MEETING MINUTES FOR THE BOARD OF DIRECTORS
OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
HELD AT
LASALLE BUILDING, LABELLE BOARD ROOM
617 NORTH 3RD STREET
BATON ROUGE, LOUISIANA
ON THE 8TH DAY OF APRIL, 2021
COMMENCING AT 9:33 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR

Appearances of Board Members Present:

Andy Adler
John F. George, Jr.
Norisha K. Glover
Charles Jackson, III
Mandi Mitchell
Terry Moore
Louis Reine
A.J. Roy

Staff members present:

Susan Bigner
Crystal Dalgo
Marissa Doin
Brenda Guess
Robin Porter
Kelly Raney
Deborah Simmons
Anne Villa
Laura Womack

MR. JACKSON: So I will call us to order at this time.

Ms. Simmons, will you call the roll?

MS. SIMMONS: Good morning. A.J. Roy.

(No response.)

MS. SIMMONS: Charles Jackson.

MR. JACKSON: Here.

MS. SIMMONS: Louis Reine.

MR. REINE: Here.

MS. SIMMONS: John George.

MR. GEORGE: Here.

MS. SIMMONS: Mandi Mitchell.

(No response.)

MS. SIMMONS: Cal Simpson.

(No response.)

MS. SIMMONS: Andy Adler.

MR. ADLER: Here.

MS. SIMMONS: Norisha Glover.

MS. GLOVER: Present.

MS. SIMMONS: Terry Moore.

MR. MOORE: Here.

MS. SIMMONS: Stephen David.

(No response.)

MS. SIMMONS: We have a quorum.

MR. JACKSON: Thank you.

Our first order of business would be approval of the Board meeting minutes from March 11th, 2021.

Has everyone had an opportunity to review those?

MR. REINE: So moved.

MR. JACKSON: Moved for acceptance.

Is there a second?

MR. ADLER: Second.

MR. JACKSON: All in favor, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: Minutes are approved as presented in the record.

Next is an EDAP award presentation for Avant Organics. Are they present?

MS. WOMACK: Good morning. My name is Laura Womack, and I'm here representing staff. Today I'm presenting Avant Organics. I have Brad and Tommy Fontenot here that are representing the company. I also have Ben Russo, who's here representing the Central Louisiana Regional Port.

Avant Organics is a startup, new business, and is requesting approval for a $500,000 sponsored EDAP for the creation of a new flavoring and aroma manufacturing facility to be located in Rapides Parish.

Avant Organics is a wholly-owned subsidiary of Crest Operations, which is also based in Pineville, and employs more than 100 people in a diverse slate of companies serving customers in electrical infrastructure, distribution, industrial services and natural resources.

Avant Organics is a new endeavor for Crest that was formed earlier this year. Avant Organics will apply advanced scientific research to enhance attributes such as flavor and fragrance for products in the food and beverage, pharmaceutical and other sectors.

Avant will produce both artificial and natural aroma chemicals as well as taste modulators. Avant Organics will be the second Crest Industry company with a permanent facility at the Central Louisiana Regional Port. Dis-Tran Steel, the existing subsidiary of Crest, also operates at the Port and has produced thousands of customized electrical substations for the nation's power grid.

Avant Organics will operate in different industry sectors. The Red River location compliments the import, export and workforce needs of each business.

The Central Louisiana Regional Port and its tenants benefit from the Foreign Trade Zone associated with nearby England Air Park. Through the FTC designation, Avant will be able to import raw materials at the Alexandria Port and convert them into manufactured products without paying customs dues.

The Port's tenants currently benefit from a Class 1 rail service provided by Union Pacific and Kansas City Railroad, as well as access to nearby interstate highways near Alexandria International Airport. The ability to access multiple transportation modes will not only allow the company to be more cost effective, but also allow the company to deliver their products more effectively while expanding their customer base.

The project is located at the Central Louisiana Regional Port, and the company will be leasing the facility from the Port. The project cost of $4-million includes the acquisition of new machinery and equipment, as well as building renovations and modifications. The EDAP funds will be used to assist with the building renovations and infrastructure improvements.

The company has agreed to create 40 new jobs with a payroll of 3.6-million by 2031 with the average payroll per job being 90,000. All the jobs and the payroll must be maintained through December 31st, 2031. The total of capital of investment of $4-million is to be invested by December 31st of 2023. Rapides Parish unemployment rate was 5 percent as of December 2020 compared to the state rate of 6.9 for the same period.

The per capita personal income for Rapides Parish for 2019 was 46,614 compared to the state per capita income of the same period of 47,460.

The project is estimated to have state revenues of $6.8-million with the company receiving the $500,000 EDAP and a $1.8-million Quality Job Tax Credit estimated over a five-year period. So this results in a net revenue of $4.5-million for the state.

Staff recommends approval of this project as a sponsored EDAP with our usual contingencies that are normally in place, as well as the creation of the 40 jobs by 2031 with the associated payroll maintained through December 31st of 2031. The company must also meet and maintain 25 employees with an annual payroll of $1.9-million at the end of any performance year before the EDAP award will be funded. Currently that is scheduled to occur in year 2023, which is the second performance year for the project.

The company must also provide a copy of the executed lease agreement with the Port. And an additional contingency, the parent company, Crest, will also provide a corporate guaranty.

At this time, I would like to introduce Brad and Tommy Fontenot on behalf of Avant, and they can give you more background about the company and the project itself.

MR. B. FONTENOT: Thank you, Laura. That was a pretty thorough intro, so not a whole lot to add, but we appreciate you guys having us and considering our application.

We are a startup in the specialty chemical and biotechnology sector. Our initial product launch that we're starting operation with is going to be serving the flavor and fragrance industry making compounds and specialty oils that can go into flavor and fragrance bends that will in turn be sold to consumer goods manufacturers.

We're starting this with a small team of scientists and technicians who have a background in this industry. Tommy and I both previously worked in a similar industry, but we're bringing a new technology in a different approach to serve in that market sector. It's an international business operation with a lot of customers both in the US and in Europe, and we're starting with a small team. We're thinking about six people. We have four hired now this year, but then we should be manufacturing products and selling by the end of the year, in turn we'll start staffing up for scaling the operation.

I also run Dis-Tran Package Substation, a high-voltage electrical infrastructure company that's a subsidiary of Crest Industries. I've been with Crest and leading the Dis-Tran team for the last four years, you know, working with the parent company and evaluating what other markets sectors we should consider for expansion. Everything really came together. We have the space with the availability of the facility located next to our high-voltage infrastructure facility with the Central Louisiana Regional Port. We had a project built to build for the biofield space, that didn't work out as intended and left that built building available, but it's really just a tailored-made facility for a specialty chemical operation. So when we decided to consider entering that market space, we began conversations with Ben and the team and the Port, and that really put together what we think is a really solid plan to retrofit that facility with high-tech, good-paying stem jobs right there in Central Louisiana. And we think we can scale significantly beyond what we're proposing in time.

Any questions? I'll be happy to answer any questions from you.

MR. REINE: Thank you.

MR. JACKSON: Any questions from the Board?

MR. REINE: How many employees are y'all going to have?

MR. B. FONTENOT: We have four now. We're actively working to hire two more, so we're going to start with six, but we're saying we'll grow that to a team of 25 by the end of the 2023. That's our projected growth rate. When we start scaling up manufacturing early this year or next year is when more significant hiring will begin.

MR. REINE: I thought I heard you say the average wage was $90,000.

MS. WOMACK: That's by year 2031, the 40 employees with 3.6-million.

MR. REINE: Okay. How much is each one going to make?

MR. B. FONTENOT: I'm sorry?

MR. REINE: What's the wages for the employees? What is the range for the bottom? I'm more worried about the ones at the bottom.

MR. B. FONTENOT: They're pretty good paying jobs. We normally --

MR. T. FONTENOT: The current rate right now is close to 60, so probably range from 70 to 100,000.

MR. B. FONTENOT: I'd say the average is probably close to 80,000.

MR. REINE: I see here y'all have sick days and stuff like that. Do y'all provide healthcare and benefits?

MR. B. FONTENOT: Yeah. We provide full package of benefits through the Crest Industries parent company that includes, you know, full medical coverage. We pay almost all of the medical coverage for the prior employees under the Crest package. I think it's $50 a month. It's pretty small. And 401(K), paid time off, sick leave, vacation.

MR. T. FONTENOT: Short-term and long-term disability.

MR. REINE: You did say that they're going to be eligible for Quality Job?

MS. WOMACK: That, I'm not sure of. I'd have to get back to you.

MR. REINE: I thought you said that they were going to get the rebate under Quality Jobs.

MS. WOMACK: They're estimated to have 1.8-million over a five-year period.

MR. REINE: You'll have to speak up. I can't hear you.
MS. WOMACK: They're estimated to have 1.8-million over a five-year period of Quality Jobs tax credits.
MR. REINE: Quality Jobs is not tax credits, it's a rebate. They're going to get rebates?
MS. WOMACK: Yes.
MR. REINE: And this property is on the Port's property, so there's no property tax?
MR. B. FONTENOT: Correct.
MR. T. FONTENOT: Correct.
MR. REINE: I might I come apply for a job.
MR. JACKSON: Are there any other questions?
MS. GLOVER: Yes.
MR. JACKSON: Please.
MS. GLOVER: Okay. So what's been included in the packet is a PowerPoint presentation. I see someone from your team created a chart. When I was looking at who was hired, I see that some people were contract and some people were full-time employees. Is there a reason for why you have those as contract and not full-time employees?
MR. B. FONTENOT: So there were two contract employees listed there. One of them, she actually left

the industry and gone back to school teaching, and we weren't sure if she was coming back on full time or not. Well, she's a full-time employee starting in June. The other one's a remote employee, international employee, who has his own business, so he's going to be contracted because he's got other obligations and contracts as well.

And then some of the professional service, like legal and regulatory compliance, we're going to hire contract to start and then maybe bring on full time later. So those two jobs are going to be full-time hire, and we're probably going to have probably two outside contracts, maybe three.

MS. GLOVER: And those jobs, with the exception of the one who's international, will all be in the Rapides Parish area?

MR. B. FONTENOT: The regulatory consultant, which we have not identified yet, may be remote, but the rest will be in Rapides.

MS. GLOVER: Okay. And I was looking at the lease agreement, unless I read it incorrectly, it looks like the agreement with the plant expires in two days.

MR. B. FONTENOT: Which lease agreement?

MS. WOMACK: What was included in the package was a right-of-way agreement. I don't believe the final lease agreement has been executed as of yet.

MR. T. FONTENOT: It was the right to get into the facility so that way we can, you know, kind of start the process. We're still in the initial phase of buying equipment and getting things in order.

MR. B. FONTENOT: We anticipate receiving approval of the final lease agreement at the meeting on the 28th, I believe, but we're just about finished with the draft.

MS. GLOVER: And I was looking at the financials. In terms of the 2020, like, long-term debt, like what you expect over the next couple of years, I see it says like 2 to 6-million, but in 2020 it showed about 13-million that was in terms of long-term debt when I was looking at the financial statements. Let me ask, are y'all going to be able to answer the questions as far as the financial statements?

MR. B. FONTENOT: Maybe. I was having a hard time hearing you. Sorry.

MS. GLOVER: Okay. So when I was looking at the financial statements for the past couple years, there's a section that shared what your long-term debt was. It averaged like 2-million to around 6-million, but in 2020 the long-term debt was 13-million, but we know that COVID was a big impact in 2020, and so I was carious as to how your business was impacted and if you were able to pay the $6-million? But then when I looked at the following financials for -- that was for '17-'18 year. When I looked at it for '18-'19, it looks like that debt had been shifted, and I just, if you could speak to that.

MR. B. FONTENOT: So I'm assuming the financials provided were representative of our parent company because we are -- it was not operating. I'll speak to that the best I can. They're a very healthy, financially very healthy organization. We've had extremely profitable years consistently over the last five years, and, really, for the last 60. You know, we own a diverse group of subsidiaries, including 100,000 acres of timberland in Louisiana & East Texas, and high-voltage infrastructure has been a very healthy market segment, even just by recent economic times, so it's a pretty good situation.

If there's any specific questions, I think we can follow up. Unfortunately our CFO, Paul Bordelon, was unable to make it today, but he would be the one to answer really detailed questions, but he uses long-term debt strategically, but not out of necessity.

MS. GLOVER: Then I have two questions, and I want to make sure that I understood something. Did y'all say it was going to take about 10 years to get the 40 employees?

MR. B. FONTENOT: We hope it doesn't take that long.

MS. GLOVER: And then how difficult is it - it seems like your staff is going to be a lot of professionals in the STEM field. As a person who is from Rapides Parish, I'm very familiar with the area, and I'm curious as to how hard it is going to be to recruit talent to that area.

MR. B. FONTENOT: We think it's going to be ideal for what we need for the size operation that we think we can grow this facility into, and so we're leveraging our experience with the Dis-Tran companies. So the package substation group that I run, we have about 100 employees. You know, probably half of that is, you know, technical, you know, and shop labor and technical folks, and then half of that is engineering-type resources in Pineville/Alexandria. Our steel fabrication shop employs over 250 people in the Tioga plant.

So we're working with Jimmy Fontenelle at CLTPC and with Dr. Paul Coreil who's over LSUA. Our first chemist hired was a chemistry graduate from LSUA. You know, with the mix of jobs that we think we need to run this operation, we think we could easily attract that talent, especially in Louisiana, both from a chemistry and research standpoint, as well as technicians and operations personnel.

MR. T. FONTENOT: From a chemistry standpoint, our industry is unique to the State of Louisiana, and in the South in general, so we have a unique way to be able to go to colleges and speak with them and offer these students that are chemistry majors and biology majors in that field and offer them something that's different and higher-paid than they can probably get coming out of college.

MR. B. FONTENOT: It's also a very niche field, and so we generally have to train our chemist in house, which is the reason we have a contract chemist. He's got over 30 years in this field, and we want to leverage that to train the folks that we're going to hire.

MR. JACKSON: Any questions?

MS. MITCHELL: Yes. Okay. First I would like to apologize. Undersecretary Villa and I were tied up on another call, which related to innovation, which is what this project is all about. So there may be other questions, but at the appropriate time, I'd like to put a motion on the floor to move favorable, and I want to indicate the reasons why.

For LED, this hits on a number of important elements that we seek to achieve when we are working on economic development projects. This is a project that's in a rural community of our state. This company is a subsidiary of one of the few economic driver companies that are located in Central Louisiana, but it's an important economic driver company for our state, and so we are confident about the sustainability of the model and the approach, even though it is a niche area, but it's all about innovation, which is, again, why we were tardy. We were wrapping up a call on an important issue.

The other thing is this project involves some strategic regional asset, the Port, and also the partnership with the community technical colleges there. So this project really hits on a number of key areas that we seek to achieve in every economic development project.

So I know there may be other questions from members, but I wanted to put a motion on the floor.

MR. REINE: Mandi has convinced me, so I will second it.

MR. JACKSON: Moved and seconded.

Are there any other questions?

MS. MITCHELL: I'm winning if I can convince Louis Reine.

MR. JACKSON: I have just a couple, and it really has to do with the comments you made initially. Your principals are in a holding company in a number of diverse industries, and you have mentioned that you also had some prior experience or expertise in flavorings and fragrances. And I wonder if you could just speak to that just for a little bit. What led you away from that and then back to that?

MR. B. FONTENOT: So Tommy and I previously worked at a very small, more mom-and-pop specialty flavoring operation where we learned that industry, learned a lot about that industry and made a lot of friends and contacts in that industry. And then I would, I guess to be succinct, say we had a values misalignment between the company we were working for and our personal values for how we want to work and run an operation, so he and I, at different times, left the organization.

What we are proposing to see and start is not using the same technology that that company used. We're seeding our own technology from the ground up and approaching that market in a completely different way.

MR. JACKSON: Okay.

MR. REINE: What kind of flavoring are y'all going to make?

MR. B. FONTENOT: We don't know. We actually are going to be an ingredients supplier for the flavor companies, so we're going to buy basically oils and process those and purify them and sell into the industry, so it will be a diverse number of compound oils that they'll make flavors with.

MR. REINE: Kind of like CBD?

MR. T. FONTENOT: No. Flavored waters or flavored seltzers, that kind of thing.

MR. JACKSON: But you do anticipate it being food products more than complimented fragrances and things like that?

MR. B. FONTENOT: We're starting with food products because that's a market segment we know, but the technology that we're developing, a lot of that chemoenzymatic processing, we think we're going to -- the markets. We want a seed fund with the markets we know, keep it small, get it profitable, and then scale as we find other market applications.

MR. JACKSON: And you're from here?

MR. B. FONTENOT: We're both from Evangeline Parish.

MS. MITCHELL: My area, Acadiana Parish.

Okay.

MR. JACKSON: It's always good to see folks from the area try to help the area. Even aside from bringing the jobs or using the assets, it's good to see the area itself kind of behind the bootstrap, so...

MR. B. FONTENOT: Appreciate that.

MR. JACKSON: Any other questions?

MS. MITCHELL: One another point. One of the most important points that I failed to mention is that we are projecting a net positive state revenue impact as a result of this project. So, Louis, I know you'd like that too.

MR. REINE: I couldn't figure out where it's coming from, but, okay.

MR. JACKSON: Are there any other questions?

We've got a motion, we've got a second. If there are no other questions, then I would ask that all in favor, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: So, congratulations, and if Mr. Roy was here, he would say please feel free to come back and tell us about your success in the years ahead.

MR. T. FONTENOT: Will do.

MR. B. FONTENOT: Thank you. Appreciate you having us.

MR. T. FONTENOT: Thank y'all.

MR. JACKSON: Okay. The next order of business is review of the audited financials. Is Mr. Cooper present?

MR. COOPER: Thank you. I think everybody should have a copy of the audit report in the Board package. This is the audit of the financials for the year ending June 30, 2020.

I'll refer to my audit opinion. This is what we call an unqualified opinion. It's basically the best result that can come out of an audit. So it states that the numbers herein are fairly stated in all material respects.

I'm going to turn over to Page 3. This is the statement and net position as of June 30, 2020. We show current assets of 30,464,000, noncurrent assets of 22,393,000. That give us a total assets of $52,858,000.

We have current liabilities of 1,109,000, noncurrent liabilities, 853,000. That give us a total liabilities of 1,963,000. That leaves us net position, which is total assets less total liabilities at the end of the year $50,894,000.

Any questions on that?

(No response.)

MR. COOPER: Okay. I'm going to turn over to Page 4. This is operating statement for the year ending June 30, 2020. We had for the year $290,000 of operating revenues, operating expenses of $18,705,000, so that leaves us an operating loss of $18,414,000. Nonoperating revenues, which is primarily vendors comp, is 13,484,000. That leaves us a decrease in net position of 4,930,000. At the beginning of the year, we had 55,825,000, and at the end of the year, we had 50,894,000.

MR. JACKSON: We've got a number of new members of the Board at this time. Can you explain vendors comp?

MR. COOPER: It's a portion of the sales taxes that are allocated to the --

MR. JACKSON: By statute, it's allocated to fund our operation?

MR. COOPER: Yes, sir.

MR. JACKSON: Okay. It's just a big number to say, so...

MR. COOPER: Yeah, for sure.

MR. JACKSON: All right. Thank you.

MR. COOPER: Any other questions?

MR. REINE: Did you provide any questions or notes?

MR. COOPER: I was fixing to refer to the back of the report. On Page 24 is the schedule of findings and questioned costs. We didn't have any findings for the year.

MR. REINE: What page? My pages are numbered different. I don't have a 24.

MR. COOPER: The opinions don't have page numbers, but...

MR. REINE: If there is none, then...

MR. JACKSON: Any other questions?

(No response.)

MR. JACKSON: All right. Does this require a motion to accept or is this just a presented report?

MS. PORTER: It's required.

MR. JACKSON: All right. Then at this time, I would entertain a motion to accept the audit report as reviewed with us.

MR. ADLEY: So moved.

MR. JACKSON: So moved, Mr. Adley; second, Mandi Mitchell.

Any further discussion?

(No response.)

MR. JACKSON: All in favor of accepting the report as presented, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: All right. Thank you very much. We'll see you next year.

Chaffe report. This is a valuation of our various investments. As we discussed a little bit at the last meeting, we actually had some long-term Venture Capital funds that we've had for a number of years now for some federal initiatives, and so every year we have to have those valuated as part of the audit process and Chaffe has been our valuation specialist for those purposes.

MR. KATSANSIS: Thank you, everyone. I guess I'll start off, because I know there are a number of new faces on the Board, and just give a little background on myself.

I'm with Chaffe & Associates. We're a business valuation and investment banking firm based in New Orleans, and as Mr. Jackson just mentioned, we've been engaged to value, as of closing fiscal year June 30th, 2020, all of LEDC's investments.

I'll get you to turn to -- let's see -- Exhibit 1 of the packet of our report. Let me see what page that is. It's after Page -- the page after Page

33. Just to give you really kind of an overview, we're looking at it as of 6/30/2020, and I guess the really one exception, the overlying theme is that most of the investments showed a decline as a result of the pandemic and the increased expectation of timing as to when these investments will be realized.

I guess, basically I'll start off at the top and just give a summary of each one. If you guys have any type questions, please feel free to stop me and ask.

Starting off with the investment companies, Aurora Ventures, which is a venture capital investment firm, has a little market value right now, and I guess they also had an exit in Fiscal 2020 and returned 155,000 in capital back to LEDC.

Next one on the list is Business Resource Capital Specialty BIDCO. That is -- that's basically a BIDCO lender, mostly makes SBA loans. They did have some write downs of $220,000 as a result of the pandemic.

Catalyst Fund, which is an early-stage seed investment fund in the Baton Rouge market, also had 492,000 in breakdowns as of 6/30, June 2020.

Moving down the list, Healthcare Innovations Fund, which is a healthcare-focused, early-stage venture fund in Lafayette, had a value decline of 211,000.

Louisiana Fund, which is an early stage Venture fund, also had a write down of a million value decline.

Louisiana Ventures, which is a former fund that is in sort of liquidation mode at the present time, had a write down of 580,000.

Murphree Ventures, which is maybe a little bit of a later-stage investment fund, had a write down of value 700,000.

The New Orleans Startup Fund, which is an early-stage seed fund focusing on the New Orleans market, had a value decline of 440,000.

Source Capital, which for all intents and purposes, really had one investment left, had an increase that was due to its investment in PreSonus Audio Electronics, which LEDC also had an investment in, which I'll get to at the end of the list, had a nice increase in value.

The last investment company, Themelios Ventures, which had a write down of 150,000. That's a venture fund essentially focusing on early-stage life sciences.

And I guess the last one on the list is PreSonus Audio Electronics, which is a manufacturer that is based here in Baton Rouge of electronic equipment for essentially musicians and other sound types of application. Apparently they did well in the pandemic as people were at home, and sales of electronics for music actually benefitted from the lockdown and so forth.

I guess if you guys have any questions or would like --

MR. JACKSON: Are there any questions?

MR. REINE: Yeah. Give me the quick, where did the money come from, what do we do with it and what are we going to do in the end?

MR. KATSANIS: Let's see. I guess the majority of these investments were made -- Brenda can maybe help me with the timing of this. It was probably early 2000s.

MS. GUESS: Yeah. The investments were made early 2000s, probably some as late as the late '90s, maybe '97. All of these that are in the portfolio aren't necessarily associated with SSBCI. It's a mixture, so they, when they do valuation, it's done on our entire portfolio of those that were pre-SSBCI and those that were done under the federal guidelines.

The question as to when we will do some more, that, right now, there is no money earmarked for investment into Venture Capital. The last money we had was as a result of the SSBCI allocation we received in 2012 where we received a total of 13-million, of which 5.1 was dedicated to the our Venture portfolio.

So at this time, we are -- there's no leftover money, if you will, to put into Venture, but we're hopeful that there may be something on the horizon.

MR. REINE: So once the investment is made, it just kind of sits there investing? I mean, is...

MR. KATSANIS: I think some of these are -- a few of these are evergreen funds where the money was put into the fund, and as companies are sold or there's an exit, it will go back to the fund and then be available for the fund to reinvest in the community. Those are primarily ones that were using SSBCI funds.

The ones that were pre-SSBCI were invested in, I guess you would just call it sort of typical Venture Capital-type of fund that is self liquidating. So initial investment was made, they invested their portfolio, and as the companies are sold off, the money's returned back to the LEDC and/or the other limited partners that invest in the firm.

MR. REINE: So at some point there's possibilities that LEDC gets money back from these?

MS. GUESS: At some point.

MR. REINE: Have they got to that point?

MS. GUESS: We have had, I think last year, maybe early last year, we started having our portfolio, the companies in our portfolio come and give us a report because we were looking at the contracts that we had with them, looking at what type of exit strategy was executed by both of those. In fact, we have a company representative here from one of our investments. We have started that back again, so that way we can look to see what are we looking at as far as possible return on those, you know, long-term investments.

MR. JACKSON: Is Business Resource Capital, is that the BIDCO in New Orleans that we heard from? That may be one of the evergreens, and when they presented, I believe we actually indicated that we wanted to continue to let that ride because it was evergreen and they were still serving a financially-underserved market niche as I recall.

MS. GUESS: That's correct.

MR. REINE: I'm just trying to understand. So if there were return of investments, we would just reinvest in new ventures?

MS. GUESS: If that were to -- if that's what the Board would choose to do, it would go into our fund.

MR. REINE: And then the other question I have is does anybody look at these and look at the administrative costs?

MS. GUESS: As part of the overall valuation, but not picking them out specifically.

MR. REINE: All right. Well, just makes me curious.

MR. JACKSON: I think that was part of the reason for actually making them come and speak to us in the cycle last year so that they would understand that we were interested in looking, and that went on for a couple of meetings as best I can recall.

MS. GUESS: Right. And we were interrupted with COVID, and so we had -- I think we started maybe in January or even December of '19 -- of '18 we may have started back.

MR. JACKSON: And all of these --

MR. REINE: I think you might have told me. And that might have been something between this meeting and that meeting, so I can't remember. I mean, that would be my only concern is if this is funded and somebody's getting well paid and doing more administrative costs than we're doing --

MR. JACKSON: And it's still taxpayer dollars, but almost all of it was federal dollars; is that correct, or primarily federal with some state match because of the federal program? How did that work?

MS. GUESS: Prior to the investments made in 2012 it was state dollars and private investors. 2012, under SSBCI, it was still federal dollars along with some private investment.

MR. JACKSON: Any other questions? It's a pretty good, detailed report, you held it up earlier, I think, and, of course, we've got it in the packet, but there's a methodology for trying to value all of them. You're welcome come to review it if you've got additional questions or follow up with staff.

Any other questions?

(No response.)

MR. JACKSON: If not, the valuation was done because it was needed as part of the audit. We've accepted the audit, but we do need to go ahead and accept the Chaffe report as presented. And I neglected to ask earlier. I don't think we've got anybody -- we may have a couple of people from the public, but if there is anybody from the public, if you've got any comments on this item or earlier items that we've covered, you're welcome to speak.

(No response.)

MR. JACKSON: All right. If not, then I

would entertain a motion that we accept the Chaffe report as presented.

MS. MITCHELL: So moved.

MR. JACKSON: So moved by Ms. Mitchell.

Second?

MR. REINE: Second.

MR. JACKSON: Second by Mr. Reine.

Any further discussion?

(No response.)

MR. JACKSON: All in favor of accepting the report as presented, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: You're good.

Our chairman has joined us. Mr. Chairman, would you like to assume the chair at this time?

MR. ROY: You're doing a fantastic job.

MR. JACKSON: We'll continue then.

Next item is the portfolio update. We've got Mr. Barrett from a couple of the funds, and Ms. Bigner.

Thank you, sir.

MR. KATSANIS: Thanks everyone.

MS. BIGNER: Hello, new Board members. My name is Susan Bigner, and I work with some of the Venture Capital, but I also work with the EDAP program.

We had a couple questions, and I will tell you at Aurora and Murphree are liquidating, so we're getting returns from them over the last couple of years.

MR. REINE: And what do we do with the returns?

MS. BIGNER: It goes back into the fund.

MR. REINE: The fund?

MS. BIGNER: Well, it goes back into LEDC's operating account.

MR. REINE: So it doesn't revolve into there for us to invest --

MS. BIGNER: That is up to what is budgeted each year.

MR. JACKSON: There are no statutory or regulatory restrictions?

MS. BIGNER: No. It goes back to the operation of LEDC.

MR. ROY: Susan, when you say they're liquidating, you mean, in the legal sense, they're going to cease to exist?

MS. BIGNER: No. They are -- the investments are exiting, and so, therefore, it will cease to exist once all of the investments have exited or have been charged off.

As you can see, for Aurora, we've received well over $5-million, and we had put $5-million in there.

MR. ROY: Is that per their plan strategy?

MS. BIGNER: It's part of the strategy, yes, sir.

MR. ROY: It's not part of our liquidation in terms of an insult?

MS. BIGNER: No. Most of these funds that were pre-SSBCI had a 10-year agreement. They had a 10-year term, but there was also the possibility to renew for an additional period, and so they have been renewed so that the fund could manage those investments and exit out of those investments for what was best for all of the partners of the fund.

MR. REINE: So who decides what we do with the money when it comes back?

MS. BIGNER: It goes back into LEDC's fund, and that is not -- that would be part of a fiscal situation and the budget and --

MR. REINE: The Board decides, the Secretary decides, the appropriations decides? $25-million, that's just kind of vague.

MS. BIGNER: The fund cannot be reused that year unless there is a budget, if there is a place in the budget for them to be spent. We have not allocated any funds for Venture Capital. There was a moratorium before SSBCI, because we were working with the Loan Guaranty Program, and these investments are very long-term, when the SSBCI fund came in, those have federal -- they're classified as federal funds, and so as long as there is federal funds, we have to abide by those rules.

Of those SSBCI, three of those funds are evergreens, which means that those funds go back into the fund, into the evergreen company.

MR. REINE: That part I understand.

MS. BIGNER: The other two, one is Themelios, which Ross Barrett manages, and I believe Healthcare. Healthcare is an evergreen. They have not had any exits. When that happens, then LEDC and the Board can choose to leave those funds in the evergreen or ask that they be returned to LEDC.

MR. REINE: Okay. And when the money gets returned, there's just money floating out here?

MS. VILLA: No, it's not floating.

MR. REINE: All I want to know is where it landed.

MS. VILLA: Anne Villa, Undersecretary for

LED. As I go through the Secretary Treasurer's report each meeting, there is a section of that that talks about our projected revenue, and one of the sublines on there is cash from investments. And so whenever we have a cash that is returned from an investment, it's classified as that. So that's the means of funding, so it goes into that balance, and then we have our expenses that go against it. So it's reported to the Board at each meeting.

MR. REINE: So a return on investment is not designated for repurpose?

MS. VILLA: Correct.

MR. REINE: It's being thrown into the big pot?

MS. VILLA: For our means of funding for the operations. That's currently how it stands. And I've got the projection for FY 21 that I'll go over whenever I go through the Secretary Treasurer's report. It's just projected to be at 48,000. Our actual last year was 479,000, and that was our Fund Balance that was available for operations. And we do have -- we do have a carry forward that comes if it's not '21 expenditures. But, like Susan was explaining, we don't have an active VC program at this time from the state. The money that, as she had already said, the last active money that we received for VC was through the State Small Business Credit Initiative.

MR. ROY: Susan, do we have a projected return on investment for when they commit?

MS. BIGNER: Not currently. I can work on that and get it back to you.

Okay. I have Ross Barrett with me. He's from up in Shreveport, and he manages two of our fund -- two of our investments into the fund. The first one is Themelios Ventures II, L.P. That is governed by the Louisiana Seed Capital Program, which was created to invest capital to create startup and early-stage businesses. These funds were from the federal program the State Small Business Credit Initiative, which was part of the Small Business Jobs Act of 2010 and managed by the U.S. Treasury. This program was designed to invest in other Venture Capital Funds that in turn invest in seed and early-stage companies throughout Louisiana.

Venture Company Fund has to be based in Louisiana, organized for making seed capital investments with experience managerial personnel. The fund must have already raised a minimum of 500,000 in capital commitments or have a minimum of 2.5-million under management and have sufficient on-hand cash to cover the general administrative cost for the early years of operations. All funds invested in the fund must have been invested into individual companies. They were not to be any used for administrative fees.

A little bit about Themelios, on February the 17th of 2012, BVM Capital requested and received a million dollar commitment into Themelios Ventures II, L.P., and it was a projected $10-million early-stage fund that targeted companies located in and held potential direct benefits for the citizens of the State of Louisiana. The targeted investments were life science, nutrition and healthcare.

The fund was actually created on August the 31st, has a 10-year term with two possible one-year extensions to allow for liquidation of investments. To date, LEDC has invested in five investments within the fund, but has not received any returns.

And as you heard with the Chaffe report, LED invested a million dollars. The current fair market value as of June 2020 was 653,875, with an unrealized loss of approximately 346,125. The investments consists of debt and equity investments into seed or early-stage businesses with a portfolio value of 5,344,846 as of June.

The fund is managed by Ross Barrett as the general partner for BVM. I can go ahead and also tell you about Louisiana Ventures unless you want to just ask questions about Themelios before we proceed.

MR. JACKSON: Why don't we go ahead and handle Themelios and then move on to the other one.

MS. BIGNER: That would be fine.

MR. BARRETT: Thank you, Mr. Chairman, and Madam Undersecretaries. I notice some of you on the Board, but not all of you, so maybe to give a little bit of background, I grew up in Shreveport, worked for J. Bennett Johnston on Capital Hill, had moved to New York and worked on Wall Street. And one of the reasons I'm actually back here is because of the LEDC Venture Capital Match Program, which required us to raise outside private investor capital and match it with the LEDC program that is the Louisiana Venturers Liquidating Trust, which was a Venture Capital fund that has -- that basically got me started.

In addition to the liquidating trust that I manage, I've managed Venture Capital partnerships, which is Themelios, which is healthcare generally, and there was a charge to try to commercialize technologies from the Pennington Biomedical Research Center.

So relative to the question on fees, actually the SSBCI program, there are no fees. There's zero fees or expenses charged to the SSBCI program. That's a federal requirement, so I had to convince my other partners to bear those fees.

MR. REINE: Look, I appreciate that, just looking for a comfort level.

MR. BARRETT: No, no. Absolutely.

So in addition to the Pennington funds, which are now towards the very end of the life cycle, I currently manage a fund called the Cancer Focus Fund. It's a partnership with MD Anderson, Ochsner Health, LSU, Feist-Weiller and Rice University Endowment, and our goal there is to find early-stage, Phase 1 cancer therapeutics and design the trial, finance the trial and then run the trial initially at MD Anderson, but open up cohort expansions in New Orleans and Shreveport. And so that's essentially kind of who I am and where we've come.

With respect to Themelios Ventures, we have some early-stage investments, which I'd be happy to talk about, mostly in the healthcare space, Genuine Discoveries, K94 Discoveries, Lagniappe Labs. Some of these companies are based in Louisiana, based in Shreveport, and work in conjunction with Dr. George and the Biomedical Medical Research Foundation in Shreveport, which is my home town.

We're very conservative when it comes to evaluating these assets. We go out and get a third-party to value them, and they take the appropriate discount, typically anywhere between 25 and 50 percent of the tax, and then they cut it. And then we work -- and that valuation consultant is based in San Francisco, and that's owned by Morgan Stanley, so we actually pay up to get that done. It's just -- it's just more conservative.

We then work with Carr, Riggs & Ingram to do the audited financials. They take another discount which they think is appropriate, and then we work with Chaffe to value it as well. And then they may take a discount.

So when you see the values being necessarily low, I'm comfortable with that because it's just, it's a number open a piece of paper, and the real goal is to distribute capital through an exit with them, and so we do have a exit strategy for each of those funds. The portfolios are typically exited through a merger or acquisition.

But one holding company I forgot to tell you is called Embera, and we've been approached by a SPAC and so it's a possibility that we'll merge into them. That company will then become liquid on the NASDAQ, and

and then we would, in turn, take your pro rata share and distribute you public shares, which typically all, almost all LPs typically go ahead and sell.

So IPO, SPAC, M&A. There's a fourth way that you can potentially find liquidity, and this is why liquidating trust, I think, have a practical value to it. The fourth way is through a secondary fund. So there are big investment firms out there that like to place capital into the United States and place capital into healthcare, and we've been approached by one to actually buy all the investors out of Louisiana Ventures Liquidating Trust and Themelios. And so they do exactly what Chaffe has done. They look at every single company, they see if there's an up side to it, and then they'll make an offer. And so that's a possibility as well. That's something that we're exploring because the last time I was here, which was about a year and a half ago, giving y'all an update, you know, we said that we would do that. Of course, COVID hit, and there was a little bit of a delay, but we're in active conversations with that group right now.

So I thought I'd talk a little bit about some of the portfolio drivers in the Themelios fund, one of which is a company called Esperance Pharmaceuticals. The other one is called Embera. So I'll just briefly go through those so you know actually what the value drivers are. And not all of these will work. I've never promised that. We've had some companies just are complete write-offs, but these are the ones that we feel have the most promise.

So Esperance is a company that was originally started here in Baton Rouge. The total capital raised is $32-million. It's a Phase 2, and it's technology from Dr. Hansel's lab at the Pennington, as well as the Ag Center and the main campus, and so they came together and came up with this idea to treat patients. After we did the Phase 1 trial, which was a test for safety, we ran Phase 2 trial, which tests for efficacy, and about half the patients that we tested are ovarian cancer patients, advanced metastatic ovarian cancer, and half the patients responded, half did not.

The problem was that was a statistically small group, and so big pharm looks at that as a failure, but the principal investigator at MD Anderson said, "Well, wait a second. No. This drug is actually working in the liver. It's taking over the metastases in the liver. We're very interested." And so we actually moved the company from Baton Rouge to Houston and got involved with the MD Anderson, what's called the Strategic Industry Ventures Program, and so now we're focused on liver cancer and a thing called cell therapy CAR T.

So I can tell you that we're speaking -- we're in negotiations right now with two publically-traded biotech companies. One's based in Houston, the other one is based on the West Coast. I can't tell you their names because it's not public, but one is to end license our drug, and in exchange they would give us consideration. And the other one is for cell therapy, and that will create some new intellectual property.

The third-party evaluation for the entire company is 129.5-million as of September 30th 2020. In addition to the value of the company, there's a royalty that gets paid back to LSU system because that's where the technology is created. So 2 percent of net sales under 500-million and 3 percent on net sales over a billion. So you can imagine if this drug does get to market and it's a billion dollar drug, which most cancer companies are, that will be approximately $30-million back to LSU in terms of royalties.

MR. REINE: I'm just curious. You said it's 2 percent up to 500-million and 3 percent over a billion. What happens if it meets in the middle?

MR. BARRETT: 2.5.

MR. REINE: Okay. Just checking my math.

MR. BARRETT: So another portfolio driver is Embera NeuroTherapeutics, which was developed by Dr. Nick Goeders at the LSU Health Sciences Center in Shreveport. And, again, the charge for us was to actually seek out and find these companies and get them started.

At the very early, very, very early stage, interestingly enough, these companies kind of track each other with respect to the phases. So FDA requires you Phase 1 -- well, Pre-Clinical, then Phase 1, 2, 3, and then you get approved if it's successful. Both of these companies are in Phase 2 right now. Louisiana Ventures wrote the first $50,000 check to start this company called Embera NeuroTherapeutics, but since then, since that first $50,000 check that was literally handwrote out to hire the law firm to pay the license fee to the hospital, we've raised $35-million, and half of that -- well, not quite half, but $15-million is a non-dilutive grant from NIDA.

So NIDA is a part of the NIH Institutes. It is the National Institute on Drug Addiction. This company, again, headquartered in Shreveport, at Dr. George's InterTech 1 facility that he runs, is the furthest along for cocaine addiction in the United

States. So right now we have four clinical trials going on, one in Miami, another one in North Carolina and two in California. And so we take active cocaine users or drug addicts and we give them either a placebo or we give them our drug and we see whether or not they are abstinent and stop taking the drug, stop taking illicit drugs. So that's in the middle of Phase 2 right now.

One of the reasons we wrote this down a little bit was because of COVID, and in the middle of COVID we weren't sure what was going to happen and we needed to raise some more capital, but we raised that capital, almost $3-million led by a family office out of Shreveport, the New Orleans Angel Group, and the North Louisiana Angel Fund came together and funded the company. So we've got enough capital to finish these clinical trials. And then once we get the data back, if it's positive, we'll go to the big pharmaceutical companies and try to sell the entire company.

In addition to cocaine, we are running a tobacco use disorder trial. Some of you may be familiar with the drug called Chantix. It's "slow turkey" is the moniker. It's about to go off patent. That's the reason we're spending all of that advertising money for Chantix. I'll tell you, Chantix, if I smoked, I would never take that drug. It's a bad, bad drug, causes suicidal thoughts, causes very vivid dreams. Our drug doesn't cause any of those, and so we just have to prove out that we're at least at efficacious or as positive as Chantix.

Just to give you a sense, Chantix did $868-million in sales, and it had a black box warning around it, so we think that this could be a real home run. With respect to the royalty rates, it's a flat 3 percent for LSU, and then there's a carveout 1 percent for Dr. Goeders' lab. That would go for addiction research.

For the third-party valuation, again, we marked this down a little bit, but I would expect it to grow up rather dramatically next year to about, it was at $101.9-million as of September 30th.

Two other -- well...

MS. BIGNER: You want me to go ahead?

MR. ROSS: We'll be sensitive to everybody's time.

MS. BIGNER: The other one I --

MR. JACKSON: We do have a question.

MS. MITCHELL: And, excuse me, before we move forward, great presentation, by the way, Mr. Barrett. It's very interesting and shares with us some of what goes on behind the scenes with early-stage venture companies and then the value that they bring once they're successful, but you do have to take that risk at some point, and a lot of times, it requires public-private partnership to do that.

I just wanted you to touch upon one of your case studies. I think it was Esperance that had to leave the state in order to go and be in close proximity to MD Anderson to complete their trials and their work to address, I believe liver cancer. And so, you know, some of us may cringe, like to invest in a company that ultimately left the state, but there's still value coming back to Louisiana, and I would ask if you would elaborate on that. You did touch upon, for example, royalties coming back to our flagship university, but if you could, just elaborate a little further in that case.

MR. BARRETT: Sure.

MS. MITCHELL: And this is just not a company for no reason picking up and saying "I'm going to Texas."

MR. BARRETT: Right.

MS. MITCHELL: It was out of the necessity for our success, which is still paying dividends to Louisiana. Would you just elaborate on that just a little bit?

MR. BARRETT: Absolutely. In fact, I think it's a positive thing. It validates that there's, you know, good science and good research here, number one. Number two, we still -- most of these companies are not large employers and they're what you call a virtual company. So while Embera is headquartered in Shreveport, the chairman of the board is in Boston. The chief medical officer, who actually designed the Chantix trials, so we hired him, he lives in Michigan. We make a determined effort to, you know, keep the accounting, the legal all of that local, you know. And then also we have employees here, so the chemist for Esperance is, you know, is a practicing -- or assistant professor at LSU. So I think with respect to economic development, you have those aspects.

The other aspect too, and I'll touch on this in just a second, with a company called Callison, is leveraging other people's money to be invested in our state, and we have that as an example. So while we put, you know, $1.2-million into Esperance, we've raised, as I mentioned 32-million. Thirteen of that came from Santa Fe, Texas, and then another 7-million came from a group out of Arizona and California. So, you know, in that instance, yes, we hated to move the company, but I think it was validation of the science, and ultimately it's just the CEO and the Director of Science that actually got moved, so...

MS. MITCHELL: Thank you for that.

MR. MOORE: Mr. Barrett, Terry Moore.

MR. BARRETT: Yes, sir.

MR. MOORE: Quick question, and I'm really excited when you said you were possibly using a SPAC to bring the company public. My only question would be, with the recent performance of the SPACs, any anxiety level on your part?

MR. BARRETT: So, you know, that's a great question. The thing about life sciences and biotechnology is it's not about the revenues, it's about the data. So if we have good data for the Embera trial, and, again, the readout is going to be towards the end of this year, so let's say it's better than Chantix, but it has no -- none of the side effects, I would think that the market would react very, very favorably to that. Again, it's day to day to day. It's very objective. So that's why, in particular, biotech SPACs, they're going up, but the other SPACs are Comme ci, comme ça.

MR. JACKSON: Would that be the sort of situation where you would receive cash or you would receive shares in the SPAC?

MR. ROSS: You would receive -- so our

investment partnership would receive shares, then the way the partnership agreement is written, I think we have 60 business days to distribute everything out to the limited partners of the --

MR. JACKSON: That's really your concern; right?

MR. MOORE: Well, it does get back to the core value of the SPAC (inaudible) --

MR. BARRETT: And this particular SPAC I can't name, but they have a focus on addiction, so, you know, one of the best things that ever happened to our company is Obamacare because one of the expanded definitions of mental health, addiction falls underneath that, so now it has a code under CMS and gets reimbursed.

And, also, I think with COVID, everyone being locked up for a year, the rates of addiction are very, unfortunately, sky high.

MR. ROY: With respect to this potential alternative to Chantix, what percentage does the fund control?

MR. BARRETT: I don't have the precise number, but it's going to be around 5 percent.

MR. JACKSON: Any other questions?

MR. GEORGE: If I may go back to Mandi

Mitchell's question about, you know, why we go out of the state. Is it, in your opinion, do we do a very good job with clinical trials in the State of Louisiana?

MR. BARRETT: No.

MR. GEORGE: And why do you think that is?

MR. BARRETT: I think it's multiple reasons. Dr. George, I think, differing IRBs, just having -- not having the resources and the people to actually run these trials.

We did run a trial here in Baton Rouge for Embera, and it delayed us by 15 months. Fifteen months. That's 15 months of patent life that we don't have. And so I don't know if it's a combination of inexperience or, you know, competing IRBs, but...

I know you may know a little bit more about that, I believe.

MR. GEORGE: IRB is a Internal Review Board that the medical schools usually have or the hospitals have to do clinical trials, but we get confused with basic research and clinical trials. Clinical trials is a contracted service, and we're doing just a terrible job in the state of clinical trials. We're probably -- you know, don't hold me to this, but we're probably last in the country. Probably Arkansas, Mississippi and Louisiana are the worst, and so, you know, as we're looking at companies, it might be worthwhile that you're going to pick, if you're going to help an industry to help jump start the clinical trials, changing rules at LSU. So we get confused on, you know, a generalization on the difference between contracting services and basic research. To think of those two things, clinical trials and research, they're not the same. Basic research is totally different. That's what LSU is set up for.

Clinical trials is when the company comes in says "I want you test my drug, and I need it in six weeks." They can't get through the process at LSU fast enough to get it done, so you have very few clinical trials in the State of Louisiana. It's been a pet peeve of mine for 10 years now. We have for 10 years, and I don't have a solution for it, but I just -- it always pains me when I see a company have to go out of Louisiana that was made in Louisiana and can't even test here.

You know, we have two very great medical centers, and it just hasn't worked. We really need to -- probably Pennington, which Pennington is a great research center, but they don't have a medical center attached to it. They're trying to develop a relationship with New Orleans, but it just hasn't panned out as well as you would hope, and so they're -- we're just behind the rest of the world.

MS. GLOVER: Are all clinical trials held through the University Center or can they also be held through hospitals?

MR. GEORGE: There are all where the patients are. So the patients are the -- you know, the reason everybody goes to MD Anderson is because they know that there's service there, so patients go there, so then the trials are there. And I'm sure everybody knows somebody who's had cancer and the first thing they do is go to MD Anderson and Mary Bird Perkins, Willis-Knighton Cancer Center in Shreveport. They can all do the same things, but they don't have their research because we don't -- for some reason, and I haven't figured it out yet, we haven't been able to step up to the plate in the State of Louisiana to do clinical trials, and I thought it was the IRBs, Internal Review Board, and states use local IRBs instead. And we actually did it in Shreveport where we got the ability, the chancellor said "Okay. We'll use an external IRB," and that didn't help the process either. And so there's something that's wrong, and somehow we need to fix it. And maybe if we put more venture capital out there, they'll see that and they can fix it.

Is that a good summary?

MR. BARRETT: I think it is. And another example is that the clinical trials are expensive, and, to some extent, it's local economic development. So for Embera, I mean, it's $30,000 a patient that we have to pay. Now, some of that's the drug and some of that -- but to the extent that you're paying a biostatistician, for example, and they charge about 300 bucks an hour, they kind of -- they do away with the clinical trials. So I think Dr. George has got a real good point.

MR. GEORGE: They also make money if you did a good clinical trial business when you have the patients, somebody like PPD are, you know, or, you know, the largest-in-the-world company comes to you and say "You know, we want to use your patients and we are going to pay you to do it," well, we can't seem to get our act together to be able to do these clinical trials.

MR. JACKSON: Given the health status of many in Louisiana, it would seem to be a problem worthy of fixing.

MR. GEORGE: It absolutely would, and, you know, I think maybe --

MR. JACKSON: We don't have a lack of supply.

MR. GEORGE: -- you got to look at incentivizing somebody to do clinical trials, you know, maybe a special fund or something, but I really think we have all of the patients, we have the medical centers, but we don't have the clinical trials. It just drives me crazy.

MS. MITCHELL: And it sounds like a Economic Development, State Economic Competitive Recert Project that I need to take on.

MR. JACKSON: Any other questions about this fund?

We do have another one, and then the rest of the report, so time is getting tight.

MR. REINE: If I can just make a quick comment, that was one of the most impressive presentations that we've ever heard, even more impressive because you work not only for the financial rewards in return, but for the efforts in humanity. I just congratulate you on that.

MR. BARRETT: Thank you very much. Most appreciated.

MS. BIGNER: The other fund that Ross manages is Louisiana Venture Funds. The program that governs this fund is called Louisiana Venture Capital Match Program. It's provided also to provide venture capital for small businesses that would not have been able to access capital through traditional means due to limited operating history, too small to raise capital in the public markets or had not reached a point to where they were able to secure funding, matching investment funds were invested into venture capital funds of varying size that invest into early to late-staged businesses utilizing match investment in which a financial investor provided additional funds to equal, meet or complement funds provided by other investors.

The Venture Capital Fund has to be based in Louisiana or have Louisiana-based headquarters. They could invest up to $5-million, but not less than a ratio of $1 of LEDC funds to $2 of privately-raised capital.

On April the 11th of 2003, Venture Capital Partners -- BVM Partners -- I'm sorry -- LLC requested and received a $5-million commitment into a 25-million early-stage fund that targets companies that offer direct benefits for the citizens of the State of Louisiana. The fund developed into Louisiana Ventures, LP, with LEDC investment capping out at 4.75-million for a 21.1513 ownership of the fund. The term of the fund was 10 years with a termination date of December 31st, 2014 with two possible one-year extensions to allow for liquidation of the investments.

The fund partnership expired on December 31st of 2017 after the allowed extension. On January the 1st, 2018, a liquidating trust agreement was executed with Ross as the trustee and a tentative expiration date of January 1 of 2020.

And as you saw from the Chaffe report, as of June 30th, 2020, LEDC's investment had a fair market value of 1,536,236. LEDC has received $176,950 in returns to date and has an unrealized loss of approximately 3-million. The investment portfolio consists of debt and equity investments into seed or early-stage investments with a portfolio value at 11,664,431.

MR. BARRETT: Great. And I've got some updated numbers as well. So we're holding the fair value of LEDC's 21.2 interest at 2.6-million. And, again, those are not realized gains or realized losses. Those are still assets that you have on the balance sheet.

And I did reference Esperance and Embera. I want to make clear that both Themelios Ventures II and Louisiana Ventures Liquidating Trust has exposure to those companies. The Liquidating Trust has $1.252-million of Series B preferred stock, and Esperance has $986,523 of Embera stock, so there's a large amount of exposure to those two assets that we feel will generate returns.

In addition, we have a company that I'm going to talk about, 1.791-million in Callison Pharmaceuticals, and I thought that this would be instructive because this kind of tells you the ups and downs and the vagaries of biotechnology.

So Callison is a company that Louisiana Ventures helped to start. We did it with Joe Lovett and Rick Babb with Louisiana Fund I and a group of out Memphis called Memphis Bio Ventures. And in July -- I'm sorry. In 2010 to 2012 we ran the Phase 1 and Phase 2 trials. The Phase 2 trials actually were all over the United States, two of which were in Los Angeles. And back to the importance of the clinical trials, this drug actually treats arthritis of the knee, osteoarthritis of the knee. It was developed by Dr. David Waddell, who's a Shreveporter, in conjunction with the LSU Medical School.

The drug is actually used for cardiac arrhythmias, but the researchers said "Hmm. I think that it will work in arthritics," and so he got a practicing physician, Dr. David Waddell, to start testing it and he used it off-labeled. So we took that to the FDA, we got approval to go straight into Phase 2, because to phase -- because it's already approved, it's a generic, we got a new composition of patent matters around it and we went straight to Phase 2.

Four out of the six sites had positive results, but two had very negative results. In fact, zero out of 30 failed -- I mean, 30 out of 30 failed. What we found out later is, again, through a biostatistician, was that the nurse was injecting it the wrong way. And so for about five years, that company, because we had no more capital to invest, that company was static, was -- had to essentially start to try to get government grants.

But recently, I'm happy to say, in fact, tomorrow we have a meeting with the new president, we've restarted that company, and we are filing for new intellectual property. The new president, a kid -- well, he's not a kid. He's 30, but he got a PhD at Louisiana Tech in nano encapsulation, and so we are going to put our drug inside of that and it's going to like extend release for up to three months. And so we've hired him as the president. We've hired new legal counsel at Wiener, Weiss & Madison out of Shreveport. Again, keep it as local as we possibly can. And we've recently raised $100,000 from a group out of Oklahoma, and we are hiring an investment bank out of Dallas to raise $10-million. And so that capital from Oklahoma and Dallas is going to support Callison, so we're super excited about that.

And that, just to give you a sense, when we did the last valuation, none of that was in place, so that's all within the last, call it, four to five months. So as we go to liquidate, and this year is the last year of the liquidating trust, that company's going to take two years to run the trial, so we won't have exited. It's just not practical. So what we will do is we own about -- the trust owns approximately 20 percent of that company. Let's say after this next capital raise it goes down to 10, so we will distribute your pro rata share of that company. You will be the holder of private stock and still have --

MR. JACKSON: And the trust is going to be one of those entities you indicated was actually in discussion with other venture funds --

MR. BARRETT: Yes.

MR. JACKSON: -- buying portions or all of it?

MR. BARRETT: Portions or all of it. That's exactly right. We don't have an offer yet. The group is a large, billion-dollar secondary fund out of Europe, so we've had a lot of early morning and late-night calls.

MR. JACKSON: So you would conceivably

actually sell that to a venture firm if they could be persuaded of the value?

MR. BARRETT: Depending on -- right. That's correct. And, of course, that's actually a partnership decision. So, you know, we would talk to all of the partners prior to, and we would make the recommendation "Yes, we think this is liquidity, to go ahead and do it," or, "No, it's a lowball offer, go ahead and hold the stock."

MR. GEORGE: Ross, is this the same trust that's handling Louisiana Fund 1?

MR. BARRETT: No.

MR. JACKSON: Any other questions?

(No response.)

MR. JACKSON: Okay. It's great information. I remember the Chantix drug from when you were here before, and it's good to see that that's still progressing.

MR. BARRETT: Again, they put clinical trials on hold for over a year, but we started in February, March timeframe, and so we're 34 patients, we've dosed 34 patient already, so...

MR. JACKSON: Very good.

MR. BARRETT: So we'll finish this year.

MR. JACKSON: All right. Well, we thank

you, and we look forward to you coming back and giving us some additional updates before you're all done.

MR. BARRETT: Looking forward to it.

MR. JACKSON: This is just an information report? This is nothing we have to vote to accept; is that correct?

MS. RANEY: Correct.

MR. JACKSON: All right. Well, very good. Thank you, sir.

Let's move on to Secretary Treasurer's Report.

MS. VILLA: Good morning. Anne Villa, Undersecretary for Louisiana Economic Development. I'll present to you the Secretary Treasurer's Report as of March 26, 2021 for Fiscal Year 21.

In summary, on the first page, we have our FY 21 budget of $14,945,845. We had approved and projected expenditures of 3,099,555, which gives us a sub balance total of $11,846,290. And we had the pending EDAP for $500,000, which was approved, which gives us a projected ending balance -- I'm sorry -- a projected sub balance of $11,346,290. And we currently have inhouse projects under review of 2,375,000, which gives a projected yearend balance of $8,971,290.

On the next page is our breakout of our

Financial Assistance Program and our State Small Business Credit Initiative Program, which has an FY 21 budget of 239,555 with expenditures expected of $49,555 and the projected end balance of $190,000.

Onto the next page, we have our Capital Outlay Appropriations for our Economic Development Award Program, and you can see the projects there that have been approved by the Board and also the projects that are under review that are listed underneath our EDAP program, and those two programs -- I'm sorry -- those programs combine to a budget of 10,270,328.

And then we have a budget for our EDRED, our Economic Development Site Readiness Program, of 4,435,962. And those are all of our approved projected expenditures for the organization for our EDRED program, and we have a projected budget for both of those of 14,706,290 with approved projected expenditures of 3,050,000. And then the Board approved the 500,000 for Avant Organics, and we have a sub balance expected of 1,956,290. And the projects that we currently have under review are listed there, which gives us a subtotal of projects under review of 2,375,000, and a projected yearend balance of 8,781,290.

On Page 4 we have our projected FY 21 Fund Balance available of $21,838,088, and our projected expenditures through appropriations of the LED project commitments of 15,520,597, which leaves us a subtotal general appropriations fund balance as of -- it should say 6/31 of 6,317,491.

Any questions on the Secretary Treasurer's report?

(No response.)

MR. JACKSON: Very good.

MS. VILLA: Vote for acceptance?

MR. JACKSON: Yes. We need a motion to accept.

MR. REINE: So moved.

MR. JACKSON: So moved, Mr. Reine.

Second? I'll second.

Any further discussion on the report?

(No response.)

MR. JACKSON: All in favor of accepting the report as presented, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: Motion carries.

Accountant's Report.

MS. DALGO: Good morning. I'm Crystal Dalgo. I'll be presenting to you the LEDC Accountant's

Report.

For the SSBCI Guaranty Loan Portfolio, it totals $4,180,144 and consists of 24 loans. The current balances are reflected as of February 28th, 2021. And allowance for the loan losses is $752,426 and is reflected at 18 percent. There are currently no loans that are in deferment or late.

As of March 24th, 2021, the EDAP Loan Portfolio has two loans, Town of Colfax and City of Bastrop. The portfolio totals $505,458, and the allowance for the EDAP loan losses is $75,819 and is requested at 15 percent.

On the last page of the report we have the LED State Small Business Loan Guaranty Program. The listed, approved and projected loans exhaust the entire budget. The last approved loan guaranty rolls into the Use of Recycled Funds section at the bottom. So as of March 24th, 2021, the use of recycled funds reflects that one loan with the remaining guaranty to be expended at a total of $226,820.

And that concludes my report. Are there any questions?

MR. JACKSON: Any questions?

(No response.)

MR. JACKSON: Any questions from the public regarding this report or the previous?

(No response.)

MR. JACKSON: Okay. We'll need a motion to accept if there are no questions.

Mr. Reine.

MS. MITCHELL: Second.

MR. JACKSON: Second by Ms. Mitchell.

All in favor of accepting the Accountant's Report, please say "aye."

(Several members respond "aye.")

MR. JACKSON: Any opposed?

(No response.)

MR. JACKSON: Very good.

Ms. Mitchell.

MS. MITCHELL: Yes, sir. Good morning, everyone. I will be brief today. As I talked to Secretary Pierson, he gave a robust report as of the last meeting last month.

So I just want to share with you a couple of project wins. We were able to partner with the Governor and Turner Industries to announce their selection of the Port of Iberia. They're going to utilize a 95-acre site at the Port of Iberia for future fabrication for major energy projects. Very excited about that because the Port of Iberia was in competition with 28 other coastal ports. They were narrowed down between Port of Iberia and Corpus Christi, and we won. So that's exciting to have that work coming, yet again, to another rural Louisiana community. We don't yet have the jobs and capital investment information to share. The company's moving at breakneck speed, and we just wanted to get out the information about the selection, highly-competitive selection process.

Another project that was announced just a couple days ago, Lineage Logistics is going to be expanding at the Port of New Orleans. It's a coal storage company that supports our state's $1.6-billion dollars poultry industry. So Lineage is investing $42-million dollars at their facility. They're going from 160,000 square feet to over 300,000 square feet, and they're adding 50 new jobs to their existing 188 jobs. So that's an exciting announcement there.

MR. REINE: Where's it at?

MS. MITCHELL: In New Orleans at the port.

And just want to share one other thing, one another announcement. We're doing -- well, we did a virtual career fair. You know, we're getting creative with our workforce development partnership and opportunities in the COVID and pandemic environment, so we hosted a virtual career fair offering midlevel tech jobs to companies in four Louisiana cities. So the career fair hopefully will benefit tech company applicants, but also these companies, CGI in Lafayette, DXC in New Orleans, High Voltage in New Orleans, Netchex in Covington, another company called Proficient out of Lafayette, Pixel Dash Studios in Baton Rouge and SchoolMint in Lafayette. So these are some of the companies we've had some recent, positive growth announcements with, and now we're helping bridge the gap to help them found Louisiana talent.

And that's it for today. That's concludes my report.

MR. JACKSON: Okay. Thank you very much.

Is there any other business?

Ms. Guess, did you want to talk about SSBCI or shall we wait until another Board meeting?

MS. GUESS: Yeah. I'll give a brief update. In fact, we have a briefing with the U.S. Treasury on tomorrow. The rules of engagement, if you will, have not been fully developed and rolled out to us as of yet. We have been talking internally in looking to see how we might be bringing something to you guys for consideration for those programs that are tweaking into programs as we try to develop our application.

We did have some preliminary information that the application process, or we should really know maybe within the next week or so exactly how much money Louisiana will be allocated. They've indicated to the state that that's probably the first step for everyone to know, what the allocation is.

We got 13.1 in 2012, and it's indicated that we may get three to four times that original allocation along with some other things. So we're dividing up and conquering, we're signing up for webcasts and really getting additional information. I've talked with the chair in the last month and we started talking about some things and this Board is going to be very instrumental in our preliminary discussions as to how we see we might want to proceed with the dollars we'll be spending. We hope to bring something to you probably a little bit more next month because I suspect that probably by mid-May or hopefully late April we'll have a little bit more guidance, but the applications process will start with the states advising Treasury, the U.S. Treasury that, yes, we would like to participate, and that will come from the Governor indicating that Louisiana will be looking to provide an application for these particular funds. So that gets the ball rolling, and I think that's due like mid-June. So we'll keep you updated.

MR. JACKSON: Okay. Very good.

MR. REINE: Mandi, is anybody looking at or keeping track of the latest congressional package and how that's affecting small business in Louisiana, and is it helping or...

MS. MITCHELL: Yes, sir. We have been trying to keep close tabs on the Paycheck Protection Program fund, and I just packed up everything, but I have some information I can share with the LEDC in between this meeting and the next meeting. We are trying to get more granular data from the SBA. Unfortunately, at the end of last year, they -- it could be transition issues, but they have not issued to us yet a detailed report from the latest round of CARES Act funding and American Rescue Plan Act funding as it pertains to the Economic Injury Disaster Loan and the Paycheck Protection Program, but I will tell you that Louisiana companies have benefitted in a robust way from both programs. Small businesses in particular, helping us small businesses to say afloat because what happens is it's -- what the concern is is if they shutter, it's 10 times or more harder to get them to reopen. So the funds are helping them to maintain status quo, keep your staff on payroll, keep that in place until the economy rebounds, which will happen when we get herd immunity and people begin to warm up to the vaccine. More people. But, yes, we are keeping track of SBA funds.

LED also received $2.4-million from the Federal Government from the Economic Development Administration, which we are matching up with 600,000 of our funds, to provide small business technical assistance. And, you know, what that's about is you can bring all of the access to capital that you'd like, but there are some businesses who do need technical assistance with basic things, like a business plan or resiliency plan or how do --

MR. REINE: How to apply for it.

MS. MITCHELL: How to apply for it. That's another thing, which we've partnered with the Small Business Development Centers to help with that to assist with those applications. But other things like e-commerce, how do I set my business up so that if we're ever faced with another pandemic or this one goes on longer, how can I pivot to online sales. So technical assistance, those are the types of things we're working on through this grant process, and we hope very soon to have those entities selected that will be delivered in this technical assistance.

So I promise I'll have some data for you on how many businesses and average awards for Paycheck

Protection Program and Economic Injury Disaster Loan. We are waiting for our friends at SBA to give us updated information. We have months -- we have information that's a couple months old.

MR. JACKSON: Mr. Roy.

MR. ROY: Back to what you said, I know things are still in their infancy, but any idea how much money we might stand to receive from the Federal Government?

MS. GUESS: Upwards of about 40, 50-million, I believe.

MS. MITCHELL: Well, I would just say that that is just a guesstimate based on what we received last time as compared to what the federal funds were last time. So the first round was 1.5-billion. This time it's 10-billion. Ten billion in federal SSBCI funds will be pushed out to the states, and it will be based upon your state's 2020 unemployment figures, which we know in Louisiana, unfortunately we hit some record unemployment figures in 2020. So that's just a rough guess, but we -- it's probably an educated, as best of an educated guess we can give right now.

MR. REINE: What was the money going to be used for?

MS. MITCHELL: For access to capital for

small businesses, direct access to capital, and also, I'll say, indirect through potentially seeding venture capital funds like we heard from today.

So at the last go around, when we received 13.1-million, 8-million -- or 8.1-million was provided for Loan Guaranty funds, which we see those companies coming in and we talk to them and their bankers and we approve them and ask questions and that helps them get access to those loans at a better interest rate, but it helps them get access to the loan where a bank may not have loaned those funds before because they considered that business to be too risky.

The other portion could be Venture Capital funds. Again, which is where we're providing funds to experienced Venture Capital firms that vet out these startup and early-stage and innovative companies and go out and seek to get a return on investment.

MS. GLOVER: Mandi, this will be my soapbox for ever and a day, but I would just ask that you be very thoughtful, and I know y'all always are, of small businesses that are not quite at capacity, but that are (inaudible), that have an office, there's no flyer, unless you think you want to put a price tag on it. And so there are a lot of small businesses out there that I feel like are never going to make it to the table because they don't have a Crest or an investment or other people who can provide the history, robust financial system small businesses can't do, but it doesn't mean that they can't grow.

MS. MITCHELL: That's a great comment. I'll tell you, also Collateral Support Program could potentially be a part of this next round, and that's why we're going to have that conversation with this Board and other stakeholder groups.

But the other thing I'd like to point out, and it's been emphasized by the President, by his administration, that in any rounds of funding for access to capital for small business and entrepreneurial support, there will be support and funds set aside for disadvantaged businesses, and with that will come along as well managerial and technical assistance. So we can commit that here today, not just because it's going to be a part of the Federal Guidance, but because it's something we have been doing at LED and we should be doing more of. And I think Brenda wanted to add some more.

MS. GUESS: I just wanted to tell Ms. Glover we can put our soapboxes side by side because, you know, I've been on that for a while, and one of the things Mandi mentioned, the Collateral Support Program, which we're looking at, will be one of the items that we will probably bring for us to look at to see how we would take care of those issues.

MS. MITCHELL: And the pandemic exposed a good bit about some issues impacting the disadvantaged businesses throughout the country, and so if you want to go out and secure a loan, oftentimes people may use their home equity. Well, what if you're not a homeowner, but you have a really darn good business idea and you have the experience to bring that idea to fruition? So, you know, it's those type of issues that will be working to address as well.

MS. VILLA: The only thing I may add to the conversation is that one thing that we continue to hear as we participate on the TDFA calls every Friday, it seems like, but the one thing that Treasury wanted to do was get that initial tranche out to the states as quickly as possible, so a lot of that first tranche -- it's going to be in three tranches -- is going to be to those who had a proven track record, which the State of Louisiana through LEDC has a very proven track record with successful Inspector General reports, successful allocation of the funds that we were given the first time. So it looks like that first tranche will come to us, and whatever that amount is the amount.

I think Brenda disclosed kind of something that we think is overarching, but that first tranche is going to need to be broken out the way that our application was successful the first go around, which was between the Loan Guaranty Program and the Venture Capital funds.

And then as Mandi and Brenda talked about, we'll then complete our application, because that application period, I believe extends through the end of the calendar year, and so at that time we'll embrace and engage with all of our stakeholders throughout the state to see really what's missing, because Brenda and I know, as you mentioned, collateral support was a huge miss for us last go around. We couldn't -- unfortunately we couldn't amend our application to bring it in there when we realized that we really had issue within our state. So those types messaging that we received back from our stakeholders, what we know that we missed the first go around are going to really help us in putting that application together, and your support as well. So we're looking forward to it, we're excited about it, and I think the team is up to the task.

MR. JACKSON: Okay. Any other questions or comments?

(No response.)

MR. JACKSON: My appreciation of Mr. Roy for allowing me to finish out the meeting.

MR. ROY: The pleasure is all mine. Thank you.

MR. JACKSON: And I apologize for any missteps for notifying the public of comments and things of that nature.

Good meeting. I appreciate the rigorous discussion and questioning. And, my goodness, Dr. George, I mean, you may have put us on a whole new track with something that could be very, very useful, and it's a time when there might actually be funds available to really think about how to fix something like that. So I hope we'll continue to review all of our operations like that.

If there's no further comments --

MR. REINE: Move to adjourn.

MR. JACKSON: We've got a motion to adjourn.

All in favor, say "aye."

(Several members respond "aye.")

(Meeting concludes at 11:25 a.m.)

REPORTER'S CERTIFICATE:

I, ELICIA H. WOODWORTH, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this meeting for the Board of Directors of the Louisiana Economic Development Corporation, do hereby certify that this meeting was reported by me in the stenotype 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 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.

Dated this 4th day of May, 2021.

ELICIA H. WOODWORTH, CCR
CERTIFIED COURT REPORTER