby certify that the  
6 foregoing 106 pages;

7 That this testimony was reported by me in  
8 stenographic machine shorthand by Computer-Aided  
9 Transcription, transcribed by me or under my  
10 personal direction and supervision, and is a true  
11 and correct transcript to the best of my ability  
12 and understanding;

13 That the transcript has been prepared in  
14 compliance with transcript format guidelines  
15 required by statute or by rules of the board, that  
16 I have acted in compliance with the prohibition on  
17 contractual relationships, as defined by Louisiana  
18 Code of Civil Procedure Article 1434 and in rules  
19 and advisory opinions of the board; that I am not  
20 of counsel nor related to any person participating  
21 in this cause and am in no way interested in the  
22 outcome of this event.

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1           This certification is valid only for a  
2 transcript accompanied by my handwritten or digital  
3 signature and the image of my State-authorized seal  
4 on this page.

5 Signed:

6  
7                           KELLY S. PERRIN,CCR  
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12   *Kelly S. Perrin*  
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