In The Matter Of:

Meeting of the Louisiana Economic Development Corp. v.

Meeting

February 10, 2022

Associated Reporters, Inc.

201 St. Charles Ave.

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New Orleans, La.

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STATE OF LOUISIANA

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

BOARD OF DIRECTORS

The above-entitled meeting was held at the LaSalle Building 617 North 3rd Street, Floor 1 - LaBelle Room, Baton Rouge, Louisiana, beginning at 9:32 a.m., on February 10, 2022.

BEFORE:

Lori B. Overland
Certified Court Reporter
In and For the State of
Louisiana

A P P E A R A N C E S

BOARD MEMBERS:

A. J. Roy, III, Chair
Stephen David, Jr.
Cal Simpson
Charles Jackson, III
Louis Reine
Norisha Glover
Andy Adler

STAFF:

Deborah Simmons
Anne Villa
Molly Hendricks
Tedra Cheatham
Laura Womack
Patrick Witty
Stephanie Hartman
Shamelda Pete
Robin Porter
Brenda Guess
Josh Fleig
Marissa Doin
Crystal Dalgo
Susan Bigner
Kelly Raney

* * * * *

I N D E X

EXHIBITS:

None

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MR. ROY:

Good morning. I call to order the Board of Directors of the Louisiana Economic Development Corporation. Roll call, please.

MS. SIMMONS:

Good morning. A.J. Roy?

MR. ROY:

Here.

MS. SIMMONS:

Charles Jackson?

MR. JACKSON:

Here.

MS. SIMMONS:

Louis Reine?

MR. REINE:

Here.

MS. SIMMONS:

Cal Simpson?

MR. SIMPSON:

Here.

MS. SIMMONS:

Andy Adler?

MR. ADLER:

Here.

MS. SIMMONS:

Norisha Glover?

MS. GLOVER:

Here.

MS. SIMMONS:

Stephen David?

MR. DAVID:

Here.

MS. SIMMONS:

Secretary Don Pierson?

(No response.)

MS. SIMMONS:

We have a quorum.

MR. ROY:

Very good. I'll ask that everyone please silence their devices.

The first order of business is the approval of the meeting minutes, LADC Policy Committee, January the 13th of 2022.

MR. SIMPSON:

Move to approve.

MR. ROY:

Motion for approval by the committee

chair.

MR. REINE:

Second.

MR. ROY:

Any discussion?

(No response.)

MR. ROY:

Hearing none, all in favor aye.

(All indicated aye.)

MR. ROY:

All opposed, nay.

(No response.)

MR. ROY:

Without objection.

The next order of business is the presentation of the board minutes from the same date, January the 13th. What is the pleasure of the committee?

MR. DAVID:

So moved.

MR. ROY:

Motion for approval as presented.

MR. SIMPSON:

Second.

MR. ROY:

Second. Any discussion?

(No response.)

MR. ROY:

Any comments from the public?

(No response.)

MR. ROY:

Hearing none, all in favor aye.

(All indicated aye.)

MR. ROY:

All opposed, nay.

(No response.)

MR. ROY:

Without objection.

All right. Moving along. We will have a policy committee discussion now. We were unable to secure a quorum recently with the Policy Committee, so we're going to have the committee as a whole and allow Mr. Simpson, maybe to start off if he'd like to --

MR. SIMPSON:

What --

MR. ROY:

Well, we -- I'll tell you what, we'll let you say the first words, if you like, but I'll let the -- I'll let the -- how about if we let the staff start off and lead us through the discussion, which I think begins with this small business loan guarantee program.

MR. SIMPSON:

I yield to the staff to --

MR. ROY:

Very good. Good morning.

MS. RANEY:

Good morning. Is this on?

MS. SIMMONS:

(Indicated a positive response.)

MS. RANEY:

I'd like to ask permission of the board, if it so pleases them, to start the conversation with our rules review for guarantee by sharing some opening remarks about the intent of the SSBCI program initiative we authorized through the American Rescue Plan Act of 2021, and then address, I believe, a question a few board members had in the January meeting -- most of us were not present -- to speak a little bit around the overall allocation rational for debt versus equity. And I have a couple of team members from our LED staff to help speak to the debt and equity piece and -- and increase in start-ups in small business and entrepreneurship for our state. Is that okay?

MR. ROY:

Yes.

MS. RANEY:

Perfect. So those that were not around for SSBCI 1.0, that was a result of the financial crisis from 2008/2009. As a result, the Small Business Jobs Act of 2010 was enacted, and that's where SSBCI was initially authorized to help states and participating entities provide assistance to all of those adversely affected. Now, it was the financial crisis and so there was much more ubication for lenders and financial institutions at that time. Also surrounding asset quality, the loans are occupied as such, investment real estate, for example.

So this go round, SSBCI, we authorized through the American Rescue Plan Act of 2021, it's focused more on helping to re-energize those small businesses that were adversely impacted and, in many cases, closed permanently from the COVID pandemic. It is also to help spur economic opportunity for businesses to go work for themselves or start a business or grow their business, particularly to those businesses that Treasury has defined to be very small businesses, which are less than ten employees. And also, Treasury's intent with this program is to continue down the mission of working with low income to moderate income underserved communities, overlooked communities, rural communities and socially and economically disadvantaged individuals.

Now, socially, economically disadvantaged individuals has been defined by Treasury to include a number of qualifiers. There's four different way, essentially an individual may qualify under that SEDI designation. Three of them surround what we call, or Treasury calls, the CDFI Investment area. When I spoke with our LED Business Analytics Department, I was curious of the identified CDFI investment areas that Treasury has published, how many are located within our state. And the results prove that of all the tracts of land within the State of Louisiana, that 60.63 percent falls -- of those tracts, fall within a designated CDFI investment area.

In addition to that, there's a lot --

MR. REINE:

Can I ask a question?

MS. RANEY:

Yes, sir.

MR. REINE:

So when you say 60 percent, typically that's rural or north/south of --

MS. RANEY:

So it's 60.63 percent of the entire

tracts of land that comprise the entire State of Louisiana.

MR. JACKSON:

Those are census plots?

MS. RANEY:

Of the census -- of the census plots, that's correct. And then that is referencing the published CDFI designated tracts of land. There is a public viewer interactive map that anybody can access. We have access to it to verify where these locations are within the country, but we're most interested, obviously, in Louisiana.

MR. REINE:

Are they trends of the large cities, the rural areas? I just kind of getting --

MS. RANEY:

So the common themes with the CDFI investment areas is that they are typically -- they are typically categorized by Treasury as being low to moderate income areas, rural areas and underserved areas. And what's interesting is that when you look at the map that we received from our business analytics unit, that maps out all of these CDFI investment areas within our state, and then if you overlap that map with all of those CDFI's within our State of Louisiana, which there are 74, there is a direct correlation between their locations and these CDFI investment areas for the entire State of Louisiana. I don't think that's by coincidence. Treasury has often promoted that working with CDFI's is the -- their preferred and recommended path forward to penetrate those low and moderate income communities, rural and underserved communities as well.

And so I -- I say all of that because that speaks to the ultimate mission that Treasury has for the usage of the SSBCI program this time, as opposed to 2010. Those were not terms, requirements, nor goals of the SSBCI fund.

MR. REINE:

Back to my previous question. Give me some examples of who's in and who's out.

MS. RANEY:

Okay.

MR. REINE:

I mean, is New Orleans in or are they out or Baton Rouge, and who -- who would be considered if they're not low and moderate income and just -- I'm trying to wrap my head around what you're talking about.

MS. RANEY:

Okay. So there are just a couple of pockets in north Louisiana that fall outside of a CDFI investment area. Central Louisiana is heavily covered with CDI -- CDFI investment area tracts of land. The southeast, just visualizing my map. And the southwest is where there seems to be the biggest gap in having CDFI investment area representation, and it's the southeast. But I'd be happy to shoot you a copy of that map, Louis, afterwards.

MS. VILLA:
Kelly -- so, Kelly, southwest, I think, Kelly, is what you meant that as.
MS. RANEY:
South -- southwest. Thank you, Anne.
MR. REINE:
So you're talking about like Calcasieu Parish would be out. I would assume a lot of Orleans Parish would be in.
MS. RANEY:
Let -- that's correct. Lake Charles is out of that area, for example --
MR. REINE:
All right. Sure. I got an idea now. Okay.
MS. GLOVER:
So, Kelly, here is one of the things that I'm trying to understand. So there's one thing to say that these are the communities that are low and underserved or low income, underserved versus here is where a business is officed and who they actually serve. So

one of my frustrations have been when I have tried to participate in things related to CDFI, is that I literally am in an office building with about 40 other small businesses. I'm in construction. It's not all on a low income -- you know, if a flood happens, it tends to be there, but that's not really the case. And so many of our businesses that are in that building get excluded because our office is not located in a CDFI area, but it doesn't mean that the work that we do doesn't impact those areas.

MS. RANEY:

So I understand the concern. I'd like to say first that Treasury has defined what a CDFI investment area is and under the SEDI definition, there are four ways to qualify for that Treasury designation, if you will. And of those four, three surround the CDFI investment area. And so one of those three involving the CDFI investment area is where the business is located, you're correct. The other is where the business intends to locate, if it's a new business that's starting up and hasn't a brick and mortar office yet.

MS. GLOVER:

So if that's three of the four --

MS. RANEY:

And -- and by saying -- by making that distinction, I just want to also add that, I am not in any way insinuating or stating that would prohibit your firm from participating in these programs that we're discussing today. I'm making the distinction and getting to the point that of the overall potential allocation Louisiana is set to receive out of $113 million, is going to be based on performance in penetrating socially and economically disadvantaged individuals and those very small businesses.

So outside of the initially, originally proposed or communicated, excuse me, $74 million, in order for us to get to that higher threshold, we have to be able to show and report to Treasury that we have utilized those federal funds in the manner that they had intended. And there's a goal for using those funds to socially and economically disadvantaged individuals and very small businesses. And so CDFI investment area is important because that falls within the definition by Treasury of SEDI, so we have to be mindful of what feeds into that component for reporting purposed in order to submit that to Treasury to be eligible for those higher allocations in the future tranches.

MS. GLOVER:

And so my question for you is, are the requirements that the Treasury sets, the minimum requirements? Are we allowed to expand upon those? And then you said, three of the four is CDFI, what's that fourth one?

MS. RANEY:

I don't recall, but it's all right here. We're about to get into it.

MS. GLOVER:

Okay. And is that -- does the CDFI, have minimum requirement? Like are we allowed to go -- is the minimum requirement that we reach out to these, but we could add other requirements that would allow companies to qualify?

MS. RANEY:

So what you'll find in -- and it was -- the -- the case is also the same for venture capital, which was presented last month. But with these three debt programs, what fed into the proposed structure for review and approval today is not only, the -- the market needs of our state, the -- the survey results from all the stakeholders that participated, individual one-on-one outbound meetings, focus groups, a number of other extra rule touch points that fed into this process, the Treasury guidance requirements that we're bound to uphold, the Treasury guidance requirements that is strongly encouraged in order to get that increased allocation of SSBCI funding.

And then also, on top of that Treasury guidance, we applied any agency strategic priorities and we were very mindful of the agency and corporations risk having typed, for example, you will notice in guarantee that we did add an exclusion for businesses that participate in cryptocurrency activities that is not mentioned with Treasury guidance, but that was a level of risk we did not want to participate in, so we added that.

MS. GLOVER:

Thank you.

MS. RANEY:

Okay.

MR. ROY:

Any other questions or comments?

(No response.)

MR. ROY:

I have one. The -- relative to what -- what Ms. Glover brought up. The -- many of these CDFI's in the state have been around for quite some time, well in advance of a lot of this funding. Do you think we realized any favor, I guess, with Treasury, et cetera, as it relates to approval of any money or just the overall process, if we grant some preference to those CDFI's that have been around and so well -- well established domicile, not maybe just in name, but certainly in presence here in -- in the state?

MS. RANEY:

I believe from the perspective of Treasury, from what they have verbally through webinars and have put in writing with guidance and FAQ's, I believe Treasury's appetite is to utilize those federal dollars to align and affect change within those targeted business segments, the SEDI, the very small businesses that is a consistent, reoccurring theme throughout all of their best practices, all of the guidance. And again, it's directly tied to roughly a $40 million increase in the potential the state may receive.

Having said that, it is also -- you know, part of the -- the definition and objectives of a CDFI in their mission of what they intend to do and affect change,

the Treasury also strongly encourages
states to participate with those CDFI's
just because of their historic nature and
working with those low to moderate
income, underserved communities.

And just to -- to go back, Norisha,
to your point, just because a business
may fall within a CDFI investment area
does not mean that it may also be a low
to moderate or underserved community. So
I wanted to make that distinction.

MS. GUESS:

Let me chime in just a second. I
think what you're asking is, are we going
to -- how are we going to select those
CDFI's that we are going to --

MS. RANEY:

I was going to get there. Are you
saying I'm talking too much?

MS. GUESS:

No. I just -- listen, I -- I take
shortcuts --

MS. RANEY:

Okay.

MS. GUESS:

-- sometimes and go straight.

One of the things that we will be doing in our selection process of choosing the CDFI's that we'll be working with, is through our -- our review process. And we will be looking at the -- the historical aspects of the CDFI's to make sure that they have sound lending practices, that they serve a certain geographic area so that all areas can be reached. And so that's going to be our through our -- our process.

MS. RANEY:

And so just to -- briefly, I know I've been talking a lot -- expand upon that. With the RFQ process that Brenda is referring to, we will undergo that for our venture capital selection, as well as the participants for the micro program that we'll talk about. And the reason for that is to objectively give all interested parties an opportunity to apply for consideration in engaging into a contractual arrangement with LEDC for those SSBCI funds intended for that micro program.

And having said that, the RFQ will be open to all qualifying lenders, and it -- there is a desire to intentional seek input in interested -- to see, you know, that the interested parties qualified from the CDFI -- CDFI and CDFI -- I apologize -- CDFI space, but the RFQ process is open to other qualified lenders. It is not exclusive to CDFI's.

We are hearing trainer's appetite to work with CDFI's, so we're being mindful of that in our approach for each of these programs.

MR. JACKSON:

So just -- just to make sure, I kind of understand, about two-thirds of the state, 60 -- 65 percent of the state falls within these qualified districts area wise, that may or may not be the same as population wise --

MS. RANEY:

That's correct.

MR. JACKSON:

-- because there's significant

areas, particularly in the north, that are farm, swamp in the south.

MS. RANEY:

Very rural.

MR. JACKSON:

So do you have any kind of mapping to show where the small businesses are distributed relative to the CDFI's, because I'm -- I'm -- I'm going to speculate that particularly in areas where the population is less dense, there may or may not be any -- where there's big agricultural things --

MS. RANEY:

(Indicated a positive response.)

MR. JACKSON:

-- that -- that sort of thing, are we painted into any sort of a corner as far as getting money in these micro programs into the CDFI's, if the businesses, the smallest businesses are not really there, or do we know at this point?

That's a rambling question. I apologize.

MS. RANEY:

It -- it is, and so I'm -- I'm processing it. I'm sorry, what were you saying?

MS. GUESS:

No, I'm saying, I don't think we've zeroed in on the businesses as of -- zeroed in on the businesses as of yet. We have been identifying those -- those service areas for, excuse me, for the C -- the CDFI coverage. We -- that is some of the research that we still have ongoing to -- to take place.

MS. RANEY:

And that's a great point because the intent with the micro program particularly, is on a much smaller scale, right, smaller dollar amounts, smaller financing needs is the thought behind that. And so with that, it would most likely be 100 or fewer employees that we are looking for in what we have proposed here in the rules. So a good exercise if -- and I'm saying this because I haven't confirmed yet with Stephanie Hartman in the audience from Small Business Services, to know if they may have that mapped down. I'm going to introduce her in a minute. But of those small businesses within the State of Louisiana that employee 100 or fewer employees, to apply that on the dot plot to see where that correlates to, not only the -- the CDFI investment areas, the rural communities and the CDFI locations as well.

MR. JACKSON:

Yeah. If -- if -- if the big determinate on the CDFI is the low and moderate income --

MS. RANEY:

(Indicated a positive response.)

MR. JACKSON:

-- I mean, that -- that is almost, by definition, going to include broad swaths of the state.

MS. RANEY:

(Indicated a positive response.)

MR. JACKSON:

I mean, that's the same basis for

school lunches and school breakfasts and all those sorts of things. And Louisiana's poverty being what it is, that's -- that's going to cover lots of places. But many of those people are wage earners.

MS. RANEY:

Yes, sir.

MR. JACKSON:

They're -- they're not. And then bigger issue may be spurring new micro businesses in the first place. I don't know, but that's -- that's -- that's a big piece of your -- your research, I would think.

MS. GLOVER:

And I feel like what you're saying really goes back to the point that I was trying to make earlier is that, no one would argue that there's a lot of -- Baton Rouge may not be rural, but there's a lot of low income and underserved communities.

When I think about this building on 9800 Airline Highway, you have 40 businesses there and most of them only have maybe three employees. And because their business is not located in the CDFI tract, because Airline is not considered that, based on all the businesses --

MS. RANEY:

But that's okay. They're a very small business now, Norisha, which is another -- the other part of admission of SSBCI this round. And also, the second determinate of our eligibility in getting those increased dollars is SEDI one, but very small businesses, fewer than ten employees, that's another one.

MS. GLOVER:

Regardless of whether they're in the CDFI tract.

MS. RANEY:

Those -- those two are mutually exclusive. They -- they may -- they may have overlap, but Treasury has told us that they will not let us double count for SEDI and very small business purposes. It's one or the other basically.

MS. VILLA:

I -- I just -- I just want to clear something up. Anne Villa, Undersecretary, LED.

There is no guidelines from Treasury that states that we have to work with CDFI's. However, they are strongly encouraging us to work with CDFI's. And the state's who have these type programs in the first round, the ones that were considered best in practice, those are the ones that we are emulating here because they did work with CDFI's and they had very successful programs. So I just kind of wanted to clear that up too because I don't -- I don't want us to get stuck thinking that we have to work in -- you know, with the CDFI's -- with -- that's our intent and we're going to go through the process so that we can, you know, have -- be represented in those communities, but I just want to make sure everyone understood that, you know, it's -- it's not a requirement of Treasury.

MR. JACKSON:

It's -- it's really the micro businesses.

MS. VILLA:

And the small business and minority owned business and the small businesses and the women owned business. And, I mean, that's the key. I mean, that's the key --

MR. JACKSON:

Okay.

MS. VILLA:

-- is to get these dollars out there.

MS. RANEY:

And the veteran owned businesses, which is actually a great segway --

MS. VILLA:

That's right.

MS. RANEY:

-- to the -- the second part of -- of a very long introduction to the rules now. But getting into the overall debt and equity allocation, just clear up that 113, we have Josh Fleig here from our strategic economic competitive --

competitiveness group. He has been very instrumental, and a integral member of the SSBCI team for the past several months in planning. He's also been boots on the ground in speaking to equity stakeholders about needs of their communities, interested -- make sure of what we're intending to do this go round with SSBCI dollars and kind of getting them ready for the RFQ process as well.

And in addition to Josh Fleig, we have Stephanie Hartman from Small Business Services also. You can come on up, Stephanie. Stephanie is in our Small Business Services Group. She is the Director in that department. And Small Business Services, they cover a number of programs, of those, you may be familiar with the Veterans Program, the Hudson Program, the Mentor/Prot,g, Program. There's a number of programs within small businesses that are geared around either veteran business owners, minority business owners, women business owners, or disabled business enterprises, and all of those categories also fall, by Treasury's definition, under that setting component as well. So forget the sales language, but there's a lot in the future, I see a lot of cross sale opportunity to help provide some of the financing solutions made available through these new programs to existing borrowers and small businesses that LED already has experienced through Stephanie's group and serving through non-finance -- financial means. And one of those programs is our Funding Assistance Program that helps contractors as well.

So having said that, they'll speak a little bit about what they've been hearing and their respective roles from the business side and then the equity side and then we'll -- we'll get to the rules, if that's okay?

MR. REINE:

All right. Before -- before you start, so small businesses typically are 100 -- less than 100 employees?

MS. RANEY:
So small business, by SBA's definition, is -- is 500 or fewer. And -- and so Treasury has said, some programs, small businesses defined as 500 or fewer, but may -- but shall not exceed 750 employees. And so while we uphold the 500 employee count in our guarantee program, you'll find when we get into collateral support and micro, because of the nature of those programs, we're looking at a smaller business size, closer to that 100 or fewer.
MR. REINE:
So micro would be 100 or fewer and small business would be 500 or less, in general?
MS. RANEY:
That's correct. Yes, sir.
MR. REINE:
And so do we have an estimate of the percentage of businesses in the State of Louisiana who have 500 or less employee?
MS. RANEY:
I don't off the top of my head, but

I feel confident we can get that. Yes, sir.

MR. REINE:

I would tend to believe that's in the high 90's percent. So most every employer in the state would fall under small business?

MS. RANEY:

I thought you wanted an exact number.

MR. REINE:

Oh, no, no.

MS. RANEY:

It's -- it's -- it's about --

MR. REINE:

I just want to understand.

MS. RANEY:

It's 99 percent is fewer than the 500 employees qualified as a small business by the SBA in Louisiana.

MR. REINE:

Thank you.

MS. VILLA:

But again, the programs are designed, like -- like Kelly was saying, limited to 100 and below and then ten and below.

MR. REINE:

Are you saying that --

(An off-the-record conversation occurred.)

MR. REINE:

Are you saying that 99 percent of the businesses are defined as small businesses, less than 100; is that what you're saying?

MS. HARTMAN:

Yes. And so it's actually over 99 percent. I believe it was 99.7. It might have changed in the latest --

(An off-the-record conversation occurred.)

MR. ROY:

Okay. So --

MS. RANEY:

Well, Stephanie, you have the floor. Would -- would you like to continue to share some of that insight on the increase in -- in small business (inaudible)?

MS. HARTMAN:

Yeah. Sure. And thank you for having me here today. I did want to just kind of echo some of what Kelly had mentioned in terms of what has been seen across the country and the increase and starts of small business and also what we've seen with the small businesses that we work with and the partners we work with around the state.

So my group -- I'm Director of our Small Business Services Group at LED. Our group does focus on small businesses all across the state, supporting them in establishing and growth. And for us, the programs that we administer, which is nine programs that focus on building capacity, increasing opportunity and accelerating growth and those really focus on sole proprietors to about 100 employees, is where that range of programs and the -- the type of businesses that we work with within Small Business Services.

But since the pandemic, across the

country, there's been a very large increase in the number of small business establishments that have gone to business group, various factors that, you know, a lot of people have commented on in terms of loss of employment and looking for, you know, self sufficiency through self-employment, businesses that may have left the marketplace or closed as a result of the pandemic, which creates opportunities for new businesses to come in and -- and come into that space.

Just recently, they've had some numbers come out of the Census Bureau, and I think that they said that in 2019, pre-pandemic, there were 3.5 million new business applications filed in the U.S. that year. In 2020, that increased to 4.4 million. And in 2021, it was 5.4 million. So a rapid uptake and that's really across the entire country of new business starts. And that creates a lot of need, both in capital access for those early businesses that are in that more vulnerable stage, and then also in the area that we focus on in terms of support through technical assistance and providing resources to those businesses to have the best chance of exceeding and growing.

And I -- I had conversations, obviously, with -- with Kelly and Anne and Brenda's group about how this increase access to capital, the potential through SSBCI really gives us an improved ability to try and ensure the success of those businesses, because that is something even, you know, pre-pandemic that we are hear particularly from those small businesses that are fewer than ten employees, one of the biggest hurdles that they had was access to capital. And then beyond that, timing with the programs that we offer through our group, which really focus on providing training and assistance to ensure that those businesses have the knowledge and the skill set basic they need to manage and grow that business effectively outside of just the products and services that the business provides, in creating a pipeline of support from early, you know, establishment and training on basic entrepreneurial skills, certifications that are administered through LED provide access -- increased access to opportunities through state procurement or bonding assistance. And then programs that are focused on accelerating growth. So once they go past that most vulnerable, early stage to get them access to tools that help them increase market share and find opportunities outside of the state and grow more effectively and more -- more rapidly.

MR. REINE:

All right. Let me ask a couple questions here.

MS. HARTMAN:

Sure.

MR. REINE:

So you deal with small businesses of typically 100 employees or less?

MS. HARTMAN:

Yes.

MR. REINE:

And so how many businesses are ya'll currently working with?

MS. HARTMAN:

It ranges across the various programs. So we also work with the small business development centers. For example, in -- through our programs and the small business development centers there would be over 17,000 businesses last year. But through the various programs we -- technical assistance, we provided over 800 businesses with direct technical assistance through our small and emerging business development program.

Through the Hudson and Veteran initiatives, each year, we support about 2,085 businesses through access -- increased access to support for opportunities with the state.

And then for our companies that have accessed assistance with that accelerated growth programming, we continue to support those businesses and -- and work with them through -- through various ways and we call that a Louisiana Growth Network. And there are currently -- let me find my number here really quickly, because we just had an influx of graduates from our CEO roundtable program -- but we do have -- let me get my --

MR. REINE:

I agree. I just need to ask --

MS. HARTMAN:

Sure, sure, sure. Yeah. Well, I'll look in a second. But we have over 568 companies that are a part of that accelerated growth network across the state as well.

MR. REINE:

So in total, it's -- it -- it's over 10,000 or --

MS. HARTMAN:

Yes. Annually, between us and our partners.

MR. REINE:

And -- and I'm curious, as we talk about the various programs, some of these have gotten PPP loans?

MS. HARTMAN:

Yes.

MR. REINE:

And so is there any consideration or affect of a company getting a PPP loan that's forgiven and then getting additional things?

MS. HARTMAN:

I don't -- I don't know if you all have heard anything specifically from Treasury related to PPP and SSBCI funding.

MS. RANEY:

So the -- the feedback is fairly consistent with -- today, with what it was when PPP came out and that was to avoid a duplication of benefits. And so essentially, if somebody came to us today to utilize Treasury funds from a federal perspective, being PPP was federally funded, then they could not use those loan proceeds for the exact same purpose that the PPP loan was applied for and received.

And so having said that, the PPP

expiration -- I'm trying to think of the exact month that expired last year, but that has been closed for quite some time and I believe that the December of last year, of 2020?

(An off-the-record conversation occurred.)

MS. RANEY:

Of 21. Okay. So essentially, as long as there is no duplication of benefits of how the loan proceeds are used for this exact same purpose, it can be for the same business, but it cannot be for the same loan business use purpose, it is allowed by Treasury.

MR. REINE:

Okay. So is there any preference to someone who hasn't gotten help versus somebody who already has? So I -- I -- I understand the duplication, you can't claim the same expenses and get it, but if -- if -- I -- I guess this is going to be competitive. I don't know if we're going to have more people apply than we've got money to give out. But is --

is there going to be a preference that if you haven't gotten any help, you can go get help first versus somebody who already has?

MS. GUESS:

No. Not necessarily, because we are still talking about programs where we're going to be utilizing our -- our banking community, other lenders, so we're not directly going to be putting money into any of those businesses, but it's not built into what we have right now for any preferential status of what they did not apply -- apply for originally.

MR. REINE:

Okay.

MS. RANEY:

Any other questions of Stephanie or --

MR. JACKSON:

So -- yeah. So -- so these are actually going to be loan funds that we anticipate most of them will be coming back to us?

MS. RANEY:

So the -- I'll share that with you right now. It was all going to be in a later discussion, but -- so of the three debt programs that we have today, we have the small business loan guarantee program where we do intend for those funds, once the repayments are made, to recycle back to LEDC, in which time, it will lose its federal tags and will be eligible for other uses.

In addition to that, we have the collateral support program, same intention. That program is intended to where the repayment, once received, will recycle back, losing its federal tags and -- and can re-purposed, so to speak, for other LEDC projects to really use collateral support of the IT, for example.

Now, the micro loan program is a program designed to really focus, again, more on the mission driven purpose that Treasury has put out and in trying to work with qualified lenders across the entire state, being thoughtful of those -

- those CDFI investment areas, the other SEDI qualifiers, very small businesses, being mindful that there are potentially other qualifying lenders outside of CDFI's that might share the same mission with the micro program as LEDC and may undergo that RFQ process and be selected essentially -- I just lost my train of thought. I'm sorry --

MS. GUESS:

Well, essentially those funds will be coming, except for the micro --

MS. RANEY:

Yeah.

MS. GUESS:

-- lending portion, for those lenders that -- that Kelly was mentioning, the intention is for those dollars to remain in those entities. It would be into the CDFI or the -- the local -- or the organization lenders that will be there because they often -- and most times, they rely on additional funding from other sources, and those sources aren't there. But recycling of

those dollars for use within their
respective organizations will, I'm not
going to say, ensure, but it'll be a -- a
great shot in the arm for them to be able
to function and expand some of their
capabilities in their -- their smaller
communities.

MR. REINE:

Let -- let me -- let me understand.
In -- in the micro lending program, you
said that the loan -- the proceeds from
the loans would not go back into the
fund?

MS. GUESS:

Would go into the fund -- would go
into the fund of that particular
organization.

MR. REINE:

Would I -- whoa, whoa, whoa. My
little sheet here, LED Micro Lending
Program, says return to revolving loan
program.

MS. GUESS:

That's correct, within the
organization. That is --

MR. REINE:
What organization?
MS. GUESS:
Well, for example, if we have -- let's take --
MR. REINE:
Is -- is the organization LED or is the organization the bank?
MR. JACKSON:
It's the CDFI.
MS. GUESS:
It's -- it's not the bank, it's the CDFI or the -- the other lender.
MR. REINE:
So we're going to put up half the money and they are going to put up the other half and then they get 100 percent of the proceeds of the loan they got goes to the bank?
MS. RANEY:
So the thought process with the micro program is to undergo an RFQ process so that we can select qualifying lenders, and at that time, once they are evaluated and selected, we will enter

into a contractual relationship with these selected lenders on an individual basis. That contractual relationship will be an actual representation of a loan participation arrangement where an identified pool of money will be disclosed in that contract. The selected participating lender will contribute 50 percent of that dollar amount. LEDC will contribute the other 50 percent of that dollar amount, creating a pool of funds to be used for SSBCI eligible loans and it will function as a revolving loan fund so that as repayments are received, the CDFI will be able to retain the interest portion to compensate themselves for servicing of the loan because those -- those CDFI's or qualifying lenders, they will be responsible for marketing, originating, closing and servicing the loan. And so once that repayment is received, the interest will go to the qualifying lender or CDFI. The principle will go back into the SSBCI designated fund so that that lender can continue to lend to other businesses making SSBCI eligible loans through the ten year term of SSBCI with Treasury.

And then what we're proposing is, based on their performance through that period, because we're judged on performance by Treasury in terms of not just how we penetrate the SEDI of very small businesses, but just pure compliance, right, so we're going to have those same standards applied to those we engage in a contractual relationship with for this program. And so that performance as a whole, will ultimately determine the ability or eligibility for that participating qualifying lender, should they potentially receive and keep the funds for the principle left in that fund that was created after the SSBCI ten year term, in which case that CDFI would continue to make loans to help small businesses in their community but it will have lost the federal tags at that time.

MR. REINE:

All right. Let me -- let me see if I can wrap my arms around this. So banks can make a $50,000 loan, and out of this program, we're going to put up $25,000. When the loan gets repaid, the bank keeps it in a pool for future lending, I assume under some guidelines and rules that we set --

MS. RANEY:

Right. Yes, sir.

MR. REINE:

And so we multiply that times ten or twenty times, whatever that dollar amount comes to, and at the end of the ten years, then the banks are going to get to keep the money?

MS. RANEY:

Potentially. Yes, sir.

MR. REINE:

And -- and -- and it would remain in a revolving fund?

MS. GUESS:

Yes.

(An off-the-record conversation occurred.)

MR. REINE:
Well -- well, the -- the intent. What's the rule?
MS. RANEY:
The rule --
MR. REINE:
I intend to do a lot of things, but --
MR. JACKSON:
Because it's lost its federal character at that point.
MS. GUESS:
That's correct.
MS. RANEY:
That's correct.
MR. REINE:
But -- but there -- there is no rule or regulation of what the bank will do with the money after that? It's intended that they would put it into keep the revolving fund within that bank to help, under the same guidelines that we originally gave it to them, hopefully? But there's -- there's -- there's no -- there's going to be no restrictions on

what they do with it?

MS. RANEY:

So that is the intention. And we did model this program after the poster child of Treasury for this particular revolving loan fund and working with CDFI's on a micro scale, which was the State of Georgia.

And so having said that, you know, it would be potentially performance based. And sustaining the capital levels at CDFI is very important because CDFI's are funded from outside sources, unlike many lenders and banks that may have self-generated non-interest revenue income streams to help hit their bottom lines. CDFI's aren't identically structured like that. And so the thought is that by them being able to keep that money as the intention is after that ten year term to allow them to continue making business loans in the community, but -- but this is the board's review and approval of the rules. And while the rules have been drafted for this program to uphold the Treasury requirements, the real strong LEDC aversion, such was cryptocurrency like I mentioned earlier, the -- this program's rules have also intentionally left out main nuggets, similar to guarantee, with all of the inclusions, exclusions, prohibitions, rate, dollar amount, limits, ranges and caps. You will notice that's not in there, because that will all be captured in the participation agreement.

So, yes, sir, if you propose and the -- it's the board's appetite to put some guardrails up in that participation contract for the micro loan program to say, after the ten year term, this is the parameters you may continue to work within, I -- I think we would -- we need to take that into consideration. Yes, sir.

MR. REINE:

All right. So -- so currently, there is no number amount of dollar -- or dollar amount for any lending institution?

MS. RANEY:
Well, we're going to undergo the RFQ process to determine how many interested parties there are, because we, again, have a finite bucket of money that we will receive in each tranche per -- from Treasury, and so that will all be decided through the RFQ process.
MR. JACKSON:
So --
MR. REINE:
So -- but the -- currently, there is no limit on how many million dollars at the end of the ten years this bank could end up with?
MS. GUESS:
Not as --
MS. RANEY:
Okay --
MS. GUESS:
It's not stipulated.
MR. JACKSON:
The -- the performance requirements, are those going to be in determining how much we partner with an individual

institution or is that going to be tracking their -- their performance during the ten years? And I guess, if it's -- if it is during the ten years, then what happens if they underperform? Are we taking the money back and we'll have it to redistribute to somebody? What happens at the end is -- I mean, it -- it strikes me it's -- it's going to be very, very important early on --

MS. VILLA:

Okay. It is --

MR. JACKSON:

-- in determining how much somebody gets, but it's equally important after we've seen what they've done during the ten years whether they keep it or it goes to somebody more effective?

MS. VILLA:

And -- and as -- as Kelly stated earlier, it all goes back to not the rules that we're discussing here with the board today, but in our agreements that we have with those lending institutions. That's where the rubber is going to hit the road, so to speak, and we're going to have to establish rules in performance, in compliance and subsequent funding, based upon them meeting the objectives that we have for -- you know, for the specific program.

MR. JACKSON:

That's -- I --

MS. VILLA:

So if they're not good players, right, if they're not going to --

MR. JACKSON:

I assume if they -- if they underperform, there may not be money to give back --

MS. VILLA:

That's exactly --

MR. JACKSON:

-- in the first place.

MS. VILLA:

They may not get money in the second and third tranches, if they're not performing in the first. So those are all things that we're putting together in that master --

MR. JACKSON:

And -- and -- it's -- it's a gap in my knowledge, is there potential for new CDFI's in the future, or are we talking about a pool that is locked down and static? It -- it strikes me, it's -- it's a lot of money. If there's an opportunity for new ones, how --

MS. RANEY:

So --

MR. JACKSON:

-- how does it enter into the picture?

MS. RANEY:

So while we are -- are still in the draft phase of the actual micro loan participation agreement contract, which will ultimately have all of the details and rules of engagement for this program with each collected qualifying lender, it -- it will have monthly performance requirements just like our guarantee program where they will have to let us know past due performance. They will also have semi-annual and annual reporting requirements throughout that entire ten year period, similar to what LEDC will have to do for Treasury. And then there will be, in -- at the end, a final evaluation of performance, just like we will have with Treasury. And -- and so all of that will feed into their ability to ultimately keep the money, potentially. But the participation agreement will have all of that defined to include language such as a buyback provision, in the event that they -- they originate a loan out of compliance, because the internal review process is being structured to align with what we're currently doing. So we're looking at the entire loan file and can approve that for acceptance under the program.

And so there's a little inspiration from the loan portfolio guarantee program in the sense that the CEA that was utilized for that program, it entered into an agreement with each bank where an identified pool of money would be used to originate loans under that program. Now, that provided a guarantee, this is providing funds to be used for revolving loan fund to continue to lend money and then potentially keep it there afterwards.

So -- so all of the language to allow the flexibility, buyback or recapture with -- whichever term may be more appropriate in that instance, reallocation provisions as well, based on performance. Maybe it turns out that the need wasn't as large as the qualifying lenders thought and so they -- they really don't think they're going to end up using it all, we don't want the funds to sit idle. We are going to transfer that to another interested party or community where they may have a need and can utilize those funds.

MR. JACKSON:

And we'd be providing those lumps of money up-front once the agreement is signed, or will it be a -- a draw against their pool?

MS. RANEY:

It'll be a draw against their pool. And so part of the periodic followup to all of the monthly, semi-annual and annual reporting for that, is also to review these -- the program designated statement that will be generated from the account this program would utilize. And so we want to be mindful that what we are seeing from the loan receipt side is what is actually occurring on the inside of that -- that CDFI or other qualifying lender from their internal controls as well.

And so the RFQ process is going to be critical to gather all the information relevant to objectively evaluate their experience, their management team, their internal controls, their oversight of compliance, what type of systems do they currently utilize for this program, do they have experience, what is the dollar amounts of prior programs similarly structured that they may have operated? All of the requirements that Treasury is asking of us, we are also applying to the RFQ process. Treasury wants to evaluate if LEDC is -- is adequately structured from an operational compliance and financial perspective to handle the federal allocations through SSBCI. And we want to give that same assurance to those selected to utilize the micro program.

MS. GLOVER:

Kelly, for -- so two things. One, I think there's an appetite from this board to have some of us involved or give feedback in terms of whatever that evaluation criteria is, if they get that money back, like at very end. So I think as much as we could be involved in that, without overstepping our roles, that would be appreciated.

And the RFQ process, I just want to make sure that for CDFI's that are national, which is probably a lot of them, that in the evaluation of what their structure is and where their funding is given, that we separate what they have done nationally versus what they have done for Louisiana.

MR. REINE:

And -- and -- and let me understand this. So if the bank made ten loans and they all got paid back in a year and they didn't make anymore loans, they keep that money for the remainder of nine years, or because they're not making loans, you recapture it?

MR. JACKSON:

Their --

MS. RANEY:

No, sir. That's not --

MR. JACKSON:

-- their performance would be a problem.

MS. RANEY:

No, sir. That's not what happens. I'm -- I'm saying that that would factor into the overall evaluation and how they performed in marketing the program, usage of the program --

MR. REINE:

There -- there is a method to take the money back if they don't continue to perform over a ten year period?

MS. VILLA:

Right. Yes.

MS. RANEY:

The contract will have language to allow for that.

MS. GUESS:

It is a recoupment method.

MR. REINE:

Okay. And my other deal is, at the end, if we've captured part of the money after the ten year program, is that allowable and would it give us the place to have an additional pool of money to continue the program past the ten years, that would be an option?

MS. VILLA:

Yes.

MS. RANEY:

Yes, sir. After the ten years --

MR. REINE:

And -- and then I -- I will echo her. I have some concern when you keep telling me the rules are going to be made some place else where I'm not going to be sitting at the table. Well, you keep talking about that'll be in this agreement or that'll be in that agreement and those agreements that I've take -- I'm never going to get to see while you're making all those arrangements with these folks; is that accurate? Or are we going to approve your rules and -- and those --

MS. RANEY:

Well, if I understand --

MR. REINE:

-- agreements that talk about how they pay them back and all?

MS. REINE:

And it's -- and correct me if I'm wrong, but it's my understanding similar to venture capital, when we undergo the RFQ process there with the micro loan program, these programs report to the board. And so while the LED staff may undergo the initial internal review, they would simply make a recommendation to the LEDC board as to the valuation criteria and the selection, but correct me if I'm

wrong, the ultimate approval would be the
LEDC board?

MS. VILLA:
Correct.

(An off-the-record conversation occurred.)

MR. REINE:
So we're going to go through each of these micro loans and approve them?

MS. RANEY:
No, sir. The selection of the qualifying lender is what I was referencing.

MR. JACKSON:
So -- so this is all a very helpful discussion and -- and -- and much needed. I know there's a filing deadline coming up in the next week or so --

MS. VILLA:
In the next 24 hours.

MR. JACKSON:
In the next 24 hours. What -- what outcome do we need here today that would not impact that or -- or -- or is -- it -- it -- it's clear there are still lots

of questions and -- and I think most of
it is just information that needs to come
out. Are -- are we at risk of jamming
you guys up as -- as we can --
MS. GUESS:
No. No, you're not.
MR. JACKSON:
Okay.
MS. GUESS:
The application is submitted -- will
be submitted with the preliminary draft
rules.
MR. JACKSON:
But it's just preliminary --
MS. GUESS:
Just -- just draft rules.
MR. JACKSON:
Okay.
MS. GUESS:
But there's nothing that will hold
up the -- the approval process on
Treasury. We will just have to make sure
that once we do have a working set of
rules for the proposed programs, that we
submit those to Treasury.

MR. JACKSON:

It's -- it's clear ya'll know and it's -- and certainly, if you're working with best practices, you know, that -- that should give us comfort level, but there's a lot of education that's -- that's still needed. And -- and as I was reminded in a conversation last night that I was having, there are many things about this state that are just so different just because of the overall culture that we at least need to be mindful of that, even as we look at best practices and how -- how they work. But I -- clearly, ya'll are doing your homework. We -- we've just got to get that same comfort level with it.

MS. GLOVER:

Correct. We need ya'll's cheat sheet.

MR. ROY:

Maybe this is helpful by way of information. I don't know that -- and staff and anyone else, correct me if I'm wrong, but it appears that the overwhelming number of CDFI's are either banks, holding companies of banks, or credit unions. So -- and -- and most of them, at a glance, appear -- just based on my personal experience because I come from the banking industry -- appear to be doing, you know, extensive business in the state. So they might have -- might be a CDFI that actually might have originated in a more rural area that serves low to moderate income and demographics of that type, but they might also have locations elsewhere, so it -- and they're not prohibited from doing so. So -- so it is -- that might be interesting information for everyone to know. And -- and it does appear, just based on my knowledge, that most of these organizations -- and Ms. Glover is bringing up a very good point as regarding to what extent the CDFI's that we might do business with might actually be entrenched and -- and doing business here in the state. It looks like most of them actually are.

And I'll say this, I -- I work for a CDFI. We don't participate. We -- we will never participate in any of these programs. I have a conflict, obviously, but you know, that -- the CDFI's are -- historically, become CDFI's by applying to the Treasury Department. You get that designation after, you know, meeting a certain criteria. And one of the things for staff to consider is, a lot of these CDFI's get -- have received benefits, if you will, directly from the Treasury. I don't know if that's a good thing in terms of what we want to piggyback on or it's a negative thing. Maybe it's a good thing in that much like we give EDAP grants, we always like to see other entities already participating. And so maybe that's a good thing or maybe that's a bad thing. And you say, well, they've already got some benefits, they don't need any other benefit. Of course, that's probably going to exclude the vast majority of them, I would think.

But I just say by way information

that -- do ya'll -- have ya'll run into
any information to the contrary of what I
just said?

MS. RANEY:

No, sir. Not to the contrary, but I
think that supports the -- the
communication from Treasury that has been
consistent to avoid duplication of
benefits.

MR. ROY:

Okay.

MS. RANEY:

So if I'm the CDFI or other
qualifying lender and I have a computer
system with this borrowers information
here and I can see all the accounts they
have and I see that they have this loan
that my CDFI or qualifying lender
originated and I should have access to
know what the purpose of that loan was,
so I, as the banker or lender, should be
able to know if that is considered for
the purpose of the new request a
violation of the SSBCI requirements and
considered a duplication of benefits.

So essentially what I'm saying, on the front end, that it is a pre-qualification process that those we engage business with through that micro program, would have to be able to adhere to.

MR. ROY:

Okay. You -- you can get a list, to the extent it's relevant, of the CDFI's that have received benefits directly from the Treasury. Again, maybe that's something that's good, maybe it's bad, but --

MR. REINE:

Just one more thing. At the end of the ten years, the -- the lending institution has received the -- the money paid back and they've created this pool. So at the end of the ten years, is there a clawback provision if they don't perform, or at the end of ten years, it's theirs?

MS. RANEY:

Yes, sir. That is the intention is to make sure that there is language to allow LEDC clawback not only throughout the ten year term, but thereafter, based on the performance or compliance.

MR. REINE:

And -- and that -- that would ensure that those monies were continued available for loans up until the point that the lending institution would return the money to us, or -- or is there a -- at a certain time? Here's what bothers me. We're going to tell the business we're going to help you, we're going to help you get a loan that you got to pay back. Unless we're helping the banking business -- and I don't have nothing against them, but they end up getting all the money. We're not giving the money to the businesses. Am I wrong?

I -- I'm going to lend it to the business who gets to pay it back. I guess there is a purpose there in helping them have access to capital and the loans, but at the end of the day, the federal money all ends up at the lending institution. Now, if they're going to be required to continue to help get the loans and -- and we're assured of that, I'm -- I'm comfortable with that, but -- and look, I ain't got nothing against the banking, but we're here talking about helping small businesses. At the end of the day, they don't get none of the money.

MS. GLOVER:

Well, and -- and, Louis, while I get what you're saying is, there's a range in between my friends and -- or some of my business friends and I about a CDFI. And we're like, does anybody know anybody that they've given the money to? We listen to them promote all the time that they help small businesses. And many of us have tried to get loans for some of these institutions, and the amount of requirements and level of difficulty, the lack of technology that they have -- and I'm thinking of one particular institution who's based out of New York, and they have a strong bias towards east coast of New York and looking at Louisiana residents, like we're not worthy of getting the money. And at the end of ten years, then you get to keep the money. That -- that is what my concern was about and -- and -- and in fairness. I am sure there are a ton of really great CD -- CDFI's.

It is all -- it is human nature, that when something puts a bad taste in your mouth, and we don't forget it, and so then you want to figure out, how do I make sure that that institution, person, individual, doesn't get the benefit of something else moving forward?

MR. ROY:

For -- for the -- for the record, Mr. Reine and Ms. Glover, I certainly agree with you. And I -- banks are not -- I have two -- two colleagues to the left of me. Banks are not historically in -- in the business of receiving something. But I -- I assure you -- and they shouldn't. So they -- you know, they -- they -- actually, there are some grants, as I alluded to, they come directly from the Treasury to some of these CDFI's, but they can apply for that separately and get it if they will. And I -- I, for one, would be in favor of some kind of clawback, if you can -- if we can, if the rules allow us at the end of the ten year period to -- to bring them back into the fold, we should. They're not used to -- they get a guarantee or what have you, they get some benefit from that, it helps the banks realize C -- CRA goals et cetera, fair lending goals, all those things. So, you know, to the extent we can grab it back, I think we should.

MR. REINE:

And -- and let me make it clear. I wasn't being disparaging about banks or lending institutions. I -- you know, hey, ya'll giving out free checks, I'd probably get in line too, you know. But my deal is about, you know, looking at the picture and who are we trying to help and where does the money end up? And, you know, I wasn't saying that the banks

-- I want -- I want to make it clear, I wasn't going after banks or lending institutions. I was discussing how we -- we divide this money and where you it ends up.

MR. DAVID:

Let me say one thing. I -- I agree with everything ya'll are saying too. I don't disagree at all. But you're a businessman, you're looking at the business side everything too, right?

MR. REINE:

No. I'm -- I'm looking for employees to get a job at the end of the day.

MR. DAVID:

So my -- if I'm one of these institutions that's considering loaning these funds, you're going to have to have someone on staff that's going to have to track all this, right, so you're -- that's pretty tough on that part.

An example right here, $50,000, that's just an example right here. They've got half the spending amount, right, 25,000? At -- at the end of ten years, you told me that it's basically $200, potentially, you getting a loan, breaking this down, this particular example right here. And you're going to have all these rules and regulations. I want to make sure that -- I would -- I would want that opportunity to possibly have that money. And -- and I'm agreeing, I want -- I want to have clawbacks in case there are, in fact --

There are other rules and regulations we're going to have to follow, to track back and a lot of different paperwork and a lot of compliance. And we're getting a little bit of extra money, but I'd like to see why I'm doing that. Go back to the PPP loans, we had to do all the work there. And yet, they -- thousand and thousands of dollars to get those PPP loans pushed through. Still made money, right? But I can see their side to wanting that. I just trying to get the the other side and make sure we're right. I agree with everything that was said. I'm presenting another side of it.

MS. GLOVER:

Do you feel like $50,000 is worth it, or that the number should be higher?

MR. DAVID:

Oh, if it's higher, then of course, you're more lucrative, right? I'm just using the examples in this --

MS. GUESS:

So, Mr. Chairman, am I hearing that -- I think the way into -- and our board member, the micro loan program, when -- when we're talking about possible structure, maybe we need to revisit that one, because that's the one that has the -- the benefit for the ability of the customer, the borrower, the lender, to either keep the money at the end of the ten year period, or to return it. So maybe we can revisit with this one and maybe move forward, maybe with the other one. Is that all right?

MR. JACKSON:

That's really the big program

anyway; is that correct?

MS. GUESS:

Well, no. The new program is the collateral support.

MR. JACKSON:

Oh, okay.

MS. GUESS:

But this is the one where it seems we have a lot more questions that we maybe need to -- to revisit about the return and how it captures your work throughout the period a -- a bit more.

MS. GLOVER:

And I would add to that list, if we can have discussion about whether that micro loan could be larger or not for small businesses.

MS. RANEY:

I would -- so I would -- in addition to discussing what the clawback looks like in the end, if -- if $50,000 is the right amount for the maximum loan, could it be larger?

MS. GUESS:

Okay. All right.

MS. PORTER:
I wanted to mention -- this is Robin Porter -- that the participation agreement is going to include more of the information in regards to clawback, but the obligations are recoupment and so forth. In each rule, even in micro, there's a requirement of reporting. The reporting is going to have to be done by the lender. So they're not just reporting just because they feel like it, we're going to have to make sure on our end, that we're reviewing the information to determine if they're still in compliance, if they're, you know, doing what they're supposed to do. But again, in the participation agreement, not the rule, the rule is what is, the clawback provision, it -- that's going to be included there.
However, we can still take a look at and, you know, do a brief look at the rule, but I just want to stress that, that's going to be included in the participation agreement.

MS. GUESS:

That's correct. Thank you, Robin.

MR. REINE:

I -- I got one more question. This -- are you -- it's -- it's David or David?

MR. DAVID:

David.

MR. REINE:

David made a good point. But if -- if we make the loan and it doesn't get repaid, banks still gets their money back, right, out of the the department -- out of our guarantee?

MR. JACKSON:

No. It'd be the partnership.

MR. REINE:

So if the -- okay. So -- but --

MR. JACKSON:

So if it doesn't get repaid, they lost their half, we've lost our half.

MR. REINE:

But -- but they made a loan for $50,000 that they are only taking a risk for $25,000.

MR. JACKSON:
Correct.
MR. REINE:
So they wouldn't be on the hook for the other 25. So that is the financial plus. And -- and I agree with you, I don't want anybody to work for free. It's kind of strange, I'm up here being the business advocate, but -- since that's who I fight with every day.
But I would -- I would also assume that there's some fees involved in making these loans that compensate for some of that. And like I say, I don't want nobody to work for free, but -- okay.
MR. ROY:
So what do you need from us?
MR. REINE:
I make a motion that we defer to any action on the rules on the micro loan program until a further meeting. Is that appropriate?
MS. VILLA:
I mean, I -- I guess what I just want to make sure, we haven't -- I don't

know that we even started looking at the rules yet. We've just --

(An off-the-record conversation occurred.)

MS. RANEY:

I don't think we've gone through the rules specifically, looked at the rules with the board members and the changes that we're making.

MR. ROY:

So -- so ya'll would have a proposal for the rules today --

MR. VILLA:

No. We haven't -- no. Correct. So what we've been trying to do as a staff is to go through and give you an overview of what we're proposing for use of SSBCI. We talked about at the last board meeting, the venture side, the equity side. Now, we're talking about the debt. And so we were trying to give you an overview as a board. But we haven't specifically started going through each of the rules that we are bringing forth to the board for consideration, our redlines, revisions that we've made to programs that we already have at LED. And in addition, the new program, the Collateral Support Program, which is new, we haven't even started that discussion yet. We've just kind of touched on -- on different things. And a lot of what we just discussed is, in my opinion, as Robin has backed me up, pertains to the participation agreement, which isn't even in your purview right now.

So we are still working with legal on those participation agreements. The program rules, however, is -- you know, is what we're here to discuss, the revisions, redlines that we have for our existing program, and that new program. So I just kind of wanted to bring that back in focus.

MR. REINE:

Mr. Chairman, I withdraw my motion and leave it to your discretion to put it on future agendas.

MR. ROY:

Okay. So is -- yes, ma'am?

MS. GUESS:
I -- I think that where we are now, I think, we probably just need to start that discussion for the rules that we do have. And then, we'll see where we end up at the end of the discussion.
MR. ROY:
Okay. Who's going to -- are you going to lead us on that?
MS. GUESS:
We are all -- it's a group effort.
MR. ROY:
Okay.
(An off-the-record conversation occurred.)
MR. ROY:
No. It's a -- well, it's a committee as a whole, if you will.
MS. GUESS:
It's a committee as a whole.
MR. JACKSON:
But it's been spirited, and it's good.
MS. GUESS:
Yes.

MR. JACKSON:

It never hurts to have discussions.

MR. SIMPSON:

I want to commend staff on their familiarity and knowledge of this whole process. It's a very detailed, in-depth endeavor and --

MS. RANEY:

Well, thank you. And I think what -- what's been happening is, we're trying to cram roughly eight and a half months worth of research and knowledge into, you know, this -- this meeting and in the first introduction. So thank you for that. That is a lot of information and is important information, because this is how Treasury will evaluate us. And so we want to make sure that we're carrying those things throughout all of our proposals and that it -- it meets the board's appetite.

So having said that, if there is no objection, we'll go ahead and get started with the agenda, with the guarantee rules. This program has been around.

It's the program that the LEDC board currently meets on each month and in decision projects when presented.

So when you look at the rule -- I've got one right here -- there's two sections. The first section, you'll notice, it says, chapter one, this is our guarantee program, set of rules for -- for non SSBCI funds. And I say that because, for those that have been on the board a while, you may know that we have prior loans from the guarantee program in 1.0 that have matured, lost their federal identity, they're recycled. And so, they would no longer fall under the SSBCI program rules, but the non-SSBCI. So you have those here in front of you. It starts with the non-SSBCI. I just wanted to make that distinction before we got into that.

So being that this is my first formal LEDC board policy meeting, much less policy as a whole meeting, going through the small business loan guarantee, just open forum, any questions, comments, concerns, feedback, through the opening and definition of the program?

(No response.)

MS. RANEY:

And application purpose?

MS. VILLA:

So, I think one thing, Kelly, you may want to let the board know, just for clarification, is in the redline version in that first section Kelly was talking about, we placed in the rules, the lender insider information, which was specific to the new Treasury guidelines. So those are things that we had to edit and reflect. And so in that first section, the definitions, that's what we added there.

So, Kelly, maybe perhaps --

MR. JACKSON:

We're striking line of credit references; is that correct? It looked like that was --

MS. RANEY:

Just in the sense that in our

discussions and internal reviews, we felt that the users of the program, they know what a line of credit is and it didn't need to be spelled out and defined.

MR. JACKSON:

Okay.

MS. RANEY:

It is still eligible as a credit structure under the program.

MR. JACKSON:

Okay.

MR. REINE:

What is the difference between community outreach service and small business services?

MS. RANEY:

It was a name -- correct me if I'm wrong, but name change is -- is all it was. Historically, that department was called the Community Outreach Services and underwent a name change. Same department is now called Small Business Services. So making sure the rules reflect the right -- the correct department name.

MR. REINE:

And --

MS. RANEY:

That's the department that Stephanie Hartman spoke about earlier, Mr. Reine.

MR. REINE:

Okay. And -- and on -- it's numbered page 143, 105, we are taking away the ability to notify by mail?

MS. RANEY:

It is more common that electronic communication is utilized. And so email is -- is how we communicate with the program users and -- and telephone, but we would prefer not to receive loan applications via snail mail.

MR. REINE:

No. This is about a notification. It says, the applicant, borrower or lending institution will be notified within five business days. And the current rule says, mail or email, and under this rule, you would be not allowed to mail anymore, is the way I read it.

MS. RANEY:

It -- the original rule, sir, only had mail and in a redline discussion, we -- or email -- and then, in the final discussion, it made more sense to stick with email because electronic communication is often the most utilized form as opposed to regular snail mail. So that's why the word, or, is in there. But we can certainly leave the option to -- to mail.

MR. REINE:

Well, you know, we tend to have a lot of disasters around here.

MS. RANEY:

(Indicated a positive response.)

MR. REINE:

And sometimes, some of those disasters, your computers don't work. And if there was some necessity to notify in five days, you could hand them a piece of paper. I'm not suggesting that would be a normal practice, but I wouldn't get rid of the ability to do it.

MS. RANEY:

We can do that.

MR. REINE:
So I -- you might want to leave the mail in there or personal hand delivery or something. Give yourself an option.
MS. VILLA:
Yeah.
MS. RANEY:
Well, thank you.
Moving right along, still in the application process section, and also looking over to eligibility and ineligible section, number 107. Questions, comments, concerns?
(No response.)
MS. RANEY:
If you don't stop me, I'll keep on talking.
MR. REINE:
No, no. Wait. The next page. We're deleting small business authorized and doing business in Louisiana. And in your new language, authorized to conduct business and maintain an office in Louisiana. But there's no requirements that you're doing business in Louisiana?

That's B.

MS. VILLA:

It says, small businesses organized as a sole proprietorship, qualified to do and doing business in Louisiana. It's in there. We just expanded upon it. I don't think we took anything out. We just expanded upon it.

MR. REINE:

Qualified to do and doing -- I -- I -- I just -- I'm trying to keep up as we go through it.

MS. VILLA:

Yeah. And we still have maintain an office in Louisiana. It's the last sentence, or the last section of that longer sentence. We just expanded upon it.

MR. JACKSON:

So we're -- we're explicitly adding restaurants and food trucks to the ineligible list; is that correct?

MS. RANEY:

So not -- not --

MR. JACKSON:

And is -- is that by regs or --

MS. RANEY:

Not food trucks, no, sir. But we are --

MR. JACKSON:

Oh, it says, sidewalk, street -- street vendor.

MS. RANEY:

Are prohibited?

MR. JACKSON:

Yeah. Number B.

MS. RANEY:

They're -- they're prohibited, yes, sir.

MR. JACKSON:

Right.

MS. RANEY:

So they're ineligible. But what we're saying that we would possibly consider that was prohibited before and asking for approval on is to consider those businesses that are part of the backbone and culture of our state, like restaurants and hospitality. And restaurants have often been excluded from a number of programs. And so knowing that, you know, typically businesses to include restaurants, the first three years is when they struggled the most and so the thought process is, if a lender is willing to entertain and underwrite a request from a restaurant that has been in operation for at least two years and they are, you know, interested in a guarantee because of the risk that is inherent in the restaurant, for example, just that industry by itself, then we are presenting for approval, the flexibility to also consider accommodating a guarantee in that instance.

MR. JACKSON:

Okay. And where -- I'm -- I'm looking at the paragraph four, and you -- you've added line A and line B.

MS. RANEY:

Yes, sir. So --

MR. JACKSON:

And if those are exclusions, I -- where am I overlooking the -- the fact that there's an option?

MS. RANEY:

So number four, funding requests for any business purpose may be considered except for the following ineligibles. So all of these are in eligible.

MR. JACKSON:

Okay.

MS. RANEY:

Restaurants are ineligible, except for those that have been in business for two years.

MR. JACKSON:

Right.

MS. RANEY:

So then -- that's A.

MR. JACKSON:

Right.

MS. RANEY:

And then B, also in eligible are grills, cafes, food operations, motorized trucks, curbs.

MR. JACKSON:

Right.

MS. RANEY:

So the ineligible listing continues on C through G, H and I, to the next page.

MR. JACKSON:

I'm -- I -- right. Yeah, I -- I've got that.

MS. RANEY:

So we're saying that restaurants are ineligible, unless they have been in operations for two years?

MR. JACKSON:

Right. Food trucks are completely ineligible.

MS. RANEY:

That's correct.

MR. JACKSON:

And we're adding those now. They were not previously in there; is that correct? I mean, that's --

MS. RANEY:

That is correct.

MR. JACKSON:

Everything has been resequenced. Is -- is that because of regs in the new lending, or is that just our -- our decision to exclude food businesses?

MS. RANEY:

Feedback from -- feedback from stakeholders in doing surveys and focus group discussions in preparation for 2.0. But also lessons learned from LPGP last year. We did pull bankers that did not utilize the program, and those that did and -- and asked what they liked what they didn't like. And that feedback was also incorporated in the thoughtfulness of the -- the suggested revisions.

And the -- the hardline in the sand with exclusions, especially to hospitality and restaurants, for example, came up time and time again during LPGP. And so knowing LPGP was a direct result of COVID, trying to help these small businesses, so is ARPA. That's a direct result of COVID. That's -- that's why that was re -- SSBCI was reauthorized. And so trying to provide a solution for those entities as well, when it makes sense.

MS. GUESS:

Marissa, you have something?

MS. DOIN:

Hi. Excuse me --

MR. JACKSON:

So --

MS. DOIN:

-- Marissa, representing staff. I just want to make a clarification to what Kelly was saying, as far as the grills and cafes. Those have been excluded, previously. We just made a separate line item for that to make it more clear. It was included previously with A.

MR. JACKSON:

I see.

MS. DOIN:

And then we --

MR. JACKSON:

True.

MS. DOIN:

Yes.

MR. JACKSON:

True.

MR. RANEY:

Thank you, Marissa.

MR. REINE:

So --

MR. ROY:

Follow-up to --

MR. REINE:

-- this -- this is the same loan program when you make a loan for a lawn service?

MR. JACKSON:

Yeah.

MR. REINE:

So we -- we going to help you cut grass, but we're not going to help you do the rest of this stuff.

And my other question is, is when you look at C, bars, saloons, daiquiri shops and all of that, so we're putting in restaurants. What if the restaurant has got a bar in it?

MS. RANEY:

Well, that would fall, percentage of sales food to alcohol, which is how we currently determine that when we get loan request that have both offerings is, what is their percentage of sales resulting

from food sales and what is the
percentage of overall sales resulting
from alcohol?

MR. REINE:

There is a mechanism to deal with
that.

MS. RANEY:

We evaluate that, yes, sir.

MR. REINE:

But -- but we still going to do --
we still going to help buy lawnmowers.
We're not going to take that out?

MS. RANEY:

I -- I --

MR. REINE:

Not helping these other people, but
we're going to help those folks buy
lawnmowers.

MS. RANEY:

There was no intention to disallow
anybody interested in opening up a
lawnmower business and buying new
lawnmowers.

MR. JACKSON:

No. I -- I think he's saying that

we're doing that, but we got some
specific groups, primarily food services
-- and I -- I understand -- but -- but
we'll -- we'll fund the lawn care
trailer, but we won't help a -- a non-
national, non-franchise food service.

MR. ROY:

So -- so the question we -- is it --
is it not plausible to have that two year
limitation on all those groups, once
you've proven yourself? Would staff
considered that as something we don't --
we don't think it's good?

MS. RANEY:

I -- think that is -- I think we
would need to pull that into the thought
process --

MR. ROY:

And I'm just -- I just brought it up
for discussion. I mean, I think we're
all --

(An off-the-record conversation
occurred.)

MR. ROY:

I think we're alluding that you can

have a successful business that might be a food trailer, you might be well established, and then you want to buy a big food trailer or whatever it is you want to do, but you've proven yourself the opportunity in two years, so --

MR. REINE:

I don't want to cut out Lucky Dog.

MR. ROY:

Yes, ma'am?

MS. PETE:

Excuse me. Shamelda Pete, representing staff. Also, asking to keep in mind, that these are guarantees and that it -- also working with the lender. So it's the appetite of the lender. And typically, restaurants isn't something lenders are willing to take a risk on.

MR. REINE:

But -- but if we allowed it and the bank didn't want to do it, they wouldn't do it. But we're telling the bank that they can't do it.

MR. JACKSON:

Right. Right.

MS. RANEY:

Well, and -- and so --

MR. JACKSON:

That -- that's really it. And I guess --

MS. RANEY:

You're absolutely correct. And so the -- the intention of putting the restaurants in here, in operations at least two years -- and I just said that earlier, if the lender is willing to entertain that request, and they underwrite the credit evaluation process successfully, then we put it in here because we felt we should be able to evaluate and consider that as well. So I do think the same upholds for, if that is the board's appetite, having been in business at least two years, again, with the disclaimer that they first had to be pre-qualified from a lender. So if a lender is willing to entertain the food truck that has been in operations for at least two years, and it's the board's appetite to add that as an eligible requirement, we can make that accommodation.

MR. REINE:

And -- and wouldn't everybody have to be pre-qualified by a lender, because if they don't pre-qualify, we're not going to make a loan guarantee to begin with. It's kind of counter-productive there.

MR. ADLER:

If I could make a point, being one of the bankers. Every -- every A, B, C, D, E, F, we basically make these loans. So as we make a distinction between what the baseline appetite, but we do make loans to bars, saloons, daiquiri shops, gaming, gambling, all those. These are rules -- again, stepping out from my banker hat and putting on my LEDC, these are rules that this board decided that we don't want to participate in, even if the bank makes a loan to a saloon or bar, we won't grant -- offer a guarantee for that.

MR. REINE:

So --

MS. RANEY:

That's correct.

MR. ADLER:

Is that -- is that fair to say?

MR. RANEY:

That's correct.

MR. ROY:

So in an attempt to -- to move along, can I entertain a motion that we, you know, let all those would be exclusions be subject to a two year --

MR. JACKSON:

Because you -- you pulled the grills out, but you didn't -- and you changed the restaurant --

MR. REINE:

I think the staff -- again, so if it's including gambling --

MR. ROY:

Okay. Well, we can -- we can just -- you want to do it with the exclusion of gaming -- with -- with the exception of gaming?

MR. REINE:

If -- if you want to say that for A and B.

MR. JACKSON:

Yeah. Because -- because B just got pulled out of A. So if A is good for two years, then I would think B would be good for two years.

MR. ROY:

Okay. There's -- so there's a motion. Is there a second?

MR. SIMPSON:

Second.

MR. ROY:

Any other discussion?

(No response.)

MR. ROY:

Hearing none. All in favor aye

(All indicated aye.)

MR. ROY:

All opposed, nay.

(No response.)

MR. ROY:

Any comments from the public?

(No response.)

MR. ROY:

Hearing none, that's a recommendation of the board.

MR. ADLER:

So just A and B?

MR. JACKSON:

Just A and B for two years, yeah.

MR. ADLER:

And that's typical for what we bankers do, we look at the performance.

MR. ROY:

Okay. Move -- moving along. What's our next --

MS. RANEY:

All right. Thank you, sir. Page 145, Section 29, general loan guarantee and loan participation provisions. And the bottom of page 145, this section is just applying consistent reference to the word guarantees and inconsistent spelling.

Flipping on over, paragraph two, same thing, applying consistent spelling for the word and usage of guarantees.

Same in paragraph three.

And then in paragraph four, you'll

notice a numeric change where we are aligning the meaningful amount of risk that the lender will be required to uphold through each SSBCI transaction to mirror what Treasury requires. And that's 20 percent on the debt side.

Go through --

MR. ADLER:

So -- so we're going from a 75 percent guarantee to a 80 percent guarantee?

MS. RANEY:

Yes, sir.

MR. ADLER:

Okay.

MS. RANEY:

So moving right through the interest rates, kept the language consistent there with what has been there before. Removed line item number three, which is -- is -- that -- that program is on a shelf right now. So it's -- it's not applicable.

And then you'll notice the 80 percent change that Mr. Adler just pointed out in C, collateral -- excuse me. That's not correct. The value of the collateral for the required certified small and emerging businesses loan and -- small business loans, excuse me, maybe up to 80 percent required. And the reason the language is, maybe up to 80 percent is because we know that some lenders may allow for a ratio of less than one to one on some of their collateral requirements, and so that allows flexibility of the LEDC board as well. And so that was the thought process. Originally the non-SSBCI section, here, referencing certified small and emerging businesses stated that those business -- businesses certified as SSEBD by LED, were eligible for up to 90 percent loan guarantee, but it also had the requirement of a one to one collateral. So that means they could get a 90 percent guarantee, but they had to pledge 90 percent collateral as well, and so, not a whole lot of risk the lender would be taking on in that instance. And so it revises the loans while trying to provide flexibility for those certified small and emerging businesses, but referenced the lenders potential requirements and the maximum guarantee that we are proposing to be 80 percent. This language allows for that flexibility.

MR. ROY:

Questions, comments?

(No response.)

MS. RANEY:

All right. Just a minor quantified amount on acceptable term for a valuation -- or appraisal, if you will, excuse me, at the bottom of 146.

No other questions. Continuing to move right along on page 147, equity requirement. We are proposing -- before we had the perimeter where it was 15, 20 percent, depending upon if you're a startup or an expansion for your equity injection, and so we're applying a consistent theme of -- of 15 percent across the board, regardless if it's a startup or expansion.

And then the guarantee fee chart,

immediately below, has been adjusted accordingly to that suggested revision.

MS. GLOVER:

I'm -- I'm just curious. Why did that indicate the -- position be less than ten percent to --

MS. RANEY:

So that the borrower had --

MR. DAVID:

(Inaudible.)

MS. RANEY:

I did not want to say that. I -- I -- I did not want to use that phrase, but that's exactly what I was trying to think of other words for, but thank you, yes, that's essentially why.

(An off-the-record conversation occurred.)

MS. RANEY:

Okay. So looking at the bottom of page 147, we are still upholding the maximum dollar guarantee of 1.5 percent, while we are still proposing increasing guarantee from 75 percent to 80 percent.

All right. And here's the section I just previously referenced where the certified small, emerging businesses may be eligible for greater than a 90 percent guarantee not to exceed that $1.5 million.

And again, this is for the non-SSBCI chapter, because the -- the requirement in each transaction with SSBCI money is that there is a 20 percent meaningful amount that the Treasury requirements said that is a shall in the -- as in these rules.

All right. Again, changing consistent spelling for guarantee throughout the bottom of that page. Increasing the potential application fee for 100 to 150. And just removing the reference to the particular credit structure with the use of loan funds, instead of just filling out each structure.

Moving right --

MS. REINE:

Do we the authority to raise fees?

MS. RANEY:
I'm sorry?
MR. REINE:
Do we have the authority to raise fees?
MS. RANEY:
Yeah. I'm -- I'm --
MR. REINE:
Do we have the authority to raise fees?
MS. RANEY:
Oh, yes, sir.
MR. REINE:
So you -- we have legislation that allows us to set the fee amount. Okay.
MS. RANEY:
All right. Section 11, General Guarantee Agreement Provisions. Just really kind of spelling out there in number three, that in the event of the foreclosure, the lender would be responsible for that process and those fees associated with that. That wasn't clearly communicated before in the rules. So we're just spelling that out.

And then number six, just adding a little more detail to the expectation for the lender about the -- the loan status report that they currently submit monthly, and we want them to continue to submit monthly as to the payment performance.

All right. Flipping on over to page 150. Now, this is the participation section of the guarantee agreement, which is allowed in the non-SSBCI section of guarantee rules. So under participation, we also have the same language where the lender will absorb the fee -- as well as the actual data in that status report for the past due performance -- or, I shouldn't say past due performance, for the performance, repayment performance monthly, because we want to know if they're paying on time, not just when they're past due. So -- changes there on page 150.

Page 151. This starts the SSBCI packet of the guarantee program. And what you'll read is the language here starts off by suggesting that all of the previous provisions in this chapter will be upheld less those explicitly referenced here below. So I wanted to put that disclaimer out there, as you read through this. When you see redline changes, we most likely will review those, but most likely, it's a direct requirement from the Treasury guidance as to how as SSBCI funds should be handled. So this is the SSBCI section. So there's a reference to ARPA and the purpose of the funds that aligns with what Treasury has communicated. That's there on page 151.

On page --

MR. REINE:

So we're deleting in low and moderate income communities, in minority communities and other underserved communities, and to women and minority owned businesses?

MS. RANEY:

The only --

MR. REINE:

So we're changing that from, they would err to especially, which would not limit it to socially and economically disadvantaged businesses.

MS. RANEY:

Yes, sir. We are changing that only in the SSBCI chapter of the guarantee rules. It was left in the non-SSBCI chapter. And the reason we did that, and thought process behind it was so that the purpose of the program aligned specifically with what Treasury has stated. And when Treasury defined SEDI, each of those items that have been redlined actually roll up to the definition as Treasury defines it. So it would actually be redundant information if we had both in that paragraph. So to be consistent with what's required with Treasury, we replaced the -- the -- the old referenced language to SEDI in this chapter for SSBCI funding.

MR. REINE:

So this language would be included in reauthorized through the American

Rescue Plan Act?

MS. RANEY:

This change is SEDI and very small businesses is a change from 1.0 to 2.0. And the 2.0 act that reauthorized SSBCI was the American Rescue Plan Act.

MR. JACKSON:

Did -- did we specifically -- I may have missed it. Are those definitions referenced back to the act in a definition section earlier, or is that the first place where we see SEDI mentioned?

MS. RANEY:

So the first place you'll see SEDI mentioned is here in the SSBCI section, because that's the section of this program chapter where it's applicable, is in the SSBCI section. So right here on page 152, is the first time you'll see the definition of SEDI and CDFI investment area. And that is straight from the Treasury guidance and --

MR. JACKSON:

Oh, I see. In -- in definition now.

Yeah, okay.
MS. RANEY:
Yes, sir.
MR. JACKSON:
That's what I was looking for. It's on -- it's on the following page, not -- got you, right.
MR. REINE:
In -- in my understanding, this changes in from a limitation to a target.
MS. RANEY:
I -- I guess I'm confused by your reference limitation. It -- it --
MR. REINE:
Well, I -- I mean, it -- it shall promote small businesses and in low and this and that, so that's what we will do. And now, it's saying, especially to. And I'm assuming you're saying that that language which would cover the other, but it says especially to, which means we're going to target versus language that says, it will be.
MS. RANEY:
Yes, sir. We are going -- the SSBCI

funds and guarantee, we're going to target these business segments and very small businesses to do our best effort to try and get the increased funding that has been potentially communicated for the State of Louisiana, but it does not exclude businesses that are not classified as SEDI or --

MS. VILLA:

Correct. Correct.

MR. REINE:

And this is the requirement --

MS. VILLA:

It -- when you --

MR. REINE:

-- to -- to comply with the feds?

MS. VILLA:

Right. When you look at --

MR. REINE:

Okay. If you've got to, you got to.

MR. JACKSON:

I -- I think what they said previously was, that was the only place and now they're saying, we are targeting these but not excluding them.

MR. REINE:
It's from a requirement to a target.
MS. VILLA:
Yes.
MR. JACKSON:
To a target, right.
MR. REINE:
But --
MR. JACKSON:
It's not -- it's not a limit. It's a target.
MS. VILLA:
So the language in our bill specifically points out to support business enterprises owned and controlled by socially and economically disadvantaged individuals. I think that was your question earlier. Is it specifically in the language, and it is.
MS. GLOVER:
But I think -- so if I'm hearing what Louis is saying -- and you let me know if I'm wrong. It sounds like the same language. People are like, it's a goal for us to hit DB programs. But

really, in the end, everybody gets to be a part of it. And people who benefit the least from it are the --

MR. REINE:

LEDB.

MS. GLOVER:

Right. Because -- well, we targeted and we tried, but at the end, all these other groups that weren't really expecting to be in here benefited from it. And so I think it's nuance is really in the -- especially, like we should say, if it's for those groups, it's exclusively for those groups. And I -- I -- and I don't think that the State of Louisiana will -- in my opinion, I could be wrong. Ya'll chip in the debate if I'm wrong. I don't think Louisiana will have a hard time hitting that goal, if you make it exclusively for for those areas, as opposed to just targeting --

MR. JACKSON:

Because the risk is, we don't get the extra drawdowns because we don't find the targets.

MS. GLOVER:

That's exactly right.

MR. JACKSON:

That's the risk.

MS. GLOVER:

That's exactly right.

MR. JACKSON:

But if that's really the objective, if that's what the legislation wants, then is that a risk we're willing to take?

MR. REINE:

My question became, if it's mandated by the federal government to change the language, we really have nothing to discuss with ya'll, do we? If it's our decision about whether this money is for this specific group of people, as I take the rule was written, to we're going to do our best by targeting these groups, you know, it's kind of like unemployment, I really don't care what the rate is. At my house, it's either zero or 100. I either got a job or I don't. So, you know, oh, the rate is three percent. Oh,

that's great. I don't have a job. I'm
100 percent, you know.
You know, so like her, you know, I'm
going to try and help you don't really
buy me nothing. If this money is here,
and it's for you, and if you're a certain
circumstance, then we've made sure that
that's your target, because that's the
only people you give money to.
MS. RANEY:
Would it please the board to revise
that suggested redline revision to change
it from especially to -- to include
socially and economically disadvantaged
individuals and low and moderate income
communities, and --
MR. REINE:
Well, the -- the whole deal is, is
the especially.
MS. RANEY:
And that's why I'm suggesting --
MR. REINE:
Especially means --
MS. RANEY:
And that's why I'm suggesting to

take that out.

MR. REINE:

-- I'm going to give you a target. And -- and the definition, it says, they will be, the investors will get it. So, you know, I -- you know, it says, to socially and economically disadvantage business, it's going to socially and economically -- if it says, especially, and it says you might get something. I mean, and -- and that's -- if -- if that's what ya'll choose to do, it's what you choose to do, but it is a big distinction between, I'm going to participate, or I'm -- I'm going to maybe get the participate. That's a big difference.

MR. JACKSON:

And maybe -- maybe -- maybe this is the bigger question. The language that was in before, were -- were we adhering within that within the loan guarantee over the last seven or eight years, or were we actually lending to more than just low moderate income minority communities, other underserved communities, women and minority businesses?

MS. GLOVER:

I would say, based on the people who've been presented before us --

MR. JACKSON:

For loan guarantees --

MS. GUESS:

And that wasn't in the --

MS. RANEY:

Well, the detox was recycled funding. That was not SSBCI funds.

MR. JACKSON:

Yeah. Okay.

Oh, so -- so that second part of the redline -- redline language that's red -- that's marked through was added and then it was changed, is that

MS. RANEY:

The -- the second part that is red and has the redline through it is the original language that is suggested to be removed and replaced with the SEDI language.

MR. JACKSON:

But it was the original language in our rules, based on the previous program, or the original language for the ARPA?

MS. RANEY:

Original language from the LEDC language in reading the act in 2010, from the Small Business Jobs Act, which targeted --

MR. JACKSON:

Okay.

MS. RANEY:

-- low and moderate income underserved communities.

MR. JACKSON:

All right. So --

MS. RANEY:

And so this time, it does not use the language to target low and moderate income and underserved rural communities. It uses the language saying they are small businesses.

MR. JACKSON:

So -- so my -- my question then is, we -- we really just in the last year or so got to the point we were recycling funds with our loan guarantee. With our loan guarantees, prior to that, were we actually adhering -- were all those loan guarantees going to people that fell within those guidelines, or am I misunderstanding something?

MS. VILLA:

It -- I think it goes back to the -- to the beginning of the sentence, it says, the LEDC will utilize SSBCI funds to increase access to credit and capital funding to further assist small businesses statewide, to expand loan capabilities to include a broader range of businesses statewide, to direct a greater concentration on those small business and to reach, identify and promote small business growth in low and moderate --

MR. JACKSON:

In low --

MS. VILLA:

Yeah. So it's just -- it's all --

MR. JACKSON:

It was a catch all for all small businesses.

MS. VILLA:

For all small businesses, but in --

MR. JACKSON:

But it's feel good in it.

MS. VILLA:

That's -- well, I don't think it's feel good. I mean, I think that we -- I mean, small businesses in moderate income communities, in minority communities and in other underserved, that's what we're -- we're promoting and we're trying to reach them and we're trying to increase capital access for those that are in those communities.

MR. JACKSON:

So it was never exclusive.

MS. VILLA:

It was never exclusive.

MR. JACKSON:

Okay.

MS. VILLA:

Correct.

MR. JACKSON:

Okay. So -- so the especially is actually strengthening something that was one of six tasks of -- okay.

(An off-the-record conversation occurred.)

MR. JACKSON:

It's always confusing reading redlines --

MS. VILLA:

I know. I know.

MR. JACKSON:

-- and -- and multiple clauses.

MS. VILLA:

Right. And -- and we -- I mean, believe me, there's an incentive for all parties involved or, you know, the ones that we're going to be partnering with so that we can continue with the program and create greater access, because we're going to get those incentives, if we are showing and demonstrating that we're meeting the goals.

MR. JACKSON:

And -- and this is hard. Ya'll -- ya'll have been working on this forever,

and we got it Friday.
MS. VILLA:
Oh, I know. I know.
MR. JACKSON:
And -- and don't have the base necessary. It's -- it's difficult. There's -- there's got to be a better way for --
MS. VILLA:
No. And that's why I don't want ya'll to think that, you know, we can't move forward application, because
MR. JACKSON:
Yeah.
MS. VILLA:
No, no, no. No. We --
MR. JACKSON:
There's just got to be a better way to brief us on the activities, changes.
MS. VILLA:
Yes.
MR. JACKSON:
I mean, because -- yeah.
MR. REINE:
Mr. Chairman, I apologize. I've got

a previous engagement, I've got to go do. And my leaving will probably accelerate the time of the meeting anyway. But thank ya'll for putting up with me.

MR. ROY:

Thank you.

(An off-the-record conversation occurred.)

MR. ROY:

All right. Any other questions, comments on that section?

(No response.)

MR. ROY:

Ms. Kelly?

MS. RANEY:

All right. So moving right along, you'll see that section 305, application process. This section, not a lot of changes, because this is Treasury required guidance, assurances and prohibitions. So the language on 153 is required language that was there before, and it's still requirement in 2.0. That carries over to the top of 154.

You will notice, though, that there

is a new provision added from Treasury in this guidance from ARPA, there on the line item D, referencing direct and indirect marijuana businesses. And that is a -- a prohibition under the SSBCI funding for ARPA.

Moving right through to the bottom of page 154. So this is Treasury guidance that expanded upon what is disallowed with use of funds and what is allowed. And so the Treasury guidance was added to this chapter to make sure that all the current relevant Treasury requirements and prohibitions are upheld. And that applies to the top of section -- or, excuse me, the top of page 155, as well. That's strict Treasury guidance that has been applied from the new act.

So if you move right over to the bottom 155, section 307, there's a redline revision at the very bottom. Again, that is Treasury guidance, applying that consistently in that section.

And the same on the top of page 156,

additional Treasury guidance that is required in order to participate under the program.

All right. Section 309, page 156 is the general program provisions. Now here, we did change the interest rate language so that it would mirror what Treasury's requirements for their -- for their guidance is. And just in case anybody is curious, having this provision here referencing the National Credit Union Association ceiling rate does not mean that you have to be just a credit union to utilize that max ceiling rate. So it's not prohibiting any other qualifying lenders, but it does align with what Treasury's expectation is in terms of the ceiling on these loans.

And then the equity requirement also has been expanded to align with what we previously suggested under the non-SSBCI, 15 percent.

Now, here under Section D, the redline changes here, reflect going from 75 percent to 80 percent. We did remove for certified small and emerging businesses and disabled business enterprises in this particular section, and still maintained that the guarantee should not exceed that same dollar amount cap at 1.5 million.

Now, when we get to ever to average -- turn to the bottom of page 156, program fees, this goes over to the top of page 157, those fees -- again, that two percent, that's a maximum per Treasury guidance. So we're upholding that. And we are suggesting for those SEDI and SEB small business types to -- to waive those fees for them.

And then that concludes guarantee.

MR. DAVID:

I have a quick question. If we're referencing the credit union max rate, it should be referenced in the --

MS. RANEY:

Yeah.

MR. DAVID:

Should we also reference the federal as well?

MS. RANEY:

Federal ceiling, okay. We can absolutely reference that. It's not a Treasury requirement for SSBCI purposes, but we can absolutely add that. We're not limited to -- we can expand upon what Treasury's requirements are in the SSBCI section and also in the non-SSBCI section.

MR. DAVID:

And right now in, Louisiana, we have a consumer business, should we maybe reference if Louisiana ever creates a state --

MS. RANEY:

That's very good suggestion. I think we could probably come up with some language as applicable with state requirements that we're not doing today. But that doesn't mean through the next ten years in the SSBCI administration, something may come up, so we can add that in there as well.

MR. JACKSON:

So we did not exceed the lesser of,

is that what you're?

MR. DAVID:

Yeah. I mean, I -- I hope we're not going to the maximum level, but you never know -- if they do create the maximum, let's put that in there so that it doesn't exceed that.

MS. RANEY:

And if there's one thing we know with certainty, in the next ten years, rates will certainly be increasing.

MR. DAVID:

Yeah.

MS. RANEY:

And I'm -- I'm writing this down, but the suggestion is for both SSB and non-SSBCI?

MR. DAVID:

Yeah.

MS. RANEY:

I just want to make sure.

Okay. Any other questions, comments, suggestions concerns, guarantee rules?

(No response.)

MS. RANEY:
Okay. We will -- I'm not really sure about the micro loan program, we will go through those rules. I know that there is an interest and we will have detailed follow-up conversations about that agreement for this program. But that will be at a later time.
So the rules being proposed under the program, Chapter 75. So this is a program that has been in existence and the thought process to draft this program back in 2010, initially to apply under the SSBCI program for 1.0. However, it turned out that the demand and interest from those participants utilizing the guarantee program, well, it -- it was just, that there was more demands for the guarantee programs than the micro programs. So there were rules created, there was never any performance, no loans originated under the program. So it sat on the shelf. So looking at those micro rules and preparing some redline changes based on the structure that we previously

talked about, you can see it was pretty much a full gut of the original micro rules quite a bit in red. And so going through those here on page 158. With the purpose of the program, and describing the -- the functionality, and -- and again, referencing the intention to work, especially with those, say in very small businesses, that language will carry over, you'll see in the -- in the next couple of program rules as well.

MS. GLOVER:

Before you start going through the rules, can you just give me examples of -- of businesses that you think would apply under this criteria?

MS. RANEY:

Okay. So -- well --

MS. GLOVER:

Who's your target audience for this for this?

MS. RANEY:

For the micro loan program, I envision these to very small businesses, but allowing those that exceed the very

small business definition who may have
ten or more employees but less than 100.
I envision businesses who want to
start out startup businesses. I envision
people who want to go work remote, who
does -- who realized that they can work
for themselves and do a good job and make
just as much money as they did working
for somebody else. So they would have
smaller businesses needs. Entrepreneurs,
sole proprietorships, the lawnmower man
would utilize the program.

MR. JACKSON:
So would -- would these be --

MS. RANEY:
Mainstream businesses.

MR. JACKSON:
-- completely startup type
businesses, or would they be subject to
the two year sort of requirement --

MS. RANEY:
So these --

MR. JACKSON:
-- or somewhere in between?

MS. RANEY:

So it -- it could be for startups or expansions. Thinking about a $50,000 loan that typically builds the need for, you know, a small financing need because it's $50,000 or less. According to SBA, the average micro loan size is $13,000, with an average term, 40 months, which is 3.33 years. So taking that in and other research into account is what led to the overall structure that we had proposed for the micro program. But in terms of the -- the program, itself, it does not exclude any of those businesses that are not explicitly mentioned herein. So I -- I don't know if that directly answers your question, Mr. Jackson and Ms. Glover, but --

MR. JACKSON:

Is it -- is it lending -- the micro lending, is that envisioned to be what we talked about earlier, that's in partnership with a CDFI; is that right?

MS. RANEY:

That's correct.

MR. JACKSON:

So --

MS. GLOVER:

Other qualifying lenders.

MR. JACKSON:

And more other qualifying lenders. So -- so what would -- when we looked at the loan guarantee program earlier, there was concern that there were certain kinds of loans that just weren't of any interest to the lenders. Do we have any sense for what we've done with the micro loans regs? Are we going to run into the same sort of issues, or will it be even harder because they're smaller businesses?

MS. RANEY:

So what the redline rules reflect is language that is duplicated in several sections, which allow the lender to utilize prudent lender practices referencing their internal credit policies to make the ultimate determination of eligibility for the loan, within their credit policies to structure the loan, and then close the loan. And then they do the -- they send us all of the loan information, once the application has been completed, so that we can evaluate to make sure everything has been upheld, from compliance from Treasury, from LED's rules as well. So that's the overall structure and intention behind that is to --the lenders credit policies.

MR. JACKSON:

When you -- when you get right down to it, the difference between the loan guarantee program and the micro lending program is the size of the business, the size of the loan, and ultimately, the size of the guarantee. We're asking the banks to do at least 50 percent of what they may consider to be a riskier sort of loan. And so that's -- if -- if we're going to focus on the those, I mean, that's where we've really got to figure out have we got the incentives right on a smaller, riskier loan.

MR. ROY:

Is -- is that our decision, or is

this part of this -- the language from
Treasury?

(An off-the-record conversation occurred.)

MS. GUESS:
Yeah. With our resources.

(An off-the-record conversation occurred.)

MS. GUESS:
Yes. There are some things in here in certain sections, like the -- the restaurants having been in business for two years and then some of the other disclosures that we've corrected in the --

MR. JACKSON:
Right.

MS. GUESS:
There is some overlap.

MR. JACKSON:
Right. But I -- I -- I think that goes to who's -- who's the target audience because the micro loans are going to be even riskier.

MS. GUESS:

Right.

MR. JACKSON:

How are we going to get those pushed out? Because we're guaranteeing less.

MS. RANEY:

So with the micro loans, we're not actually offering a guarantee, we are -- we are --

MR. JACKSON:

Putting up half the money.

MS. RANEY:

-- utilizing the participation arrangement.

MS. PETE:

Excuse me. So the micro loan -- Shamelda Pete for staff. The micro loan programs, the reason why we went with CDFIs is because CDFIs are mission driven organizations.

MR. JACKSON:

Right.

MS. PETE:

So partnering with them with similar mindedness, they have an established customer base, they know the marketing needs of their companies, as well as the other qualifying lenders -- economic development organizations, who should understand the markets and will be able to reach those customers. But aligning with CDFIs allows them to use their existing credit policies, which are more liberal, in some cases, than your standard lending.

MR. JACKSON:

Okay.

MS. GLOVER:

We use the example that she said like someone who lost their job and decided to start on their own. So I'm going to say, maybe I was an engineer, working for a company, people stopped doing construction during the pandemic, so I lost my job. And I've decided, I'm not going back to work for a company. I'm going to start in on my own. And maybe I'm a mechanical engineer, but I'm also going to need an electrical and plumbing engineer, in order to make this happen. I'm not an established customer of a CDFI, because this is my first time starting business on my own.

Because I am an engineer, I don't get all my money up-front for what I design. It comes over a period of time. So if I'm having to pay the salary of three people, but I'm needing the assistance, because I don't qualify for PPP, because I didn't have the business before, right, and try to figure out how to have that money, $50,000 is not sufficient.

MS. PETE:

Right. But CDFIs, typically, the way that banking structure is, they have the capacity for $50,000 or less, maybe. That's their risk appetite. In this case, you would be looking at other credit elsewhere, or maybe even collateral support program that we can discuss shortly, where there is a collateral shortfall that you may not have. Either -- in either institute -- in either situation, your personal credit is going to be evaluated. But these programs were specifically designed to help individuals such as those -- to overcome those challenges.

MS. GLOVER:

And to -- and, look -- and I want you to continue to push back on me. So I'm going to use me as an example.

MS. PETE:

No, no, no.

MS. GLOVER:

No, no, no. I'm cool with it. It doesn't bother me. I want to make sure we get the program right, okay?

MS. PETE:

All right.

MS. GLOVER:

So when I started my construction company, I was a single woman, and the thing that aggravated me most was being asked to put a collateral, which was my home, which is the only thing that I had.

MS. PETE:

Right.

MS. GLOVER:

And so I hate people being asked to

put up that. And people would then say, well, do you not believe in myself? Well, I believe in myself. I don't believe in the city government to pay me on time, and I don't believe some customers like to screw me over. Right? So I'm trying to minimize the risk for me as a small company, because it's already scary enough that I've lost my job and trying to figure out how to have income and I'm taking a risk like on myself.

I hear you say that the CDFIs have more flexibility. Again, you probably heard my comments earlier about CDFIs and trying to work with them. And then -- and sometimes they're not always -- they don't -- I don't feel like they make the process easy in the way that the state permits them.

MS. PETE:

So the first response to the personal resident comment. The state doesn't allow us to use a personal residence as collateral. So you don't have to worry about that.

MS. GLOVER:
So then what does the person have as collateral then?
MS. PETE:
Investments, personal net worth, other investments, retirements, other items. I think anything can stand up as some form of collateral, unless you're doing an unsecured loan. So the proverbial skin in the game, the bank has to have some collateral. So in such -- those instances, they may need to go to credit elsewhere, or other CDFIs, like the one that we use that was recently approved by the board, Lendistry.
MS. GLOVER:
Yeah.
MS. PETE:
That company has a lot of flexibility and it's the greatest -- I'm sorry, the largest CDFI.
MS. GLOVER:
They sounded very promising. I'm actually excited about them.
MS. PETE:

And they are interested in continuing to work with us, and -- and we're hoping to, and we'll be able to have more coverage by partnering with them, should they decide to participate in our programs.

MS. GLOVER:

And so my question to you is, I don't disagree that everybody somehow needs to have some sort of a collateral, but isn't the challenge that there are some communities, specifically the ones we've put out of here, that what their collateral looks like, in comparison to other communities, is just there, so they still end up in this bucket --

MS. RANEY:

Right.

MS. GLOVER:

-- but they don't qualify?

MS. RANEY:

That's why we want to put into the rules, some flexibility for the lender to dictate that, because CDFIs may accept collateral that -- that traditionally,

LEDC small business loan guarantee rules
would prohibit.
Now, the hardline in the sand that
we have spelled out is prohibiting the
personal residence from being put up for
collateral. So we are giving the
flexibility to that identified, selected
lender to utilize their credit policies
to make the determination and maybe it is
unsecured, Norisha, for the micro.
MR. ROY:
To piggyback on top of each other,
can it be the micro and collateral
support?
MS. RANEY:
As long as there's not a issue of a
duplication of benefits and utilizing the
loan proceeds for the same business
purpose.
MS. GUESS:
So you need assets on one -- only on
one side and then a line of credit. So
those -- those two things.
MS. RANEY:
So you can buy equipment and then

you -- or if it's some working capital, that's two different business purposes, which we can document and identify, no issues there. You can buy an office building, and there's a collateral shortfall, you need to do some renovations to that, maybe the collateral support program would be more appropriate. And potentially maybe -- maybe the guarantee as well. And so there -- there could be a time and space where a -- a participant may be able to utilize multiple programs. But again, we will be evaluating duplication of benefits issues.

MS. GLOVER:

And so -- I'm sorry. So if I'm going back to -- I gave the example of the engineer. And I don't remember where we landed, like in your response about if $50,000 is sufficient, if it's a different response -- or a different type of company, right, maybe I'm a management consulting firm and I've gotten the project. Again, the money comes later.

$50,000, I don't feel like it's sufficient for some small businesses. And so is -- is -- is there something that's limiting us 50? Is there any reason why we can't increase it to 75 or 100?

MS. PETE:

I think something -- excuse me. I think something we have to take into consideration is overall structure of the allocation of the program, what would be able to have the maximum outreach. So if we have the loan up to 200,000, how many businesses will we be able to reach? So we have to look at the overall budget of the funds that will be available for these programs.

And this being a newer program and truly micro, we're really looking to target the more dollar amounts that your traditional banks won't be able to -- or wouldn't entertain. So that's the focus on this particular program.

MS. GLOVER:

And how much money do we think is

going to that particular fund? Because I
agree --
MS. PETE:
As of now --
MS. GLOVER:
-- 200,000 is too high.
MS. PETE:
As of now, nine million.
MR. JACKSON:
And that -- that really goes back to her first question, who's the target? You -- you gave us the statistic 13,000 was the average. So what -- what kind of people are doing loans of 13,000, as opposed to -- I -- I think her concern -- what she considered for -- for ten to 100 people, 50 was not enough. So what groups really are using 13,000? What do they look like? Are they salon owners, or -- and -- and you don't have to answer today, but -- but that's really --
MS. RANEY:
It could be. It could be. And so those were some of the same users from LBGP, that program was limited to

$100,000. We let the lenders reference their own internal credit policies. Now, we did have some parameters. And we've heard the feedback on those parameters, which is what we're trying to use in this proposal for these programs. But all of that was taken into account.

MR. JACKSON:

And -- and -- and it may even be -- I'm not suggesting this, I'm talking out loud. But I know, in recent years with a lot of the IRS regs when they put out some of these really involved regs, they have moved toward using five to six different examples to show how they're applied in different ways. And it may be as you draft these together, you consider whether or not -- particularly as you get ready to start marketing to these organizations, you know, just a little two or three paragraph, this is Susie who needed this, or this is John who was growing his business and -- but -- but some things that show where each one of them fits. And -- and it may not be appropriate. I'm not suggesting you do it. I'm just saying, I --

MS. RANEY:

Well, you're actually spot on. So outside of LEDC, the agency is working towards a marketing facelift all the way around. And I know some of the goals in that facelift is to not only improve our website and the -- the ease of use, but also from an educational perspective about all of our programs, not just the ones here in this session today, creating maybe some -- some short videos with examples of who is eligible, how --

MR. JACKSON:

Bankers may want to do that. I mean, it -- it may not -- may not be appropriate. CDFIs with their mission may already be doing that. But sometimes, you can -- you can cast some of those out there and it'll be, oh, I really hadn't thought about that. And it's -- and it's for prospecting.

MS. RANEY:

Well, and that's exactly what the

intention is. And so we would have access to these can testimonials, can videos, you know, can overviews of all of our programs so that when our project managers, our small business service partners, are running the roads to try and drum up interest not only to expand or move into our state or to -- to utilize our Small Business Services Program, those are all the things that they take into account, if we didn't have --

MR. JACKSON:

Okay.

MS. RANEY:

And so their -- they have access to that to -- to use that for prospecting, you know.

MR. ROY:

To -- to Ms. Glover's point. You bring up multiple needs. And, you know, the idea here in part is to make sure that the needs that are out there get addressed and that's -- that's one of the things we are proceeding to do, the mainstream lending needs are -- are met, these programs are designed to fill the gaps and -- but Mr. Jackson's point, if -- if -- you know, I think we should specifically say -- what I brought up earlier -- that we will let the CDFIs and others know that you can piggyback multiple programs on top of each other to the extent they don't conflict, I understand that. But I think that's an important thing. Because you can see where, you know, a -- a business might fall short on a collateral or what have you, and you, okay, well, we have the collateral support program, but you might also -- that same borrower may or may not qualify for micro loan or something else. So I think that's very important information, because you could really, if you stack things -- stack programs on top of each other, you can really help a prospective borrower, in some ways that, you know, we --

MR. JACKSON:

They just know they need money.

MR. ROY:

That's right.

MR. JACKSON:

And they don't think of it in separate silos like that.

MR. ROY:

And the bank won't think about it either -- either unless they absolutely tell them and lay it all out.

MS. RANEY:

So I -- I -- I agree with that. and stacking is allowed. Again, we -- I -- I think I've said a few times, as long as there's not an issue of duplication of benefit.

I -- I will just share this additional comment that someone put a good bit of feedback from LPGP from the lenders that I spoke with who participate in PPP, where I could not produce something tangible from the Treasury, US Treasury Office, about PPP and state assistance programs and duplication of benefit, those lenders chose not to participate in the state programs, because they had already contracted and the -- the -- the -- very generous, through PPP for those lenders, to utilize that program. And so it -- I agree with you, it will be key to make sure we communicate that you can stack these programs. But again, the -- the duplication of benefits will be critical in evaluating that.

MR. ROY:

And -- and, you know, as my banking colleague -- the banks are commonly requested to issue a line of credit, the term loan, you have the whole deal, you're stacking multiple kind of loans, because a -- a borrower has that kind of need, you -- you have to be able to get -- not only get the building built, but you got to, you know, get people in the building, be able to buy your -- your supply, and -- and you need money to working capital, on credit, et cetera. But anyway, I'm just illustrating that all of that can -- can give need for stacking these kinds of programs.

MS. RANEY:

I -- I agree. And dependent -- and so it's going to be needs based. And depending upon what that need, the solution could be much simpler and -- and maybe collateral support can solve that need, depending upon what the dollar amount of that need is. But -- but -- but I agree with you, sir. Yes, sir.

MR. ROY:

While I'm thinking about this -- I was trying to find a -- something definitive, and I -- I couldn't find it. Perhaps, you can help me out.

But with respect -- and Ms. Glover keeps bringing up some very good comments about, you know, the CDFIs and the ones that might be in state, out of state, you know, how we look at them, how long are they in here, how much are they really helping, how much do we really -- or are they really engaged in helping people in Louisiana versus, you know, it might be some CRA credit out in New York City, some guys trying to get over here in

Louisiana. I don't know. I'm not -- ya'll can figure all that out, but -- but I -- how -- how do we anticipate analyzing that? Because it's -- and I think I -- I read earlier what my perception was on the number of CDFIs in the state. And I guess that's, don't settle in the state. I guess. I -- I just did a cursory glance on the internet, but how -- how do we intend on marketing to those CDFIs? How do we define who it is we're going to engage, et cetera?

MS. RANEY:

So through the RFP process, there will be a number of evaluation components. And so while there has not, as of today, this minute, been a priority listing of those evaluation components, they will equate to a scoring system with an internal committee to review -- independently review and then needs to share those comments and suggestions and then ultimately decide on a recommendation to the board. And -- but through that RFQ application process, all of the application information to be submitted would speak to the lender, lenders ability to not only operate a structure like a revolving loan fund, what is their experience, who's on their -- their staff, what are the internal controls and oversight and compliance.

But one of the -- one of the aspects in evaluating the RFP application that is important, but will not be the -- the driver of the decision that is important is to make sure there's geographical dispersion across our state, so that there are not large pockets of communities where nobody has access to these programs. And so we're talking about the RFP process, we're talking about the -- the micro loan program.

And so that will feed into the evaluation. So that, we do not select -- just throwing this out there -- eight lenders in one parish to participate in the program. So that has to be included in the overall evaluation process. And so by opening that door from CDFIs to other qualifying lenders, we are attempting to cast, I believe, a wider net so that in the event there's a community where there is an un-interest in CDFI organization, maybe there's another qualifying lender who is interested, submits their RFQ, and -- and they are qualified and selected. And so maybe another type of lender would be best suited for that community.

MR. ROY:

One final note on that and I'll be quiet. But I -- I would not -- they're only 75, whatever, CDFIs.

MS. RANEY:

Of those, approximately 34 have a small business focus. So we've further drilled that down to make sure we are seeking input from those 34.

MR. ROY:

And -- and I understand that there is a -- some emphasis here that -- that we reach out to those entities by virtue of the rules that we've been given; is

that fair to say?
MS. RANEY:
There is, based on an RFQ. So we'll actually send out an opt in for those interested to learn more about the RFQ process. And so once they opt in to receive the RFQ information, we will send them the RFQ information and application package.
MR. ROY:
But we're encouraged to work the CDFI is the bottom line, right?
MS. RANEY:
Right. We -- we are encouraged to.
MR. ROY:
So -- so my -- my point is -- and you said, and I would not gloss over it, because there are many financial institutions -- and I use that term broadly -- credit unions, you know, that service communities that are, you know, they're plenty of low to moderate income in -- in areas throughout the state. You don't have to go very far. You can turn the block here, they're everywhere. So I

want to encourage us to work with a lot -
- the -- you know, while the -- the the
rules may push us toward CDFIs, to
whatever extent it does, I -- I think we
ought to make sure that we market and
push out to all of these banks, because
again -- and -- and financial
institutions -- and again, I use that
term loosely, but -- because they -- many
of them, wherever they are in the state,
are facing situations and needs like
this. And -- and you don't have to be a
-- a CDFI to -- to -- to really have need
to help people like this. And we should
encourage it.

MS. GLOVER:

Question. Is -- if -- could someone
who use to -- and I apologize if I -- I
missed this. Could someone use this for
actual construction, or would that be
pushed more to the Small Business Loan
Guarantee program?

And so the example that -- I'm
literally thinking of examples, so I am a
person who's been baking home goods for

my home, I've gotten enough business and I've decided, maybe I should have a physical space where people do this, because regulations no longer allow me to do this in my -- in my home kitchen, and so now, I'm going to build out a facility. Is the -- is the business owner better suited for this micro lending program, because they're going to be they're going to be fairly small, just one employee, maybe two or three, or whatever, or would they be better suited for the Small Business Loan Guarantee?

MS. GUESS:

Maybe the Small Business Loan Guarantee and depending on size of the -- the need of the financing.

MS. GLOVER:

Well -- and -- and so this goes back to one point again, because $50,000 is like the most -- and so if we -- I'm -- and I'm going to push for it, and then I will let it go, because that's what my job is, right, is to push for it.

If -- if you did -- if your program

is getting nine million and you gave out $50,000 loans under this, I -- I guess, technically, you're only giving out 50,000, because the bank is given 50,000. But if you said 100,000, that's not indeed, but 50,000 would make 180 people. If you were doing 75,000 that would be 240 people. And I -- and I would like to think that if we had supported 240 businesses under this program, because not everyone is asking 100, and not everyone is asking for 75,000, that you would consider this program a success. So I'm just pushing, again, that you consider looking at $100,000.

MS. VILLA:

And -- and I -- I appreciate that and Robin and I were having sidebars over here, and I -- I don't -- I think if you want to propose as a board member to put up $100,000. That's what I would recommend or suggest, is put in the up to language so that, you know, it doesn't -- it doesn't --we have that flexibility --

MS. GLOVER:

Yeah.

MS. VILLA:

-- to be any range. And also, just as you said -- stated, that's our share, the -- the financial institution may not have the capacity to do 100,000. Maybe they only want to put 50,000 to this revolving loan fund, and we put the 50. But I think having that flexibility would still garner a success for the program. I don't think it would limit us from -- from our success.

MR. JACKSON:

We can always do less.

MR. ROY:

And to Ms. Glover's point, I mean, as staff works their way through this, I mean, we -- we're going to feel our way on the need. I mean, we may not get many applications, in which case, hey, we want all the 100,000 deals we can do. But you'll feel your way, as we've done on a lot of programs.

MS. RANEY:

Right.

MR. ROY:
And -- and so I think you're right. So if you'd like to make a motion, maybe the board will --
MS. GLOVER:
I move to adjust the language in item C for the purpose of making direct loans up to $100,000 to small business who meet the SSBCI criteria as outlined in the program participation agreement.
MR. JACKSON:
I'll second that.
MR. ROY:
Second. Any other discussion?
(No response.)
MR. ROY:
Hearing none, any comments from the public?
(No response.)
MR. ROY:
All in favor aye.
(All indicated aye.)
MR. ROY:
Any opposed nay.
(No response.)

MR. ROY:
Thank you for that suggestion.
Like you feel that suggestion.
Who's -- who's got the floor with the staff?
MS. GUESS:
Okay. Let's see --
MR. ROY:
Brenda, you might need to pull your mic down.
MS. GUESS:
Oh, I'm sorry.
Where were we? On page --
(An off-the-record conversation occurred.)
MS. GUESS:
Okay. So we'll change that to 100,000 there. Got that.
MS. VILLA:
Yeah. We'll just make a note from -- from staff, Brenda, Robin, that where the reference is to 50,000, we'll move that up to --
MS. GUESS:
We'll move it to 100,000.

MS. VILLA:
Yes. Throughout the program, yes.
MS. GUESS:
Okay. So I think we're still on item -- we're -- we're back to item D. And this is all the new language when we put in that we had for qualification purposes for participating lenders to enroll. Without reading all of the lines there, are there any questions regarding D, E or not?
(No response.)
MS. GUESS:
No. Continuing on to page 159. The portions that were -- were stricken were the allocation agreement, allocated funds and enrolled loans.
I think these were -- well, help me out here. I think some of this was the language that we -- we referred them to from the program?
MS. PETE:
Yes, ma'am. Those allocation agreement, allocated funds, we looked at other programs such as Georgia in which

we're mirroring, we added those but didn't realize in development -- developing the program, that they weren't necessarily the rules.

MS. GUESS:

Okay. All right. They were further done into the definitions on 159 where we made those changes, including the CDFI definition, CDFI investment areas. And those who are not -- those where in there in the original ones.

The removal of the disabled person's business enterprise and the economically disadvantaged, there was a further explanation of eligible roles and really applying what is an enrolled role so that the lenders would not be able -- have a -- any difficulty in determining that.

Then we go down to the remaining items on 159. The lender is defined on D. And the lender insider is taken directly from Treasury's language. That's verbatim from -- from Treasury.

And then we have a -- a definition of what a loan is.

Going over to the next page, 160, further definitions and clarification. This is in green, the passive real estate ownership. I think we were highlighting that one.

MS. VILLA:

I think it just moved from one section to another. That's why it's in green.

MS. GUESS:

Yeah. I think it's been moved -- in green, yeah. The green kind of threw me off there.

MS. RANEY:

Yeah. Somebody's color preference, I think, for their redline revision was, I guess, green.

MS. VILLA:

I think when you -- yeah. It got moved. I don't think it's different. It's not new and it's not stricken.

MS. GUESS

Right. And per those definitions -- the other ones, it is same. It mirrors the other ones in the -- the guarantee portion of the rules, so we -- and the definition of very small businesses. So a lot of this is carryover from small business.

MR. ROY:

Okay.

MS. RANEY:

All right. So page 160, section 7505, application process, describes the process of how the lender will execute the contract with LEDC, entering into the agreement to abide by the program rules and the details and parameters that will be executed or detailed in an executed loan participation agreement. But it requires that the lenders market the program, originate the program, process the -- the loan transactions and service the loans or lines of credits as well.

It also requires the lenders to abide by the lender assurances, sign those, as well as having the borrower sign the borrower assurances and submitting those to LEDC with the application package.

Flipping on over to page 161. C is language that was there before in the prior rules. And with the reference of the public records law, this paragraph is actually upheld in all of our program rules.

So C talks about the enrollment of the application package, how it would be submitted to LEDC with a signature along with any corresponding documentation, signed lender and borrower assurances, for LED to review.

MR. JACKSON:

Can we go back just a minute? On 160, on the definition, the -- the A definition of socially economically disadvantaged individual.

MS. RANEY:

Yes, sir.

MR. JACKSON:

What -- what exactly is the kind of timeframe you're talking about in number eight? Well, I -- I know this is the federal definition, long term residents in a rural community. That makes you socially and economically disadvantaged to basically live in the country? Is that --

MS. RANEY:

So I think that would go back to the census tract that is tied to that -- that resident.

MR. JACKSON:

Right.

MS. RANEY:

And if that corresponds to the CDFI investment tract, then by just nature of that correlation, under the eyes of Treasury, you would be just falling into that SEDI category.

MR. JACKSON:

Okay. I -- I just -- I just find that fascinating.

MS. RANEY:

Yeah.

MR. JACKSON:

I mean, they -- the -- the definition of socially and economically disadvantaged is very, very broad.

MS. RANEY:

It -- it's extremely broad.

MR. JACKSON:

To the -- to the point, Ms. Glover, you made earlier, I mean, you just change a few words and everybody kind of --

MS. GLOVER:

Well --

MR. JACKSON:

-- it's a struggle to --

MS. GLOVER:

In fairness to our state -- like, I don't know if the state is socially and economically disadvantaged. I'm not trying to be mean, but it is like --

MS. VILLA:

I mean -- yeah, I mean, traditionally, we have high poverty and those are thing that go into it is rural, state.

MS. GLOVER:

(Indicated a positive response.)

MR. JACKSON:

Yeah.

MS. VILLA:

So, I mean, it's --

MR. JACKSON:

I mean, we see it in the census tracks. I -- I mean, the whole picture.

MS. VILLA:

I think we have a lot of representation. You know, that's why the -- personally, you know, I think that this program lends towards Louisiana because we do have a population to draw upon and our small businesses and the growth that we're seeing in our small businesses, I think our programs will be able to lend to their success. And I personally feel we'll be able to achieve that incentive because we will have the benefit of having been able to help those that are in the SEDI and the SEDI community.

MR. JACKSON:

All right. I -- I just -- that just jumped out at me more this morning, I guess, since we've been kind of picking at it. But that -- I -- I just find that kind of extraordinary.

I'm sorry. Go ahead.

COURT REPORTER:
I need one minute.
MR. ROY:
One minute, please.
(A brief recess followed.)
MR. ROY:
Back on the record. We're back on the hard disc, right?
COURT REPORTER:
Yes, sir.
MR. ROY:
So, Ms. Kelly, can you continue for me?
MS. RANEY:
Yes, sir. So we left off on page 161. First column, nearing towards the bottom there where we were about to begin the -- the review process for application submission.
So at the bottom, Section 8, is where it reviews the lender would submit the enrollment application to LEDC prior to any loan closing under this program. The participating lender is expected to market this program to small Louisiana

businesses and SEDI businesses. The borrower is required to sign and submit as part of that enrollment package, their -- their Treasury required assurances, in addition to the lender being required to sign and submit at time of application, the lender assurances and certifications. That information will be reviewed by the LED internal staff to ensure that it adheres not only to the -- the program rules, but also to the Treasury guidance and the executed participation agreement with said lender, and that also the transaction, so each transaction will be evaluated to ensure that it upholds the participation percentage, as outlined in that participation agreement, not to exceed that 50 percent from the LED contribution.

And then it also discusses, on line C of page 161, column two, that certified SEDI businesses would need to submit -- or self-certified -- excuse me -- under Conditions A, B or C of that definition. And then there's where I mentioned the lender or borrower assurances being required for the enrollment package.

Once staff reviews that enrollment package, staff will make a recommendation to approve and accept for enrollment or disapprove and reject for enrollment under the program, and then, make that communication upwards to the in-house committee. These loans would fall under the in-house committee authority, but the LED staff is not approving these loans behind the lender and re-underwriting each loan request as we do in the guarantee program and we will do in the collateral support program. Again, evaluation for adherence to the program rules, the requirements in the participation agreement, as well as the Treasury guidance and making sure that the participation allocation is adhered to would be what staff would be evaluating to accept and recommend for approval.

While it is anticipated that these dollar amounts are $50,000 and less, provided there is not a dollar amount change -- as I was walking out, I know I heard Ms. Glover making a comment about that, so I know it might be -- that note about any of that change as well. We felt it was important to leave the option for the LEDC Board to request any of these projects to make an appearance to the border screening committee, so that's the reason this language is in here. It's not going to be required, but we felt -- and that has been upheld through collateral support, as well, to leave an option in case the board would like to have one of the projects in one of these programs come to the board and be presented.

So aside from providing the -- the monthly updates to -- or getting the monthly updates from our participating lenders as to the performance, there will be semi-annual and annual reporting. There will be audits performed on the program account with each selected lender to ensure that, from a participation structure, the terms have not been violated from the contribution on a transactional level.

But in addition to that, LEDC staff will report, on a regular basis, to the in-house and board, all of the loans submitted for approval and enrollment under this program, but also, provide some insight as to if the lender would -- had to decline a request under this program -- we would be interested to know why that is -- and can provide some insight as to why a particular business may not have been eligible under this program. And it may have been something as simple -- it may be something as simple as, if that happens, it was an SSBCI eligible business compliance issue as to why they were not eligible, because this program is only intended for SSBCI eligible businesses.

So that brings us to page 162, it looks like. Loans originated by the participating community or other qualifying or participating lenders under the MLP, microlending program, they must qualify under the SSBCI Treasury guidance. Interested participants under this program, they must gain approval by LEDC, having undergone the RFQ process. It is the intention there to gain approval to participate in the program. And then they will execute that participation agreement and utilize, again, their own internal loan credit policies to underwrite those loan requests and adhere to the requirements in that participation agreement.

MR. ROY:

Ms. -- Ms. Kelly, if I could interrupt you for -- for a minute. I was thinking I would stop and ask this question when we got to collateral support, but we still have considerable information to work through, plus we have collateral support, plus we have other things on the agenda. I just wanted to get the pulse of the board, because we're obviously in a much longer than anticipated board meeting for the moment.

So I wanted to get everybody's pulse as to whether or not they -- how they stand on time and also kind of blend that with staff's need for working through the rest of this information today.

So let's -- first --

MR. ADLER:

I have a 1:00 o'clock conference call with the FDIC, so I've got to --

MR. ROY:

That's important.

MR. ADLER:

And I'm just down the street, so I can leave about quarter till.

MS. GLOVER:

I have a 12:30 also.

MR. ROY:

Okay. You have a 1:00 o'clock as well and a 12:30.

MR. ADLER:

Yes.

MR. ROY:

Okay. So we're -- we're -- we're against the wall. It -- I think, you know, the needs of the board are going to sort of trump everyone else. Other people have things to do, as we just heard. I'm not sure, Mr. Jackson, what you have, but the rest of the board members have some issues, I think.

MR. JACKSON:

Right.

MR. ROY:

So we have to leave in 15 minutes. We don't lose a quorum, but we certainly want participation.

MS. PORTER:

Maybe we can table and possibly meet with another policy committee. We -- we still need to get these rules approved before I move forward to try to promulgate. I can't promulgate the rules if you guys have not approved them and supported them. So if you guys are up against the wall with time --

MS. GLOVER:

So my -- my question is, but the rules are drafts. So even if we approve them -- even if we approved, it's first draft, so we still have the opportunity

to come back and make changes afterwards,
right?

MS. PORTER:
Yes. For public comment.

MS. GLOVER:
For public comments at the next
meeting?

MS. PORTER:
Public comment will probably --

MR. JACKSON:
When you promulgate -- when you
promulgate, they go out for public
comments --

MS. PORTER:
Yes. It has --

MR. JACKSON:
-- and then we can consider public
comments.

MS. PORTER:
Yes. Correct. And then I'll have a
meeting. I'll have a public meeting in
regards to the rule -- I'm sorry. I have
a public meetings in regards to rules.
You have time for public comment, so that
will be the opportunity to have your say

on the rules then.

MR. ROY:

Are we okay on -- and you're the -- you're the expert, but I thought we had -- once something is finally promulgated, then there are other time frames. We don't want to back -- back it up unnecessarily. We wouldn't be afoul of any such issues? I mean, I thought we had to advertise --

MS. PORTER:

We can do a potpourri change if they are significant, you know, we can do potpourri and add to the rule. However, we -- you know, we're currently doing -- we're not at an emergency rule. We're -- we're not at a point where if we don't get the rule done, we're in trouble in regards to the Treasury. And that won't ever happen because if we come up where we're backed up against something, I can do an emergency rule. So that's -- that's --

MR. ROY:

That's probably --

MS. PORTER:
-- that's adopted immediately. Yeah. So right now, we're trying to just go through process to do it in a regular fashion, but if we get to an opportunity, I think -- you guys, if I'm misquoting let me know. After the allocation agreement is signed, we have 90 days to have all that done, done as in rule promulgation; am I right about that?
MS. VILLA:
Yes. Yes, in some. What Treasury said was, within 90 days to be well positioned to utilize the programs approved within 90 days, well positioned, yes.
MS. PORTER:
Right. So --
MS. VILLA:
And I would further comment that we are in a position to be well positioned to deliver the programs because the majority of the funding is going to our Seed and venture. And that, you guys have already approved and we're already

going to be moving forward with the promulgation of those rules.

So I just wanted to kind of just bring that back so that to make, you know, you guys realize that a large majority of it, we're moving forward on. But there are a lot of specifics when it comes to these other programs around debt that we all have to go through and recognize, you know, vet through and have comment on.

I would much rather the board give their comment and allow us to make those adjustments prior to us going to promulgation. So if -- may I suggest to the board that we -- I guess, we could move forward with the small business loan guarantee rules, along with the venture capital that the board has previously approved and we try to establish a meeting with the policy committee for -- I don't know that we can get through micro in the next 15 minutes, but to continue our discussion on micro and collateral between now and our next board meeting so that our next board meeting, the policy committee can bring forth to the board their review and approval of the rules as stands so that by March, the board can approve the rules and we can move forward for that March 20th promulgation. May I suggest?

MR. ROY:

Absolutely. Good -- good suggestion. So -- so you would like us, pursuant to that suggestion, to vote on --

MS. RANEY:

Guarantee and venture capital to include Louisiana Seed capital, Louisiana Venture capital. And just adding to what Anne stated, that we still today need to have committee appointments, because we are short on our policy committee. We need to have a quorum so we can have that policy committee meeting prior to February.

MR. ROY:

Okay. So can someone entertain a -- make a motion? I think Kelly just articulated it.

MR. SIMPSON:

I have a motion. I move.

MR. ROY:

Okay. We have a motion --

MR. SIMPSON:

What she said.

MR. ROY:

What she said motion. And do we have a second to what she said?

MS. GLOVER:

Second.

MR. ROY:

All right. Any -- any discussion by the board?

(No response.)

MR. ROY:

Any discussion -- any comments from the public -- public?

(No response.)

MR. ROY:

Hearing none, all in favor aye.

(All indicated aye.)

MR. ROY:

All opposed nay.

(No response.)

MR. ROY:

That -- that is approved.

So what else can we take up in the ten minutes that --

MR. SIMPSON:

I move we defer reports.

MR. ROY:

Okay. Is -- is -- is there anything else that we know that we need to do right now in the next few minutes?

(An off-the-record conversation occurred.)

MR. ROY:

We'll do that, that recommendation. So policy committee, so we --

(An off-the-record conversation occurred.)

MR. ROY:

Okay. We need to do that now, I guess, or before we leave, right?

MS. SIMMONS:

Because that --

MR. ROY:

That's statutory or in the rules

somewhere?

MS. PORTER:

It was supposed to be done in January, according to bylaws.

MR. ROY:

Okay. Got you. All right. So why don't we do the -- what about your resolution?

MS. PORTER:

Tabled.

MR. ROY:

We can table that. All right. So we will -- somebody want to refresh our memory on who's on the policy committee and then we can ask for volunteers?

MS. VILLA:

Deborah, you have the policy committee members?

MS. SIMMONS:

I passed -- everyone have it. They all have it.

MR. ROY:

Okay. You want to read them out for us?

MS. SIMMONS:

The policy committee is Cal Simpson, who's the Chairman, Norisha Glover and Louis Reine. And we have two vacant positions on the committee.

MR. JACKSON:

Was my appointment last month temporary?

MS. SIMMONS:

Yes.

MR. ROY:

Just for the record, I think it should be permanent. Do you agree or what?

MR. JACKSON:

All right.

MR. ROY:

Okay. Mr. Jackson will graciously volunteer. And we have one more vacancy; is that correct?

MS. SIMMONS:

Yes, sir.

MR. ROY:

So anyone else like to volunteer? And that would be on the left side of the table --

MR. DAVID:
I nominate Andy Adler.
MR. ADLER:
Andy Adler is on government, finance and (inaudible) already.
MR. SIMPSON:
If you'd waited a few more minutes, he'd be gone.
MR. DAVID:
I'll do it.
MR. ROY:
Okay. Mr. David. All right. Thank you very much. So we now have a full committee.
All right. Moving right along to the election of officers. I will get out of the room and let the vice chair handle it.
MR. JACKSON:
Okay.
MR. DAVID:
I nominate A.J. Roy.
MR. JACKSON:
All right. There's a nomination. Is there a second?

MS. GLOVER:
Second.
MR. JACKSON:
Second, Ms. Glover. Are there any further nominations?
(No response.)
MR. JACKSON:
I'll entertain a motion nomination to be closed.
MR. SIMPSON:
So moved.
MR. JACKSON:
Second?
MR. DAVID:
Second.
MR. JACKSON:
Is there any objection?
(No response.)
MR. JACKSON:
Any questions from the public?
(No response.)
MR. JACKSON:
With only one nominee, Mr. Roy, will return as chair.
(An off-the-record conversation

occurred.)

MR. ROY:

Thank you very much. I keep thinking someone else wants the job, but anyway, thank you very much. I appreciate your vote of confidence.

MS. PORTER:

We have -- we have to elect a vice chair, as well.

MR. ROY:

Yes. Yes, ma'am. And so we will do that. What is the pleasure of the board?

MR. SIMPSON:

I nominate Charles Jackson.

MR. DAVID:

Second.

MR. ROY:

Okay. Any other nominations?

(No response.)

MR. ROY:

Hearing -- any discussion?

(No response.)

MR. ROY:

Hearing none, all in favor aye.

(All indicated aye.)

MR. ROY:
All opposed nay.
(No response.)
MR. ROY:
Congratulations. Thank you, sir.
Okay. Ms. Robin, what else do we need to do?
MS. PORTER:
We're good.
MR. ROY:
All right.
MS. PORTER:
Now, it's your option --
MR. ROY:
Yes.
MS. PORTER:
-- to bring in the committees and so on and so forth.
MR. ROY:
Okay. So we have our committees and we will aspire to a committee meeting -- meeting and board meeting, I guess, soon.
MS. VILLA:
Right. The board meeting is scheduled for March 10th.

MR. ROY:
March 10th?
MS. VILLA:
Yeah. So the policy committee before that is -- I think Brenda had some ideas around that.
MS. GUESS:
The preference, this morning, we were talking and is the -- the morning of the meeting good for you guys and go into it --
MR. ROY:
Mr. Chairman?
MS. GUESS:
-- or the day before or --
MR. SIMPSON:
I think that would work. I'm in favor if everybody's schedule that's on the -- on the board --
MR. ROY:
It would be a full day.
MR. SIMPSON:
Yeah.
(An off-the-record conversation occurred.)

MS. VILLA:
We got to finish up micro. We're just going to have to probably start from the beginning.
MS. GUESS:
Probably.
MR. ROY:
Of course, collateral doesn't exist at all, so there's no red line --
MS. GUESS:
Correct. So that's going to take some time --
MR. ROY:
-- on that one, it's just all new.
MS. GUESS:
We -- what we can do is maybe call to see what your schedules look like from now until whatever date before that and we can devote maybe to a full maybe four hour day, morning/afternoon, maybe, since the board --
MR. ADLER:
As long as I have notice, I wouldn't have had a 1:00 o'clock meeting. But if we said, hey, this is a 9:30 to 3:30

meetings, let's just -- so if you just let us know.

MS. GUESS:

Okay.

MR. ADLER:

That way, we can do our schedules around it.

MR. ROY:

Okay. So March 10th is our aspiration and we'll work out the details; is that correct?

MS. GUESS:

Yes.

(An off-the-record conversation occurred.)

MR. ROY:

Do you want to do that? Do we want to fill screening? I know it's an important committee. I've got two vacancies, at least, per the paper/document. Okay. So the ones that are on there are, Mr. Jackson is the Chairman, Mr. Adler, Mr. Reine. Request two --

MS. GLOVER:

Are we vacant because we're missing board members?

MS. SIMMONS:

Yes.

MR. ROY:

Probably.

MS. SIMMONS:

Yes, that's correct.

(An off-the-record conversation occurred.)

MR. ROY:

We lost two.

MS. SIMMONS:

We lost Moore and Glover.

MR. ROY:

We lost two. Yeah.

MS. GLOVER:

Mr. George and Mr. Moore.

MS. SIMMONS:

Mr. Moore, I'm sorry.

MR. ADLER:

I'm already on it.

MS. GLOVER:

Do we have to fill the screening today or would it make sense to make

until we have additional board members,
or is that we can't screen for additional
board members?

MR. ROY:

They do approve smaller loans and so
it's a very important --

MR. JACKSON:

If -- if we don't have the quorum of
the full board, we can have the
screening, if we've got that smaller
group.

MS. GLOVER:

Got it. Okay.

MR. JACKSON:

We can -- we can always drop people
off of it later and reassign it, but
while we're -- while we're short on the
board, until those are filled, it -- it
needs to be --

MS. GLOVER:

In that case, I nominate Stephen
David.

MR. DAVID:

I'll accept it and I'll also
nominate Norisha.

MS. GLOVER:
Okay.
MR. ROY:
Okay. Is that a -- it's a mutual that they're -- that they're on -- on the committee by acclamation. You got it. All right. Thank you very much --
MR. JACKSON:
We'll shift later, but --
MR. ROY:
-- for doing that.
Anything else, staff, that we need to address before we go? And I know Ms. Glover has got to run out now.
MS. VILLA:
I really appreciate, as you have stated earlier too, the staff's involvement the past eight months. They do a lot bringing forth, obviously, to me and to you and their efforts -- publicly, I tell them this and, you know, as well in the office, but really, really appreciate all the hard work, long hours, weekends, nights to bring it to where we are today. And then we'll continue to

move forward. So thank you again. And thank you all for your involvement and your discussion, because it aids us and makes, you know, us do a better job as well, so thank you.

MR. JACKSON:

The Lantern Awards last night were very, very nice. Mr. Simpson and I were able to attend and it was -- it was -- it was quite encouraging.

MR. SIMPSON:

It's -- it's a nice event. It really is.

MR. ROY:

And -- and another high note, and I'll just leave with this, we can talk about it some more, but it's my privilege to jump the gun, maybe I shouldn't say this, but anyway, Ms. Brenda Guess has -- has been selected by the Secretary as Assistant Secretary of -- of the department and we congratulate her. She was involved in business incentives for years and Brenda and I have been around this table for quite a while. I couldn't

think of a more wonderful person.
Congratulations.

MS. GUESS:
Thank you.

MR. ROY:
All right. With that said, I'll entertain a motion to adjourn.

MR. JACKSON:
So moved.

MR. SIMPSON:
Second.

MR. ROY:
Second. Not debatable, we're adjourned.

THE MEETING CONCLUDED AT 12:30 P.M.

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R E P O R T E R ' S   P A G E

I, Lori B. Overland, Certified Court Reporter, in and for the State of Louisiana, the officer, as defined in Rule 28 of the Federal Rules of Civil Procedure and/or Article 1434(b) of the Louisiana code of Civil Procedure, before whom this sworn testimony was taken, do hereby state on the Record

That due to the interaction in the spontaneous discourse of this proceeding, dashes (--) have been used to indicate pauses, changes in thought, and/or talk overs; that same is the proper method for a Court Reporters's transcription of proceeding, and that the dashes (--) do not indicated that words or phrases have been left out of this transcript;

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Lori Overland, C.C.R.

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C E R T I F I C A T I O N

I, Lori B. Overland, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this testimony was taken, do hereby certify that the above referenced individual to whom oath was administered, after having been duly sworn by me upon authority of R.S. 37:2554, did testify as hereinbefore set forth in the foregoing pages, that this testimony was reported by me in the stenomask reporting method, was prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding; that the transcript has been prepared in compliance with transcript format guidelines required by statute or by rules of the board, that I have acted in compliance with the prohibition on contractual relationships, as defined by Louisiana Code of Civil Procedure Article 1434 and in rules and advisory opinions of the board; that I am not related to counsel or to the parties herein, nor am I otherwise interested in the outcome of this matter.

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Lori Overland C.C.R.

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