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MINUTES FOR THE BOARD OF DIRECTORS MEETING  
OF THE  
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION  
HELD AT  
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM BUILDING  
FOURTH FLOOR BOARDROOM  
8401 UNITED PLAZA BOULEVARD  
BATON ROUGE, LOUISIANA  
ON THE 20TH DAY OF JUNE, 2014  
COMMENCING AT 9:32 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR

1 Appearances of Board Members Present:  
2  
3 A.J. Roy

4 Alden Andre  
5 Louis Reine  
6 Cal Simpson  
7 Susan Tham  
8 Quentin Messer, Jr.  
9  
10 Staff members present:  
11 Daria Vinning  
12 Brenda Guess  
13 Seth Brown  
14 Christian Pennington  
15 Susan Bigner  
16 Bob Cangelosi  
17 Anne Villa  
18  
19  
20  
21  
22  
23  
24  
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3

1 MR. ROY:  
2 Good morning. If everyone will have a  
3 seat, we'll begin the meeting.  
4 Call to order the Board of Director's  
5 Meeting of the Louisiana Economic Development  
6 Corporation.  
7 Rollcall, please.  
8 MS. VINNING:

9 A.J. Roy.  
10 MR. ROY:  
11 Here.  
12 MS. VINNING:  
13 Jay Rousseau.  
14 (No response.)  
15 MS. VINNING:  
16 Alden Andre.  
17 MR. ANDRE:  
18 Here.  
19 MS. VINNING:  
20 Quentin Messer.  
21 MR. MESSER:  
22 Here.  
23 MS. VINNING:  
24 Natin Kamath.  
25 (No response.)

4

1 MS. VINNING:  
2 Cal Simpson.  
3 MR. SIMPSON:  
4 Here.  
5 MS. VINNING:  
6 Robert Stuart, Jr.  
7 (No response.)  
8 MS. VINNING:  
9 Susan Tham.  
10 MS. THAM:  
11 Here.  
12 MS. VINNING:  
13 Harry Avant.

14 (No response.)  
15 MS. VINNING:  
16 Louis Reine.  
17 MR. REINE:  
18 Here.  
19 MS. VINNING:  
20 Six members present. We have a quorum.  
21 MR. ROY:  
22 Very good. I'll ask everyone to please  
23 silence their cell phone.  
24 First order of business is the approval  
25 of the minutes of the Board meeting from March the 21st.

5

1 what is the pleasure of the Board?  
2 MS. THAM:  
3 So moved.  
4 MR. ROY:  
5 Motion to approve as presented.  
6 MR. MESSER:  
7 Second.  
8 MR. ROY:  
9 Second.  
10 Any discussion?  
11 (No response.)  
12 MR. ROY:  
13 All in favor, aye.  
14 (Several members respond "aye".)  
15 MR. ROY:  
16 All opposed, nay.  
17 (No response.)  
18 MR. ROY:



24 Any discussion?  
25 (No response.)

7

1 MR. ROY:  
2 Hearing none, all in favor, aye.  
3 (Several members respond "aye".)

4 MR. ROY:  
5 All opposed, nay.  
6 (No response.)

7 MR. ROY:  
8 without objection.

9 MR. ROY:  
10 Any comments from the public?  
11 (No response.)

12 MR. ROY:  
13 Next order of business under the EDAP  
14 Program, Mechanical Equipment Company, Incorporated.  
15 Ms. Bigner.

16 MS. BIGNER:  
17 Good morning.

18 MR. ROY:  
19 Morning.

20 MS. BIGNER:  
21 I have Michael Tomlinson here from the  
22 St. Tammany Economic Development Foundation, and I have  
23 also Reano Siragusa -- I'm bad about butchering names  
24 and places -- he is with the Mechanical Equipment  
25 Company called MECO. This is an unsponsored EDAP for

8

1 \$500,000 to purchase new equipment. The department had

2 already done an incentive CEA back in 2011, so they had  
3 already established what incentives the company would be  
4 eligible for. MECO understood that they had to come to  
5 the Board to be able to get this EDAP, but the jobs and  
6 everything that are in the incentive CEA, they started  
7 in 2013, so that is the reason why in your package you  
8 see the numbers for 2013. They were required to have  
9 retained 81 jobs originally and add 21 jobs during 2013  
10 to equal 102 jobs with a \$5.7-million payroll. They've  
11 far exceeded that. They have 103 with a payroll of 6.2.

12 MECO is a company that does water  
13 purification plants. They have mobile plants, pumps and  
14 marine heat exchangers. They serve three industries,  
15 offshore oil and gas platforms, biopharmaceutical  
16 industry and the military. Before Katrina hit, they  
17 were actually in New Orleans, so this is a homegrown  
18 company. Their manufacturing facility was in the port.  
19 So when Katrina came in, it completely destroyed the  
20 manufacturing facility and their headquarters, which was  
21 located further inland. At that time, they moved to  
22 Sugar Land, Texas and leased property in Covington to  
23 continue operations. So currently -- well, up until  
24 recently, they had part of the manufacturing over in  
25 Sugar Land, Texas and the headquarters -- am I correct?

9

1 Most of the headquarters and some manufacturing in  
2 Covington. They were looking for a piece of property so  
3 that they could move everything back to Louisiana. They  
4 found a piece in Mandeville. They have built the  
5 facility and they are occupying the majority of the  
6 facility. They're in the process of finishing up their

7 testing facility, and there's additional equipment that  
8 they're going to have to purchase. They want to use the  
9 \$500,000 for the purchase of the equipment. They're  
10 going to put collateral up of two pieces of machinery.  
11 One is a drilling, and one is a boring machine. The  
12 value of these two pieces of equipment is 1.1, which far  
13 exceeds the \$500,000 EDAP.

14 As you can see here, they serve  
15 worldwide. They have industries in Asia, the  
16 Philippines, Australia, India. The total project cost  
17 was 11.4, of that, they put 10.9 into the facility for  
18 the land acquisition and the building. And, again, this  
19 \$500,000 is going to be for the equipment.

20 You can see according to the job  
21 performance requirements that this is going to go  
22 through 2012 (sic). They'll have to ramp up to 208  
23 employees by 2018, and their final payroll is going to  
24 be 14.1 in 2022.

25 The company, like I said, is in

10

1 Mandeville. This is in St. Tammany Parish. The  
2 unemployment rate for March was 2014 (sic) compared to  
3 the state, which was 4.5. The per capita in St. Tammany  
4 is 48,954 compared to the State, which is 40,057. The  
5 economic benefit to the State is projected to be state  
6 revenues of almost 5.9 and they're receiving Quality  
7 Jobs and they received a relocation incentive along with  
8 the EDAP.

9 staff recommends approval of this  
10 project as an unsponsored EDAP payroll credit award with  
11 the contingencies listed below: The company was



12 required to start employment on January 1 of 2013, which  
13 has been done, with full employment of 208 by January 1,  
14 2019. They must retain these jobs throughout the life  
15 of the contract with payroll increases as presented. If  
16 the required jobs are created and retained at the  
17 stipulated annual payroll levels, then this EDAP will be  
18 considered satisfied. However, if the company does not  
19 create the projected jobs and payroll on an annual  
20 basis, the unearned credit balance for that year will be  
21 due and payable to LEDC plus interest. All credit will  
22 be based on payroll.

23                               If approved by the LEDC Board, the  
24 contingencies are as follows: The funding for the  
25 project will depend on the availability of LEDC funds

11

1 allocated for the EDAP by the Board at the time of the  
2 approval. This project must also be approved by the  
3 Division of Administration Office of Facility, Planning  
4 and Control as eligible for Capital Outlay funding. The  
5 company's required to have a minimum of 8-million in  
6 capital expenditures by June 30th of 2014, which they  
7 did, and shall commence operations of the new facility  
8 by June 30th of 2014.

9                               The company agrees to provide the State  
10 with the first mortgage lien position on equipment or an  
11 equivalent collateral security position. On here, it  
12 says the building, but we have decided to go ahead and  
13 go with the equipment, so the building will not be part  
14 of the collateral. In the event the company ceases  
15 operations, transfers ownership of the company or  
16 substantially all of its assets to an entity that is not

17 approved by the State or the contract is terminated for  
18 cause, the company will accelerate its payments to the  
19 State by paying within two months an amount equal to the  
20 present value at a five percent discount for all future  
21 years assuming zero payroll in each future year. The  
22 EDAP applicant will have 90 days to start the project or  
23 will have to appear before the LEDC Board to explain why  
24 the project is not underway.

25 Do you have any questions?

12

1 MR. REINE:

2 I don't have a page number, but the  
3 unsponsored EDAP application, it says landlord and it  
4 says rent. Is this on leased property or property  
5 owned?

6 MR. SIRAGUSA:

7 May I speak?

8 MS. BIGNER:

9 Yes.

10 MR. SIRAGUSA:

11 No. We own the property. We were  
12 leasing the facility we were in at the time we filed  
13 this.

14 MS. BIGNER:

15 It was in Covington.

16 MR. SIRAGUSA:

17 It was in Covington, and that lease  
18 expired June 30th because we moved into this new  
19 building that we moved in in Mandeville.

20 MR. REINE:

21 So the property we're talking about is

22 purchased?

23 MR. SIRAGUSA:

24 Yes, it is purchased.

25 MR. ROY:

13

1 Any other questions or comments?

2 MS. THAM:

3 I have a question. So all of the jobs  
4 here that are listed and all of the payroll is all in  
5 Louisiana; right? Have you left your Sugar Land  
6 facility yet or are you going to?

7 MR. SIRAGUSA:

8 we've collapsed production and  
9 warehousing and spare parts business that we had in  
10 Sugar Land to this new facility. Actually, we're  
11 transitioning it right now. We've already moved into  
12 the new facility right now. We do have an office there  
13 with some engineering folks and some purchasing folks,  
14 but that's it.

15 MS. THAM:

16 But you intend to keep your main  
17 operations and everything in Louisiana?

18 MR. SIRAGUSA:

19 Most definitely.

20 MS. THAM:

21 All right.

22 MR. ROY:

23 Anyone else?

24 MR. ANDRE:

25 Move for approval, Mr. Chairman.

14

1 MR. ROY:  
2 Motion for approval.  
3 MR. MESSER:  
4 Second.  
5 MR. ROY:  
6 Second.  
7 Any other discussion?  
8 (No response.)  
9 MR. ROY:  
10 Hearing none, all in favor --  
11 MS. BIGNER:  
12 I was going to ask Mike to go ahead and  
13 say a few things.  
14 MR. ROY:  
15 You traveled some distance, so, perhaps,  
16 you would like to say something.  
17 MR. TOMLINSON:  
18 Yes, sir. My name is Michael Tomlinson.  
19 I'm an Economic Development Specialist with the St.  
20 Tammany Economic Development Foundation, and I know that  
21 brevity is the sister of talent, so I will keep this  
22 brief.  
23 I think it's important to note that MECO  
24 was founded over 70 years ago in New Orleans, so this is  
25 a business that has a long-standing history in the

15

1 State, and, to me, this is an economic double play.  
2 We're not only retaining 81 jobs, you add additional  
3 jobs, and so you win on both sides of the cone. You  
4 take care of the ones that have been doing business here

5 and you create new jobs.

6 I would also like to point out  
7 specifically that this was a cooperative effort between  
8 the economic development foundation, and most  
9 specifically the Louisiana Economic Development. They  
10 did an excellent job. Specifically Mr. Tommy Kurtz, who  
11 was the former director of the Business Expansion and  
12 Retention Group, and he has since been followed up by  
13 Mr. Charlie Romaine of the Business Expansion and  
14 Retention Group, who has also done an excellent job. We  
15 can't thank them enough, and I think this is another  
16 point in case of a job well done by the Louisiana  
17 Economic Development.

18 So, again, thank you very much for your  
19 consideration. We certainly do appreciate it.

20 MR. ROY:

21 Very good. To the point.

22 We have a motion and a second on the  
23 floor. Any other discussion?

24 (No response.)

25 MR. ROY:

16

1 Hearing none, all in favor, aye.

2 (Several members respond "aye".)

3 MR. ROY:

4 All opposed, nay.

5 (No response.)

6 MR. ROY:

7 without objection. Congratulations.

8 Please keep us posted on your success.

9 MR. TOMLINSON:

10 Thank you, sir.

11 MS. THAM:

12 Mr. Chairman, before we move on, I do  
13 have one thing I want to mention. This is not relevant  
14 just to MECO, but just on the financial statements that  
15 are in the books. You guys do a great job of giving us  
16 everything. It's wonderful, but one thing I would like  
17 to see is, you know, Postlethwaite & Netterville, their  
18 auditing statement is in here. The footnotes weren't  
19 included this time, and sometimes that's where some of  
20 the most interesting and telling information is, so I'd  
21 like the footnotes -- I know you guys probably looked at  
22 them very carefully.

23 MS. BIGNER:

24 Those were not submitted to us.

25 MS. THAM:

17

1 So we should always be asking for those  
2 because sometimes that's where you learn a lot of stuff.

3 MS. BIGNER:

4 I will do that from this point forward.

5 MS. THAM:

6 Thank you.

7 MS. BIGNER:

8 Thank you.

9 MR. ROY:

10 Any comments from the public on this  
11 project?

12 (No response.)

13 MR. ROY:

14 Thank you, gentlemen.

15

MS. BIGNER:

16

Thank you.

17

MR. TOMLINSON:

18

Thank you.

19

MR. ROY:

20

Next order of business is under the

21

Small Business Loan Guaranty Program, J&K World Trade,

22

Inc., Mr. Brown.

23

MR. BROWN:

24

I've got to start off with an apology.

25

There was a miscommunication and we don't have the

18

1

business owner here. You know, this is the first time

2

in about seven years since I've been here that that's

3

happened, but having said that, Mr. Kim -- I think we

4

have enough information between me and Scott to proceed

5

forward this one.

6

So, anyway, Hope Credit Union is

7

requesting a loan guaranty for J&K World Trade, Inc.

8

under the Louisiana Small Business Loan Guaranty

9

Program. This is in conjunction with SSBCI. The

10

project satisfied LEDC's Board of Director's criteria

11

for an existing business -- and I say existing business.

12

I'm going to expound on that in a little bit -- with a

13

proven concept, experience in business management and

14

potential job creation of over 18 jobs. Mr. James Kim,

15

the business owner -- I'm sorry. I've got Mr. Simmons,

16

Mr. Scott Simmons is here with me from Hope Credit

17

Union. Okay. Mr. James Kim, who's the business owner,

18

he owns 100 percent of this business. We asked him for

19

a guaranty amount of \$577,500. This is based upon a

20 loan for \$770,000. A 75 percent guaranty is what we're  
21 requesting. Of that loan, we've got \$700,000 in  
22 inventory for -- a line of credit for \$770,000 in  
23 inventory and \$700,000 for real estate, FF&E -- real  
24 estate improvements and FF&E. What they're doing is  
25 they're building two 3,200-square-foot buildings, and in

19

1 the middle of the buildings, there's going to be a  
2 loading dock in both of those buildings. This is going  
3 to be a crab processing plant, seafood processing plant,  
4 down in Buras, Louisiana. It's in a community where the  
5 population is underserved, so it fits the mission with  
6 SSBCI funds and what we're trying to do.

7                   As I stated, the revolving line of  
8 credit will have 50 percent borrowing base, if I'm not  
9 mistaken -- yeah, 50 percent borrowing base. It's going  
10 to be a five-year term. They're requesting a five-year  
11 term, and the term loan itself, they're requesting a  
12 five-year term with that as well.

13                   J&K World Trade, like I said, is located  
14 in Buras, Louisiana. It was primarily sold initially --  
15 this is a relaunch. They were operating up until 2009,  
16 and what happened, certain things, negative exponents  
17 took place and they decided to cease operations and redo  
18 his business model. Instead of him -- initially, he was  
19 selling crabs wholesale to processors and retailers and  
20 things of that nature, as well as selling bait to  
21 fisherman. Now he's asking to actually do the  
22 processing of crabs, you know, crab meat in particular.

23                   Having said that, Mr. James has been in  
24 the business most of his life. He has always made



25 money. He's always accelerated his debt and paid it off

20

1 historically.

2                   In saying that, so based on our analysis  
3 and review, staff recommends J&K World Trade, Inc. for a  
4 loan guaranty and offer the following conditions and  
5 covenants that's in the term sheets that's before you.  
6 First one is the bank being charged the maximum interest  
7 rate up to five percent above New York prime, fixed or  
8 variable. We're asking for the in Toledo personal  
9 guarantees of Mr. James Kim and his wife, Ms. Rashawn  
10 Tesch (spelled phonetically), and, Number 3, the term  
11 loans and revolving line of credit is secured by a first  
12 mortgage on the property located at 4744 Highway 23 in  
13 Buras, Louisiana, a commercial UCC secured interest on  
14 FF&E and inventory. The inventory will have a 50  
15 percent borrowing base on it. Collateral documentation  
16 will include the dollar appraisal and a list of all  
17 purchases with serial numbers, receipts, copies of  
18 invoices with purchase price. Collateral-to-loan ratio  
19 must be one-for-one coverage. The borrower shall  
20 provide insurance coverage on collateral, real estate,  
21 furniture and equipment satisfactory to amend with the  
22 bank and LEDC named as the lost payee. Prior to  
23 closing, a letter shall be submitted reflecting that the  
24 collateral-to-loan ratio meets one-to-one coverage.  
25 LEDC will share in a pro-rate position with the bank on

21

1 all collateral securing the loan. Subordination of all  
2 existing stockholder debt and future stockholder debt to

3 the bank and LEDC for the period of LEDC's involvement  
4 in the loan. Additionally, cessation of all current  
5 portions of long-term debt payments to stockholders and  
6 a moratorium on future payments to stockholders which  
7 may be reinstated with the written approval of the bank  
8 and LEDC. Forty-eight hours prior to closing, the bank  
9 shall provide copies of all closing document for review  
10 to LEDC staff. After closing, the bank shall provide  
11 LEDC copies of the loan closing documents, recording  
12 data, acknowledgements evident and all other documents  
13 requested under the terms and conditions of the loan  
14 commitment letter. Presentation of documentation  
15 appropriate for the legal structure of the borrower  
16 certifying the business is legally entitled to do  
17 business in the State of Louisiana and is currently in  
18 good standing. Number 10, a copy of disclosure of  
19 ownership form or a written statement indicating names  
20 of the board members and stockholders. Number 11,  
21 interest shall be paid monthly initially for eight  
22 months on the term loan. Thereafter, principal and  
23 interest shall be paid monthly with a balloon payment  
24 made on the final payment. Interest shall be paid  
25 monthly on the revolving line of credit for 60 months as

22

1 well. The LEDC loan guaranty terminates in five years,  
2 and the revolving loan of credit shall terminate in five  
3 years as well.

4 For the first year, company-prepared  
5 financial statements on the business are due on a  
6 quarterly basis within 10 days of the end of the period  
7 reported are to be forwarded to the bank, including a

8 balance sheet, income statement and notes to the  
9 statement. CPA-compiled statements prepared in  
10 conformance with Generally Accepted Accounting  
11 Principals are due within 90 days of the end of the  
12 year. The bank will review all statements, revise and  
13 forward copies to LEDC as needed. For the remaining  
14 four years, on an annual basis, the borrower will  
15 provide the bank its compiled financial statements  
16 prepared in conformance with GAAP. In addition,  
17 personal financial statements, federal tax returns,  
18 renewal of insurance necessary to protect the bank and  
19 LEDC are to be forwarded to the bank annually. The bank  
20 will review the information and forward copies with  
21 comments to LEDC as needed. There shall be no draw,  
22 bonuses, dividends, employee advances or director's fees  
23 paid to the company or stockholder or owner's, except  
24 where allowed by the bank, during the term of the LEDC  
25 guaranty. The bank shall report to LEDC the current

23

1 loan status prior to the 25th monthly. Key man life  
2 insurance shall be carried on James Kim for the duration  
3 of the guaranty, and Hope Federal Credit Union and LEDC  
4 shall be named as a loss payee. The loan has not been  
5 made in order to place under the protection of approved  
6 state program prior debt that is not covered under the  
7 approved state program and that was owed by the borrower  
8 to a financial institution lender or to an affiliate of  
9 the financial institution lender. The loan is not a  
10 refinancing of a loan previously made to that of the  
11 borrower by the financial institution lender or the  
12 affiliate of the financial institution lender.

13 All conditions listed by the credit  
14 union and LEDC for closing of the loan must be met  
15 within 90 days of LEDC's decision. That date will be  
16 September 18th, 2014, or at the next subsequent Board  
17 meeting, by the expiration of the bank's commitment  
18 letter, or LEDC's guaranty commitment may be withdrawn.  
19 The LEDC guaranty commitment is being extended based  
20 upon the financial information submitted. Any material  
21 adverse changes in the financial conditions of the  
22 company, principals or guarantors prior to closing may  
23 cause the withdrawal of the LEDC guarantee.

24 Mr. Simmons is here. He may have some  
25 things to say about the borrower or any questions.

24

1 MR. SIMMONS:

2 Thank you. I've been lending for 35  
3 years. This is my first time in front of y'all. I  
4 apologize for that. I've done a couple of other ones  
5 before in different programs, but I wasn't aware that  
6 our customer had to be present for this presentation.  
7 I'd just like to expand on the fact why  
8 he got out of the business a couple of years ago. He  
9 had a dock that the crabbers would come deliver their  
10 crabs. He would package them up and haul them to a  
11 processor over 100 miles away. That processor started  
12 squeezing his profits, which he didn't feel that the  
13 crabber could absorb that cost, so he decided to shut it  
14 down. Prior to that time, he was up north, had a  
15 processing plant as well as a distributing facility  
16 there that distributed seafood throughout the United  
17 States as well as Japan.

18                   And the gentleman has a very good credit  
19 score of 768 on average on two different bureaus. He  
20 has no debt. He's accelerated his debt payment when he  
21 bought these two pieces of property that are adjoining  
22 each other, and he's got the experience. The problem  
23 with the crabbers down there right now is there is no  
24 processing plant. When they have their catch, they have  
25 to travel over 100 miles in order to sell their produce,

25

1 and what's ultimately happened is that they're not  
2 crabbing anymore. So he's still got good relationships.  
3 I think it's a good operation that's going to provide 18  
4 to 20 full-time positions to LMI residents that are  
5 unemployed at the time right now in that area, and our  
6 company just feels like it's a good project.

7                   Thank you for your time.

8                   MR. ROY:

9                   Questions, comments?

10                  MR. REINE:

11                  Yes. The loan is 507,500?

12                  MR. BROWN:

13                  That's the guaranty amount.

14                  MR. REINE:

15                  Okay. And one of the conditions in 11  
16 talks about a balloon note. What's the balloon note on  
17 the end?

18                  MR. SIMMONS:

19                  Obviously we're not going to amortize  
20 this in five years and expect the payments are being  
21 absorbed. What we actually proposed is an eight-year  
22 guaranty with a 20-year amortization, so when the

23 balloon note comes through, he has to renegotiate that  
24 with us. Obviously y'all will be out of the picture.  
25 Seth told me that it would have to be a five-year

26

1 guaranty, so I will have to go back and ask to redo our  
2 loan for a five-year balloon note based on a 20-year  
3 amortization note.

4 MR. REINE:

5 So after the five years --

6 MR. SIMMONS:

7 Y'all are out.

8 MR. REINE:

9 -- the guaranty goes away and it's the  
10 bank's problem?

11 MR. BROWN:

12 The bank and the borrower is lying solo.  
13 But after the five years -- the reason being -- we  
14 didn't have the capacity, first of all, to judge the  
15 life of the equipment, so we didn't give eight years  
16 because of that. The other side of the coin is, we're  
17 in more than two-thirds of the term, which is precedent,  
18 you know, on this loan in particular, and, you know, the  
19 money, we try not to incumber that loan with the bank as  
20 well. Obviously, we have a mission with this money as  
21 well. There's certain things we have to do with it as  
22 well, so, you know, staff and --

23 MR. REINE:

24 I'm just trying to get the numbers  
25 straight in my head. If you're going to borrow

27

1 \$500,000, how much do you still owe at the end of five  
2 years? That's all I'm trying to figure. You're saying  
3 you'll amortize it over 20 years, and you're saying the  
4 balloon will be for the balance?

5 MR. SIMMONS:

6 Yes, in five years, whatever the balance  
7 is.

8 MR. REINE:

9 And because of the market, the people  
10 weren't crabbing, and, I mean, there's seasons, so we're  
11 talking about a seasonal --

12 MR. SIMMONS:

13 The season is roughly nine months of the  
14 year.

15 MR. REINE:

16 So there's no expectation that  
17 attracting -- the suppliers who need the crabs are going  
18 to be a problem if you stated that the people quit  
19 crabbing.

20 MR. SIMMONS:

21 They quit crabbing because it was  
22 costing them too much to take their product to the  
23 marketplace.

24 MR. REINE:

25 That's my question. Will they go back

28

1 to crabbing so he'll have a product to process?

2 MR. SIMMONS:

3 I don't follow your question, though.

4 MR. REINE:

5 He's going to buy crabs?

6

MR. SIMMONS:

7

Yes. He's going to buy crabs --

8

MR. REINE:

9

You told me the people that buy crabs

10 have gotten out of the business to catch crabs because

11 there's no market for them.

12

MR. SIMMONS:

13

well, when he has a plant there to

14 purchase and process those crabs, meaning sell them

15 whole, live, frozen, utilize the whole crab, he'll have

16 a plant that the crabbers can drop them off right there

17 and they leave. They get their payment and leave.

18

MR. REINE:

19

so you'll have an expectation that

20 they'll go back into the crabbing business?

21

MR. SIMMONS:

22

Yes. No problem.

23

MR. BROWN:

24

Mr. Kim is very connected with the

25 fishing industry down there. The bank has given him

29

1

eight months to stabilize and get his business up and

2

running. He's in the zone for the first eight months.

3

Mr. Kim, he has been a leader with the fishermen down

4

there. It was devastating when he got out of the

5

business of actually buying the crab. They were

6

bringing the market to him. Mr. Kim has not failed at

7

any endeavor he has done.

8

MR. REINE:

9

I'm not questioning him. I suspect

10 these are the same questions the bank would have asked



11 the man about his ability to repay the loan. I'm just  
12 trying to understand what...

13 On Page 27 where it talks about the loan  
14 committee and it checks off requires a guaranty  
15 signature. How come it wasn't signed? Was it just an  
16 oversight?

17 MR. SIMMONS:

18 On my form?

19 MR. BROWN:

20 Yes, on your form.

21 MR. SIMMONS:

22 well, I didn't present you the form.

23 Apparently that was signed off by them.

24 MR. BROWN:

25 There was a lot of back and forth with

30

1 the forms.

2 MR. REINE:

3 You have a signed form?

4 MR. BROWN:

5 I'm sorry?

6 MR. REINE:

7 You have a signed form?

8 MR. SIMMONS:

9 He doesn't.

10 MR. BROWN:

11 If I don't have a signed form, I'll get  
12 a signed form.

13 MR. REINE:

14 Tell me about the 18 employees. Where  
15 are they at in here? I don't see them, and what kind of

16 wages are they going to make and all of that good stuff?

17 MR. SIMMONS:

18 It's going to come from the local  
19 community, the people, because no one's going to drive  
20 100 miles to process crabs. I wouldn't. But it's a  
21 Vietnamese sort of culture down there, a lot of folks  
22 down there. Most of them aren't working. Most of them  
23 are going to be woman. The salaries are going to be  
24 above minimum wage. I wouldn't say a lot over minimum  
25 wage, maybe a dollar or so, but the folks that typically

31

1 shuck oysters, process crabs are Vietnamese or Korean.

2 MR. REINE:

3 But as we see in some other deals, the  
4 number of people and the wages, none of that is required  
5 in this kind of package?

6 MR. BROWN:

7 That's not required for us to collect.  
8 Historically this program has been a risk mitigation  
9 program with the hopes of creating jobs, so indirectly,  
10 we have -- it's been a job-creating program, but we  
11 don't compile data on the specifics of wages, of the  
12 jobs, but the amount of jobs, we do compile data for  
13 that.

14 MR. REINE:

15 Okay. Thank you.

16 MR. ROY:

17 Mr. Andre.

18 MR. ANDRE:

19 This is a follow-up question to  
20 Mr. Reine's concern. I'm still concerned about what

21 commitments does he have from these fisherman that  
22 they're going to start fishing again and supplying him  
23 with feedstock? Does he have a written commitment?

24 MR. SIMMONS:

25 He's dealt with these folks for years.

32

1 He's dealt with them for years and he knows them and  
2 they keep asking him to open up.

3 MR. ANDRE:

4 He doesn't have any written contracts or  
5 commitments that they're going to be there?

6 MR. SIMMONS:

7 No. He doesn't have written contracts  
8 that they're going to be there. We can get letters of  
9 interest, if that is requested, from the good majority  
10 of them.

11 MR. REINE:

12 Is he going to draw down all of the  
13 money up front?

14 MR. SIMMONS:

15 No.

16 MR. REINE:

17 Or is he going to draw the money as --

18 MR. SIMMONS:

19 We're going to switch those moneys into  
20 working capital we're going to hold until the process is  
21 completed. We're going to have inspections for draws  
22 made on the deal, so we're controlling all of the money.  
23 His cash injection of 200,000 is going to be put into an  
24 account with our company, which is going to be  
25 restricted for drawing out. Restricted meaning that I'm

1 going to have to approve it on the invoices that he  
2 presents us for working capital as well as equipment  
3 purchases and all. We control those funds just for our  
4 security and our collateral situation.

5 MR. REINE:

6 So if we guaranty the loan, what's the  
7 risk to the financial institution? Are we taking the  
8 risk, all of it, half of it?

9 MR. BROWN:

10 we're taking 75 percent of the risk  
11 during the duration of the guaranty.

12 MR. SIMMONS:

13 we're taking 100 percent of the risk if  
14 we fail to do our due diligence and do our proper  
15 banking loan situation. Just like an SBA guaranty. If  
16 we fail to document or properly do our job, this SBA  
17 will not give us a guaranty. We expect the same from  
18 the Sate.

19 MS. THAM:

20 Have you gotten any information from him  
21 yet about how he's going to structure his contracts with  
22 fisherman -- of course, that market goes up and goes  
23 down -- to make sure that he still gets enough income?

24 MR. SIMMONS:

25 I don't think he really will have a

1 contract with these folks. There's nobody down there  
2 buying crabs.

3 MR. BROWN:

4                   Historically that's not the normal  
5 fishing business. They don't get a contract for the  
6 catch of the season. That's not the normal way that's  
7 done in the business.

8                   MR. SIMMONS:

9                   They typically go to who's paying them  
10 the most.

11                  MS. THAM:

12                  Do you know how he plans to structure  
13 what he'll pay as compared to the market price?

14                  MR. SIMMONS:

15                  He'll look at the market price and he  
16 goes by that and, you know, goes in his profit.

17                  MR. BROWN:

18                  We're not saying that there's no risk in  
19 this. I'm saying this program is specifically -- you  
20 know, if I'm wrong, correct me. It is to assume some  
21 risk in this type of risks as well. You know,  
22 historically we've done things of this nature, and the  
23 outcome has been successful.

24                  MR. SIMMONS:

25                  The key here is the individual behind

35

1 this whole thing. His credit score is 768, and if you  
2 know anything about credit scores, that's pretty nice.  
3 He's got no debt. The debt he had when he purchased  
4 this property, he paid off in two or three years, even  
5 right after Katrina, so he's accelerated his payoffs on  
6 his debt. And I don't think that this will be on our  
7 books for more than 12 years just knowing the nature of  
8 this gentleman.

9  
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MR. REINE:

In this program, I'm sure we have a limited amount to approve. What's available out there? Kind of catch me up on that. I mean, is the amount of loan guarantees we have limited that we can offer through different institutions and where are we at? If we approve this one, are we getting to a point where we may be limited to our ability to offer it to somebody else?

MR. BROWN:

No. We have adequate funds out there. Brenda and Steve, they can attest to that.

MR. REINE:

What's the numbers? I mean, we've got five million and we've got four and a half uncommitted or...

MS. GUESS:

36

1 Right now, we have approximately two  
2 million left in our existing tranche. We've only  
3 received two of the three tranches that we're going to  
4 get from Treasury. The second, the balance that we have  
5 now is -- we don't have our report, but we have about  
6 \$2-million, you can see from the Secretary Treasurer's  
7 report. That figure will be increased after we get our  
8 third tranche, which will be achieved after we utilize  
9 up to 80 percent of the second \$4.3-million that we  
10 received. So right now, we're at two. Probably with a  
11 couple more loans, that will put us over -- a couple of  
12 \$500,000 loans or two smaller loans, we then will  
13 request from Treasury our third and final tranche, which

14 will be \$4.3-million dollars, all of which will be  
15 dedicated to the Loan Guaranty Program.

16 MR. REINE:

17 And because I can't keep up from meeting  
18 to meeting, the Loan Guaranty Program is federal funds?

19 MS. GUESS:

20 Absolutely. Yes.

21 MR. ANDRE:

22 Mr. Chairman, one more question.

23 MR. ROY:

24 Yes, sir.

25 MR. ANDRE:

37

1 Do you know if Mr. Kim is a U.S.  
2 citizen?

3 MR. SIMMONS:

4 Excuse me?

5 MR. ANDRE:

6 Do you know if Mr. Kim is a U.S.  
7 citizen?

8 MR. SIMMONS:

9 Yes, sir. He is.

10 MR. ROY:

11 Any other questions or comments?

12 MR. MESSER:

13 Move for adoption.

14 MR. ROY:

15 Motion for approval as presented.

16 MS. THAM:

17 Second.

18 MR. ROY:

19                   Second.  
20                   Any other discussion?  
21                   (No response.)  
22                   MR. ROY:  
23                   Hearing none, all in favor, aye.  
24                   (Several members respond "aye ".)  
25                   MR. ROY:

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1                   All opposed, nay.  
2                   (No response.)  
3                   MR. ROY:  
4                   Without objection. Please keep us  
5 posted.  
6                   MR. SIMMONS:  
7                   Yes, sir.  
8                   MR. ROY:  
9                   We look forward to hearing your success  
10 story.  
11                   MR. SIMMONS:  
12                   Right. Thank you, ladies and gentlemen.  
13                   MR. ROY:  
14                   Any comments from the public?  
15                   (No response.)  
16                   MR. ROY:  
17                   Next order of business is the  
18 Treasurer's Report.  
19                   MS. VILLA:  
20                   Good morning. The Secretary Treasurer's  
21 report, we have a revision, so a corrected copy you  
22 should have in front of you.  
23                   As of June 20th, 2014, on the first



24 page, we have the summary budget for FY 13-14 with the  
25 approved projected expenditures, along with the fund

39

1 balances for each group. The Financial Assistance  
2 Program, since we have the SSBCI program in place, we  
3 really haven't tapped into that, so we have a protected  
4 yearend balance of 40,000. The State Small Business  
5 Credit Initiative has a budget of 3,163,087 for the  
6 year, and we have approved expenditures of 1,065,568,  
7 which gives a subtotal of 2,097,519. The Board approved  
8 the project just now of 144,375, with the projected  
9 balance of 1,953,144. We have projects under review of  
10 1,163,000, and projected yearend balance of 790,144.

11 And then for your Capital Outlay  
12 Appropriations for the EDAP, we have a --

13 MR. REINE:

14 Can I stop you before I get lost?

15 MS. VILLA:

16 Yes. I'm just on the first summary  
17 page.

18 MR. REINE:

19 It says J&K World Trade and Hope Federal  
20 Credit Union, the one we just saw --

21 MS. VILLA:

22 Correct.

23 MR. REINE:

24 -- it says 144, and you said we were  
25 approving 577,000.

40

1 MS. VILLA:

2 Right. That's 25 percent. We have to  
3 reflect 25 percent of the loan guaranty in the  
4 financials.

5 MR. REINE:

6 Okay. I just didn't understand why we  
7 had a different number.

8 MS. VILLA:

9 It's 25 percent of the loan guaranty.  
10 Correct?

11 MS. GUESS:

12 It's our reserve.

13 MS. VILLA:

14 It's the reserve. Correct.

15 MR. REINE:

16 Okay.

17 MS. VILLA:

18 So going back to the first page and the  
19 summary, we have the Capital Outlay Appropriations for  
20 EDAP of 17,161,895. We have approved projected  
21 expenditures of 4.5-million, which gives us the subtotal  
22 of 12,661,000, and the board just approved the 500,000  
23 for MECO, which leaves us with a balance of 12,161,895.  
24 Projects under review of 11,117,500, which leaves a  
25 yearend projection of 1,044,395. And then for the

41

1 Capital Outlay Appropriations for EDRED, we have a total  
2 budget of 1,354,614, and then the approved projected  
3 expenditures of 529,275, which leaves us with a  
4 protected yearend balance of 825.

5 If you go to the second page, we have  
6 the detail of what I just read through to you. The

7 projects we have under review for the Small Business  
8 Credit Initiative is listed there. The Catalyst Fund is  
9 currently being reviewed by staff. And then for the  
10 Loan Assistance Program, we've got two projects that are  
11 under review that are listed there in red, so those are  
12 being reviewed by staff.

13                   And if you go to the third page, we have  
14 the Capital Outlay Appropriations for EDAP. If you  
15 notice the notes at the bottom of the page, we've got  
16 the FY '14 budget. Just to let you know where that  
17 stands is in HP2 for the current session. We have  
18 currently in Priority 1 27,161,895. So those notes will  
19 change next meeting. I think the bill should be signed  
20 hopefully by then, and that will be reflected in the FY  
21 '15 budget. As you can see, we have a projected yearend  
22 balance of 1,044,000. We have several projects under  
23 review, but we have several projects that have been  
24 approved this year, so that activity has picked up. I  
25 know that's been a concern of the Board in the past, and

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1 I believe we have a report, if I'm not mistaken, as to  
2 the status that will be shared with the Board later.

3                   And then if you go to the fourth page,  
4 we have our LEDC projections, our LED projections, a  
5 Total Fund Balance for the FY 13-14 fiscal year of  
6 17,978,625, with the total expenditures of 17,900,241  
7 with available balance at end of this fiscal year of  
8 78,384.

9                   Are there any questions of the Board?

10                   (No response.)

11                   MR. ROY:

12 Any questions or comments?  
13 (No response.)  
14 MR. ANDRE:  
15 I move that the Secretary Treasury  
16 report be accepted as submitted.  
17 MR. ROY:  
18 Motion to accept --  
19 MR. REINE:  
20 Second.  
21 MR. ROY:  
22 -- the Secretary Treasury report.  
23 Second.  
24 Any discussion?  
25 (No response.)

43

1 MR. ROY:  
2 Hearing none, all in favor, aye.  
3 (Several members respond "aye".)  
4 MR. ROY:  
5 All opposed, nay.  
6 (No response.)  
7 MR. ROY:  
8 Any comments from the public?  
9 (No response.)  
10 MR. ROY:  
11 without objection.  
12 MS. VILLA:  
13 Thank you.  
14 MR. ROY:  
15 Okay. Mr. Smith is not here today.  
16 Brenda will give the Accountant's report.

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MS. GUESS:

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Thank you. Mr. Smith informed me as I was walking out the door he wasn't going to be here because there was an alarm going off at his home, so helpfully all is well with him. In talking to him and looking at Accountant's report, we still are showing that under the Loan Participation, we still have MW Realty, which is a participation loan, with the outstanding balance right now of 338,570. In our Direct

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Loans and Investments, with Aviation Group, our current balance on that credit of 116,438. And of those loans, MW Realty is over 90 days past due, with the balance of 338,570. If we need any further explanation on that activity, I think Seth will be able to bring us up-to-date. I think we were waiting on a workout situation that was going to take place between another buyer and the MW Realty, which was through the Enterprise Corporation of the Delta out of Jackson, Mississippi, which we have participation with them.

MR. ROY:

Do you think it will get taken out?

MS. GUESS:

We are anticipating a take out --

MR. ROY:

A charge off?

MR. BROWN:

Well, actually, it is a charge off right now, if I'm not mistaken, for bookkeeping purposes, but it's a charge off that we didn't have to cut the check for because this is a participation. We cut that

22 check -- how many years ago? It's been -- 2002, this  
23 was a deal that was done that we participated in. It  
24 was a 60/40 participation, so there won't be -- other  
25 than fees on collection or something of that nature, if

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1 need be, there won't be any further bleeding of our  
2 funds for this particular endeavor.

3 MS. GUESS:

4 And if there's any recovery, we will  
5 recover on a pro-rata basis on this.

6 MR. BROWN:

7 And it's a delicate situation. The  
8 institution wants to just go ahead and foreclose, but  
9 his value is in the dealership itself, and that's the  
10 goose with the golden egg. In essence, if they want to  
11 go on and foreclose on it, Honda is going to yank that  
12 dealership from them. That's one of the conditions.  
13 Then he has nothing. We'll be, in essence, trying to  
14 get blood from a turnip at that point. So they've been  
15 trying to find a buyer. The auto industry, that market,  
16 has been kind of flat for a few years back, so it's hard  
17 finding a buyer, in essence, to sell it. There will be  
18 some recovery of our funds, but I don't know if we're  
19 going to be made whole.

20 MR. REINE:

21 This is a Honda dealership?

22 MR. BROWN:

23 Yes, sir, in Bastrop.

24 MR. REINE:

25 And it continues to operate?

46

1 Mr. BROWN:

2 It continues to operate. It's not in  
3 settlement, the dealership itself. His failure to pay  
4 is a problem. He can't pay us is the problem, the debt.  
5 This has been -- initially the owner that was in this  
6 has left. This gentleman here acquired this debt as  
7 well, you know, so that's, in essence, that's what's  
8 going on.

9 MR. REINE:

10 Is he operating with a profit?

11 MR. BROWN:

12 He's operating in the profit for the  
13 Honda dealership. We're not in that. I don't know. We  
14 don't drill down to that level with the Honda  
15 dealership. We're not involved with that one. He has  
16 value -- in other words, this is an entity that he has  
17 value in that will pay us -- you know, that will pay us.  
18 This requires selling of the dealership, in essence, you  
19 know.

20 MR. REINE:

21 No, I don't know.

22 MR. BROWN:

23 It's an asset that he owns. We're  
24 liquidating his assets, you know. That in toledo thing,  
25 the personal in toledo thing is kicking in with this

47

1 one. That's what's happening, in essence.

2 MR. REINE:

3 Okay.

4 MS. GUESS:

5                   The EDAP EDLOP portfolio, while they are  
6 mostly listed as EDLOPs, we continue to have the Town of  
7 Colfax, Argos and Continental Structural Plastics, and  
8 there are workout situations on all three of those items  
9 for collections.

10                   The Guaranty Loan Portfolio is listed on  
11 the report, and all loans are current. You'll notice  
12 that we are down to only three items showing on the  
13 report. Over the past months, we've had many of our old  
14 loan guarantees that were done in prior years have  
15 termed out, and those dollars have been returned to us,  
16 so we're down to just three under regular loan guaranty  
17 dollars that were state dollars and this was before  
18 operations of SSBCI.

19                   You have a handout this morning giving  
20 you the status of the SSBCI status report. There was an  
21 error under the SSBCI Total Guaranty Percentage. It was  
22 listed in your package as 56.75, when indeed it should  
23 have been reflecting 100 percent of those.

24                   Of the loans that have been made under  
25 SSBCI, we have one loan that is in the 60 to 90 day

48

1 category, and that's M&M Enterprises, and we are in  
2 communication with the bank to determine if the bank  
3 will be doing a workout situation with the borrower.  
4 Our guaranty has not been called, so we are still in  
5 communication with the bank to get that resolved. So of  
6 the 20 some-odd loans that have been approved through  
7 SSBCI, we only have one that is in the 60 to 90 day  
8 category.

9                   MR. BROWN:



10                   That one that's in the 60 to 90 day  
11 category, it's a problem that he has no control over,  
12 but what he's done -- I can say this, I wholeheartedly  
13 believe they will pay because this loan last year was  
14 \$174,000. It's down to 71. He's not getting payments  
15 consistently to pay it as scheduled, but when he gets  
16 money, he's paying in chunks. He's paid that down  
17 considerably. The institution itself believe they're  
18 going to pay it down, so they want to go to an informal  
19 workout with them in this one. So I think we're going  
20 to be made whole with this.

21                   MR. ROY:

22                   Anything else?

23                   MS. GUESS:

24                   No, sir.

25                   MR. ROY:

49

1                   Any questions or comments for Brenda?

2                   MR. MESSER:

3                   I move for adoption as submitted.

4                   MR. ROY:

5                   Motion for approval of the Accountant's  
6 report.

7                   Second?

8                   Any discussions? Any comments from the  
9 public?

10                   One question before we vote, how often  
11 do we evaluate the adequacy of our reserve?

12                   MS. GUESS:

13                   I think the last time we did this was  
14 probably at the beginning of the SSBCI application,

15 which was back in 2011, and I think that was the policy  
16 that was instituted by the finance committee at that  
17 time. And it's basically historically been done on an  
18 as-needed basis. When we developed the SSBCI  
19 application, in looking at our historical default rate  
20 of our portfolio, which we have already determined, I  
21 think, even the loans under our regular guaranty program  
22 were at 25 percent as well, because of the history that  
23 we had, and we continued with that 25 percent. I would  
24 say that unless there's a need where we see where we  
25 have a larger default rate, then we maybe would take a

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1 look at it at that point. With the SSBCI 25 percent  
2 reserve, that gives us the leverage that we need to  
3 reach that -- hopefully that 10-to-1 leverage with the  
4 federal dollars. So I would say right now, I think we  
5 feel that that 25 percent, you know, might be  
6 sufficient.

7 MR. ROY:

8 Is it fair to say that we've looked at  
9 it enough to conclude that the 25 percent is  
10 conservative and our losses are way below that? I would  
11 think they were, but I think it's important that we go  
12 through that analysis pretty often, probably annually at  
13 least.

14 MS. GUESS:

15 All right. We will do that.

16 MR. ROY:

17 Okay. All right. All in favor, aye.

18 (Several members respond "aye".)

19 MR. ROY:

20 Any opposed, nay.  
21 (No response.)  
22 MR. ROY:  
23 Without objection.  
24 President's Report, Mr. Messer.  
25 MR. MESSER:

51

1 Good morning, everyone. I will be  
2 brief.

3 First I want to congratulate my  
4 colleagues, Louis, Cal and Susan. They were formally  
5 confirmed to be members of the Board on the last day of  
6 session on June 2nd, so congratulations on that.

7 MR. REINE:  
8 They forgot to tell me.

9 MR. MESSER:  
10 It's on Page 60 of the Senate Journal on  
11 June the 2nd, so I can e-mail that to you if you want.

12 MR. REINE:  
13 I'll take your word for it.

14 MR. MESSER:  
15 And just, also, the last thing, just in  
16 interest of time, that the Governor has until Monday, I  
17 believe, at 6 p.m. to sign, veto or allow current  
18 legislation to become law without a signature. I don't  
19 think any of that really affects this Board, but just as  
20 a point of information.

21 Any questions or comments?

22 MR. REINE:  
23 He's already vetoed the bill that says I  
24 can't haul my dog in the back of my truck, so we're

25 good.

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1 MR. MESSER:

2 I have no comment for the record.

3 One last thing, I just want to commend  
4 the staff, Brenda and Steve and the entire team for  
5 their continued hard work. Thanks very much.

6 MS. GUESS:

7 The Louisiana Job Connection.

8 MR. MESSER:

9 I'm sorry.

10 MS. GUESS:

11 That's okay.

12 MR. MESSER:

13 I thought you were going to do it.

14 MS. GUESS:

15 I'll do it.

16 We're going to show a short video to let  
17 you-all see one of the newest items that the department  
18 has rolled out. You might want to spread out a little  
19 bit or take another seat in the audience.

20 (Whereupon Ms. Guess conducted a  
21 presentation.)

22 MS. THAM:

23 Can I ask who developed the software?  
24 Is it a Louisiana company, or is it something that's  
25 been used in other states?

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1 MS. GUESS:

2 I don't know.

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MS. THAM:

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Yeah. I know there's been some attempts by Louisiana companies to develop the software to help with employment for, for instance, movie companies coming in, trying to match people on very quick, temporary-job basis, and I don't know if this is going to be aimed at that as well, whether it would work for that. You need someone to come in and set up a show, you need 80 people and you need them for five days. Is it designed for that? Are you going to market it to those people?

14

MS. GUESS:

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I think it's designed more for long-term employment opportunities, but I'll find out who developed it. I'll have to get with our communications department. They were basically the ones who were spearheading this, and I can find out for you.

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MS. THAM:

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You don't know whether it's been used in other states or other places and it's been successful?

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MS. GUESS:

24

I think this is a tool that other states have used, something similar, and it was looked upon by

25

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1

our team and was determined that it's time for us to get a little bit more active. We're number one in a lot of categories. We have improved over the last eight years, and this is just another tool I think that's going to be in our toolbox that we'll be able to use.

6

MS. THAM:

7

Will you be aggressively marketing it,

8 because I guess that's the key to it being...

9 MS. GUESS:

10 Quentin might be able to address that.

11 MR. MESSER:

12 So it will be aggressively marketed. We  
13 have reached out to all of our regional economic  
14 development allies. We have a number of leading  
15 business leaders throughout the state who are  
16 ambassadors, and they have been briefed on it. We've  
17 been encouraged. There will be a supporting sort of  
18 marketing effort to target the stakeholders, so we are  
19 going to be fairly aggressive, as Brenda mentioned, to  
20 add this tool because, I mean, I think this is something  
21 that Louis and others have on this Board pointed out.  
22 We are trying to connect not only to Louisianians, but  
23 those who have Louisiana roots, our ex-pats, trying to  
24 bring them back to Louisiana and basically help them  
25 understand that they do have wonderful opportunities in

55

1 the state with which they don't have to compromise their  
2 career advancement. So this is part of that effort to  
3 sort of bring those ex-pats back on, so we will be very  
4 aggressive.

5 MR. REINE:

6 where are you going to get the employees  
7 to list in the program? That's the part I didn't catch.  
8 You have a program for employers to match with  
9 employees. How are you going to get the employees into  
10 the program?

11 MR. MESSER:

12 So just a couple of things that we're

13 trying to do. There will be advertising support for  
14 this that's going to be targeted. We're certainly going  
15 and working with alumni networks of the various, the  
16 core systems, LCTCS, UL, LSU and Southern systems to try  
17 to work with their alumni, sort of encourage them and  
18 brief them on that. But we are not only going to the  
19 source of the jobs with the employers, but also the  
20 employees, and there will be sort of target efforts. I  
21 don't know whether you'll see a whole lot of radio and  
22 television, but we certainly have a very target approach  
23 to make sure that the demand of the employees are  
24 certainly there.

25 MR. REINE:

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1 How is this coordinating with the  
2 workforce commission and the program that they have in  
3 place? It appears to be almost a duplicate of what they  
4 do.

5 MR. MESSER:

6 well, a couple of things. I mean, one  
7 is, as many of you know, we have Secretary Moret and  
8 Kredell (sic) sit together on the Louisiana Workforce  
9 cabinet, so we did and our marketing communication team  
10 did work very closely with Kirk's team. What tends to  
11 happen is Kirk's team is really sort of focused on those  
12 opportunities that might be considered sort of required  
13 high school and/or two-year degrees and/or maybe, you  
14 know, sort of what I would call technical, specialized  
15 skills, craftsman-type trade. This is sort of an effort  
16 to try in addition to doing that potentially, but also  
17 look at some of those more professional roles,

18 professional services, specialized, sort of, software  
19 development or other things for the number of the  
20 companies that have come into the State over the last  
21 three years and sort of said, "Hey, you know, we really  
22 need these type developers. We haven't been able to  
23 sort of crack the code, Match.com or CareerBuilder  
24 really doesn't work, so we need something that's really  
25 sort of targeted and to figure out a way to connect with

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1 people that kind of have a knack in the State." So this  
2 sort of really emerged from listening to client  
3 feedback. So we think they will work in concert with  
4 the Louisiana Workforce Commission is doing with their  
5 outreach.

6 MR. REINE:

7 But here's my concern: We spent a lot  
8 of time and effort developing what's called a five-star  
9 system so that the citizens of the State of Louisiana to  
10 not only know a job was available, but what was the  
11 likelihood that that was a field in which there will be  
12 multiple opportunities for long-term job growth or  
13 opportunities, and now we're going to have a duplicate  
14 system that won't have that information available to the  
15 job seekers. I gather from what you've told me you're  
16 looking at high education, high-end jobs. That's what I  
17 got from what you said, but if we went through all of  
18 that trouble, we got a system out there that we're not  
19 integrating and then we went through all of the trouble  
20 to develop a system for the citizens that said, you  
21 know, when you go to look for a job, are you going to  
22 look for the training to put yourself in the position to



23 have the job. We've got an occupational forecasting.  
24 we've put together the data about where the jobs would  
25 really exist, and you're creating an alterego system

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1 that doesn't provide that information to the system, so  
2 you might go to that website to know that one company  
3 has got one opening or those kind of jobs have been  
4 rated in the system that says there will be many  
5 opportunities. So for people that look at the website  
6 and say, you know, "I'm going to go into the training  
7 program. I want to find what field," they go to your  
8 website and we haven't used all of that data and  
9 information that we spent all of that time to get to  
10 give them additional information, not only is there one  
11 company and one job, but that's a growing field, there  
12 will be great opportunities, and if you don't connect  
13 them, I think you're losing a great opportunity, number  
14 one, for the employers to know that in the future,  
15 people will be training for the jobs they have, and most  
16 importantly to me, that our people who are looking for  
17 employment opportunities will know what the fields are,  
18 whether there will be more than one opportunity to grow,  
19 what will be projected into the future, that that's the  
20 place the jobs will exist. And we've rated those for a  
21 process that took us years to develop and none of that  
22 is connected and I don't really see a connection with  
23 our training facilities, particularly community  
24 technical college. You're telling me four-year  
25 universities are going to do it, but I've just got

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1 concerns. We've done a lot of work, a lot of people sit  
2 at the able to do something, and then you're creating a  
3 whole different animal that doesn't even --

4 MS. VILLA:

5 Mr. Reine, I think I can comment on that  
6 very point that you're making. My understanding is that  
7 the intent is for the two systems to be eventually  
8 integrated. We're just rolling it out at a quicker pace  
9 than that integration could occur. I know that the  
10 secretary has worked with LWC on this, as well as our  
11 marketing communications department has worked with them  
12 very closely in developing this, and there was  
13 discussion about the integration. I don't know how far  
14 down the timeline that will occur, what the roadblocks  
15 have been, but we can definitely get a response to that  
16 so that you know where we stand with that.

17 MR. REINE:

18 That's good. That's the part I didn't  
19 hear, that they're going to be integrated.

20 MS. VILLA:

21 There has been coordinating efforts in  
22 that regard. Unfortunately, I don't have all of that  
23 information, but I can definitely get that and bring it  
24 back to the Board at our next Board meeting so that you  
25 know how that's going to interplay with each other.

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1 MR. REINE:

2 Thank you.

3 MS. VILLA:

4 You're welcome.

5 MR. ROY:

6 Any other questions or comments  
7 regarding the job connection?

8 (No response.)

9 MR. ROY:

10 Anything else?

11 MS. GUESS:

12 That's all.

13 MR. ROY:

14 All right. Under other business, EDAP  
15 Contract Amendment, Zagis/Gulf Coast Spinning. Ms.  
16 Bigner.

17 MS. BIGNER:

18 Hello again.

19 Okay. I have Dan Feibus with me from  
20 Zagis, and I have Kelsey Short from LED. Kelsey is the  
21 one who's handled the project in the department. Dan is  
22 from the company itself.

23 We originally did an EDAP contract with  
24 Zagis back in 2008 and it was to acquire property and  
25 machinery and equipment for a cotton yard facility.

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1 This was in Lacassine. At that time, they were supposed  
2 to create 119 jobs over a three-year period. When they  
3 got in there and they started hiring people, they  
4 realized that they had a better quality of employees  
5 than what they were expecting. So these employees were  
6 sufficient and they did not have to hire as many. So  
7 they fell short of their employees and their payroll,  
8 which caused a deficit on 907,562.82 remaining on the  
9 contract. Zagis was a phase one of a two-phased  
10 project, so now they're going into phase two. Phase two

11 is going to be Gulf Coast Spinning. This is going to be  
12 in Bunkie, Louisiana. This is going to be an additional  
13 cotton yard facility, and the department has agreed to  
14 take the employees from the new facility and their  
15 payroll to pay off the remaining \$907,000 plus change.  
16 So there's not going to be any money going out on the  
17 contract. What we're asking is to amend the contract to  
18 include Gulf Coast Spinning and their employees to  
19 satisfy the remaining amount on the Zagis contract.

20 we'd like to extend the contract for  
21 another three years. Originally it was supposed to  
22 expire as of December of 2013. So we're going to ask  
23 that we go out to the end of 2017. They're going to add  
24 307 jobs with the new facilities over in Bunkie with a  
25 total payroll of \$9.6-million in 2017.

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1 This is going to be in Avoyelles Parish.  
2 The unemployment rate in March was 5.4, compared to 4.5  
3 in the state, so their unemployment rate is a little bit  
4 higher. It's a more rural area, so these are going to  
5 be really good job opportunities in this area.

6 They're also going to be putting  
7 approximately \$130-million into this new facility, which  
8 is going to bring their total investment in Louisiana to  
9 \$150-million.

10 The staff recommends the approval of  
11 this amendment of the project as an EDLOP payroll credit  
12 loan. The company will be given two years to achieve  
13 their proposed 307 new job commitment in Bunkie  
14 as well as maintain employment of approximately 80  
15 employees in Lacassine. Zagis and Gulf Coast Spinning

16 must retain all jobs throughout the life of the EDLOP  
17 commitment. In addition, the company will increase  
18 payroll to the projected levels within the timeframe  
19 stipulated. If the required jobs are created and  
20 retained as is stipulated in the annual payroll levels,  
21 this EDLOP will be considered satisfied. However, if  
22 the company does not create the projected jobs and  
23 payroll on an annual basis, the unearned credit balance  
24 for that year will be due and payable to LEDC plus  
25 interest.

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1 If approved by the Board, the  
2 contingencies are as follows: Both Zagis USA, LLC and  
3 Gulf Coast Spinning Company will be solitarily obligated  
4 to performance under the amended EDLOP contract. The  
5 company will have 90 days to finalize the amendment or  
6 will have to appear before the LEDC Board to explain why  
7 the project is not underway. The outstanding balance  
8 for the amended EDLOP will be \$907,562.82. Zagis USA  
9 will continue to operate the existing yard spinning  
10 facility in Lacassine, Louisiana, and Gulf Coast  
11 Spinning, LLC will develop, build and operate a new yarn  
12 spinning facility in Bunkie, Louisiana. The companies  
13 will make a capital investment of a minimum of  
14 130-million in land acquisition, infrastructure  
15 improvements, machinery, equipment and tools into said  
16 facilities. The companies will operate said facilities  
17 for a minimum of three years and add 307 new jobs during  
18 this time period. At its own expense, companies will  
19 cover the cost of utilities and maintain the properties  
20 to keep them in as reasonably safe conditions as the

21 operations permit. The first full year of operation at  
22 the Bunkie facility will commence by January 1st, 2013,  
23 and total capital investment will be completed by  
24 December 31st, 2014. Companies will retain 80 existing  
25 jobs for three years, along with retention of associated

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1 annual payroll estimated of 2.4-million, exclusive of  
2 benefits and contract labor, to be increased at a  
3 minimum of two percent annually. Companies will make  
4 annual payments and interest payments on the EDLOP in  
5 the proportion to any non-performance relative to the  
6 new and existing annual payroll commitments over the  
7 employment period. If companies reach its payroll  
8 commitments, then no annual payment is due. New  
9 payroll, excluding benefits and contract labor, in  
10 excess of pledged new payroll at one year may be applied  
11 toward payroll commitments in subsequent years.  
12 Companies will maintain with the State an existing first  
13 position mortgage on property or equivalent collateral  
14 sufficient to reasonably secure payments that may become  
15 due. In the event companies fail to commence  
16 operations, cease operations, transfer ownership of the  
17 companies or substantially all of its assets to an  
18 entity that is not approved by the State or the  
19 agreement is terminated for cause, companies will make  
20 accelerated payments to the State an amount equal to the  
21 unpaid and uncredited principal balance remaining on the  
22 EDLOP plus accrued interest.

23                   They're not -- what Gulf Coast Spinning  
24 is going to be a sister type company. They're not  
25 exactly owned by the same people.

1 Correct?

2 MR. FEIBUS:

3 It's a separate infrastructure.

4 MS. BIGNER:

5 They're completely two separate  
6 companies. I have Dan Feibus here with the company if  
7 you have any questions.

8 MR. REINE:

9 They're completely separate companies,  
10 and so one is obligated for X number of dollars and the  
11 other company is going to agree to be equally obligated?

12 MS. BIGNER:

13 Yes, sir, they will. Both companies  
14 will sign the amended contract.

15 MR. REINE:

16 And my understanding was that you hired  
17 less employees than you projected, but you paid them  
18 more money, the ones that you did hire?

19 MS. BIGNER:

20 Correct.

21 MR. REINE:

22 I love that.

23 Somebody in the staff can help me. What  
24 are the requirements for wages and benefits under  
25 Quality Jobs? There's a certain wage and benefit that

1 has to be offered? One and a half times minimum or  
2 dollar amount or...

3 MS. GUESS:

4                   For Quality Jobs, the wages, I think  
5 it's 14.25, 45 an hour, and that doesn't include any  
6 health insurance benefits.

7                   MR. REINE:  
8                   what do you mean it doesn't include?  
9 But they are required?

10                  MS. GUESS:  
11                  They are required, yes.

12                  MR. REINE:  
13                  So roughly \$30,000 annual payroll  
14 qualifies?

15                  MS. GUESS:  
16                  I think. That sounds about right, yes.

17                  MR. REINE:  
18                  The only other thing I had a question  
19 on, it states that the property, "to keep them in a  
20 reasonably safe condition." what does that mean?

21                  MS. BIGNER:  
22                  That was part of the offer letter that  
23 was made from the department. I'm not quite sure. Yarn  
24 facilities, they're...

25                  MR. REINE:

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1                   I'm assuming you have to comply to OSHA  
2 standards and safety and State laws, and I've never seen  
3 a statement that says "reasonably safe conditions," and  
4 I don't know what that means.

5                   MS. BIGNER:  
6                   Right. well, that was one of the  
7 statements that was made in the offering letter and the  
8 original incentive CEA, so it was followed over. It's



9 just that the facility will have to meet all safety  
10 standards.

11 MR. REINE:

12 Okay.

13 MR. ROY:

14 So does Zagis -- is it Zagis?

15 MR. FEIBUS:

16 Yes, sir.

17 MR. ROY:

18 -- own any part of Gulf Coast Spinning?

19 MR. FEIBUS:

20 Basically, since I'm one of the larger  
21 individual equity owners in Zagis, we have -- the other  
22 major investments was a wealthy family. Since we  
23 started the plant, we more than doubled capacity, and,  
24 actually, why our payroll numbers are lower is that  
25 we're substantially more sufficient in terms of

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1 processes, et cetera, than we -- we've laid the  
2 machinery -- we've changed processes. We were kind of a  
3 manufacturing 24/7 operation. We've just completed  
4 adding about \$8-million of cap-ex this year to the  
5 plant, and the new plant is such a large capital  
6 investment that you really had to basically spread your  
7 capital risk out, you know, to the larger pool. It was  
8 too big a risk for one family to enter as a relative  
9 proportion of their assets.

10 MR. ROY:

11 So you created another corporation?

12 MR. FEIBUS:

13 Yeah, and we attracted additional

14 investment.

15 MR. ROY:

16 And you own a percentage of that as well  
17 as Zagis?

18 MR. FEIBUS:

19 That's correct. It's the same  
20 management team. Makes a lot of sense to spread your  
21 management team over a greater scale because it doesn't  
22 really expand your costs. Your costs are basically the  
23 same to run one as it is to run two on a non-direct  
24 basis, so you're getting greater efficiency at this  
25 scale.

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1 MR. ROY:

2 Neither one is publicly traded?

3 MR. FEIBUS:

4 No, sir.

5 MR. REINE:

6 Y'all have created another question for  
7 me.

8 Is Gulf Coast Spinning, which is the new  
9 company, are they getting any tax incentives or are they  
10 qualified for the Quality Jobs Programs or is there a  
11 package separate for them?

12 MS. BIGNER:

13 Yes, sir. There was an offer letter  
14 made from the department, and, as you can see, on the  
15 second page, we're expecting revenues of about  
16 \$20-million. They will be applying for the Quality Jobs  
17 program as well as the EDLOP for the remaining amount on  
18 the EDLOP.

19

MR. REINE:

20

But we're not going to count those

21

employees twice?

22

MS. BIGNER:

23

No, no. Quality Jobs is site specific.

24

MR. REINE:

25

I got that. I just want to make sure we

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1 wasn't giving them credit in both companies for the same  
2 employees.

3

MS. BIGNER:

4

No, sir.

5

MR. REINE:

6

Mr. Chairman, at the appropriate time,

7

I'll move for approval.

8

MR. MESSER:

9

Second.

10

MR. ROY:

11

Motion for approval and a second.

12

Any other discussions?

13

One final question, what's the timeframe

14

for the facility in Bunkie? I heard some timeframes,

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but they seem to have passed.

16

MR. FEIBUS:

17

Basically we made an announcement in

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December -- we didn't make it. The State made an

19

announcement in December as we were finalizing some, you

20

know, last elements of capital structure and we were

21

also organizing long-term takeout agreements with

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customers at that point, but, I mean, timing was what it

23

was. Right now, they are running the -- we're very

24 power intensive, so Cleco acquired the rights-of-way to  
25 bring the transmission power to the site. We've already

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1 begun site work and engaged in contracts for the  
2 electrical package site work and the building site work  
3 and are finalizing building plans right now. We expect  
4 it to take about six months to really build on these  
5 things, but we've already spent close to \$500,000  
6 designing out the building with our design team, which  
7 is actually a local architect, who we used in the first  
8 place.

9 MS. BIGNER:

10 So he's expecting to have the facility  
11 finished by the end of December, end of December 2014,  
12 and the employment period commences on January 21st of  
13 2015, so they'll start ramping up as early as the  
14 beginning of January.

15 MR. ROY:

16 Okay. Any other discussion?

17 (No response.)

18 MR. ROY:

19 Hearing none, all in favor, aye.

20 (Several members respond "aye".)

21 MR. ROY:

22 All opposed, nay.

23 (No response.)

24 MR. ROY:

25 Without objection. Congratulations.

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1 Please keep us posted. We wish you the best.

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MR. ANDRE:

Mr. Chairman, I have one question.

MR. ROY:

Yes, sir.

MR. ANDRE:

Did I understand you to say that the people that you're hiring in Lacassine were a lot more qualified than you expected them to be?

MR. FEIBUS:

We've had a pretty good work -- I mean, let me answer the question. We've got a very good workforce there. I relocated out of Carolinas, you know, where this industry traditionally has been. Our operations manager has 25 years experience and has run mega plants, and I can tell you, we only have three people from the Carolinas in the whole organization. Everybody else from the supervisory, management level, et cetera, has been sort of homegrown, so it's been a very successful greenfield startup.

MR. ANDRE:

Normally employers find that half of us are not as qualified, that that's not the norm. I just wondered what the specific reasons for that was.

MR. FEIBUS:

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2  
3  
4  
5  
6

I mean, not to get on a tangent, but, you know, each one of our spinning frames cost over a million dollars, so we have 15 spinning frames in Lacassine now. We originally started with, I believe, about 3,800 rotors. Right now, we're about 7,200 rotors, which will give you an idea as to what we've

7 been doing there. And, you know, we find that we have a  
8 lot of people coming in who have good industrial skill  
9 and have good mechanical aptitude, and we've been able  
10 to develop a pretty good core management and it's worked  
11 out fairly well.

12 MR. ANDRE:

13 Have there been some recent reduction in  
14 forces whereby there was still people put on the market  
15 and that's why you found a lot of skilled people?

16 MR. FEIBUS:

17 No. You know, we're air conditioned.  
18 We're a really clean environment. It's easy work for,  
19 you know, men or woman. It really -- it's not, you  
20 know, like heavy oilfield work or something like that,  
21 so, I mean, it's pretty decent conditions. It's very  
22 good. The air that we discharge out of that plant is  
23 cleaner than the air that comes in. We change the air  
24 out in the production environment, I think something  
25 like 14 times an hour. A huge amount. It's a huge air

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1 system. So, you know, we've -- you know, with Lake  
2 Charles, one of the reasons, you know, that we're  
3 looking at a lot of labor and spread it out, that we  
4 think it probably might get more challenging. We have a  
5 good core, you know, in that sort of Lake Charles  
6 market, but we're very, very happy with it. You know,  
7 we think that we want to diversify out around the State  
8 in order to, you know, catch our best labor force, but,  
9 you know, we've been very pleased.

10 MR. ROY:

11 Very good.

12 Any comments from the public?  
13 (No response.)  
14 MR. ROY:  
15 Thank you.  
16 MR. FEIBUS:  
17 Thanks.  
18 MS. BIGNER:  
19 Thank you.  
20 MR. ROY:  
21 Next order of business, the Economic  
22 Development Loan Program, Ms. Bigner, Almatiss, I  
23 believe.  
24 MS. BIGNER:  
25 Okay. I have Rick Ormet and Chuck

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1 Zatarain from -- Chuck has his own consulting firm, and  
2 he has been helping Almatiss with the transition. Rick  
3 is currently at the facility and he's going to be --  
4 what's your position?  
5 MR. ORMET:  
6 Controller.  
7 MS. BIGNER:  
8 Controller. I'm sorry.  
9 Previously, going back over the history,  
10 EDLOP was approved back in 2011. What they were doing  
11 was taking an idle facility and refurbishing it and  
12 getting it back up and going. They were going to  
13 have -- they were required to hire 243 employees. The  
14 plant has continued to operate. Back in 2013, Ormet  
15 filed bankruptcy. At that time, when I talked to the  
16 company, they said that there was a possible buyer and

17 the facility was going to continue to operate without  
18 any stop in the industry -- any stop in work. In  
19 January of this past year, we brought to you a letter  
20 regarding an assumption agreement for Ormet to Almatiss,  
21 so now the company has already transitioned over the  
22 Almatiss. It's going to be called Almatiss Burnside.  
23 They've maintained the employment; they've maintained  
24 the jobs and the payroll. They're very excited about  
25 the new facility. They want to make it a specialized

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1 facility, so there's going to be additional renovations  
2 made to the facility, and they're going to expand it a  
3 little bit further.

4 Almatiss is a company that is worldwide.  
5 They only have five facilities here in the United  
6 States, and then they have one in the Netherlands,  
7 Germany, India, Japan and China. So this is a  
8 well-known company, worldwide, who specializes in  
9 aluminum. So what we're basically asking is that we  
10 take -- we have an approval to amend the contract, to  
11 remove Ormet Primary and replace it with Almatiss  
12 Burnside. They've agreed to all of the requirements as  
13 they were previously in the contract for Ormet,  
14 including the collateral.

15 Staff recommends approval of this  
16 amendment of an EDLOP payroll credit loan. The company  
17 must retain all jobs throughout the life of the EDLOP  
18 commitment. If the required jobs are created and  
19 retained at the stipulated annual payroll levels, then  
20 this EDLOP will be considered satisfied. However, if  
21 the company does not create the projected jobs and



22 payroll on an annual basis, the unearned credit balance  
23 for that year will be due and payable to LEDC plus  
24 interest.

25 If approved, the following contingencies

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1 will apply: Almatris agrees to sign an appropriate  
2 promissory note, and multiple indebtedness mortgage and  
3 a UCC financial statement and/or any other documents  
4 necessary to evidence the loan agreement and collateral  
5 security agreement. The company will be have 90 days to  
6 finalize the amendment or will have to appear before the  
7 LEDC Board to explain why the project is not underway.  
8 Almatris will continue to operate the existing facility  
9 in Burnside, Louisiana and maintain employment and  
10 payroll as previously stated. The company will make  
11 annual principal and interest payments on the EDLOP in  
12 proportion to any non-performance relative to the new  
13 annual payroll commitment over the employment period.  
14 If the company reaches it's payroll commitments, then no  
15 payment is due. New payroll, excluding benefits and  
16 contract labor, in excess of pledged new payroll in one  
17 year may be applied toward payroll commitments in the  
18 subsequent year. Ormet and Almatris did have excessive  
19 payroll over the requirement in previous years, so they  
20 do currently have a credit going forward. I believe  
21 it's approximately \$60,000 -- \$70,000 almost. So that  
22 will still continue to be applied to future payments.

23 In the event the company fails to  
24 commence operations, cease operations, transfer  
25 ownership of the company or substantially all of its

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1 assets to an entity that is not approved by the State or  
2 the agreement is terminated for cause, company will make  
3 accelerated payments to the State in an amount equal to  
4 the unpaid and uncredited principal balance remaining on  
5 the EDLOP plus accrued interest.

6 MR. ROY:

7 Any questions?

8 MR. REINE:

9 At the appropriate time, I move that we  
10 approve the amendments.

11 MR. ROY:

12 Okay. Motion for approval of the  
13 agreement as presented.

14 MR. SIMPSON:

15 Second.

16 MR. ANDRE:

17 Mr. Chairman, I had to recuse myself  
18 when it was brought up in 2011 because Ormet was a  
19 customer of my company, so I need to recuse myself from  
20 this one as well.

21 MR. ROY:

22 That's fine.

23 Any discussion?

24 (No response.)

25 MR. ROY:

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1 Just one quick question, is there any  
2 connection between Ormet and Almatris in terms of  
3 anything aside from an acquisition?

4 MR. ORMET:

5                   No. They were completely two separate  
6 companies. One was based out of Germany, and they were  
7 actually one of our customers -- during the bankruptcy,  
8 they became one of our customers and they looked at our  
9 facility and they decided that they can take 100 percent  
10 of our production, which was great for us because we're  
11 a small plant. And if they hadn't come along, we  
12 wouldn't exist right now. So there's no connection,  
13 previous connection.

14                   MR. ROY:

15                   Very good.

16                   All in favor, aye.

17                   (Several members respond "aye".)

18                   MR. ROY:

19                   All opposed, nay.

20                   (No response.)

21                   MR. ROY:

22                   without objection. Thank you, sir. I  
23 appreciate you coming.

24                   MR. ORMET:

25                   Thank you.

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1                   MR. ROY:

2                   Next order of business, EDAP, Ms.  
3 Bigner, this pending application report.

4                   MS. BIGNER:

5                   All right. On the Treasurer's report,  
6 Mr. Andre had asked that I get a report together  
7 regarding what was on the report, and I thought --

8                   MS. VILLA:

9                   It's in section 10 of your report, the

10 Board's report.

11 MS. BIGNER:

12 I apologize. I printed it out, and I  
13 just don't see it right here right now.

14 On this report, I have listed all of the  
15 companies that are pending under the EDAPs, the last  
16 activity or interaction that I had with the company or  
17 consultant, how long the offer letter gives for the  
18 contract, where it will be located, the estimated Board  
19 date, what type of industry, what type of infrastructure  
20 would be used for the EDAP or the EDLOP, how many  
21 retained jobs they must have, what new jobs they're  
22 going to create, total jobs, and I've done the same with  
23 the payroll. In the notes, I have put if they're  
24 supposed to make a capital investment, how much, by the  
25 date that it's due, and if there's any other special

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1 circumstances that are listed in the offer letters.

2 MR. REINE:

3 what's the difference between  
4 unsponsored and sponsored?

5 MS. BIGNER:

6 A sponsored EDAP is where you have  
7 public infrastructure that's going to be owned by a  
8 public municipality, city court, economic development,  
9 you know, maybe a park that's owned by a public entity.  
10 The funds will be used to improve the public land or  
11 will be used to purchase something that will continue to  
12 be owned.

13 An unsponsored, it's all private. The  
14 private -- usually we ask for collateral and corporate

15 guaranty on the sponsored. The sponsor is the group  
16 that we go through for funds and everything. Sometimes  
17 we ask for collateral; sometimes we don't. It depends  
18 on how the department feels about each individual  
19 company.

20 MR. ROY:

21 Any questions or comments?

22 MR. ANDRE:

23 I just want to thank you for this. I  
24 asked for this, and this was well done.

25 MS. BIGNER:

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1 Thank you.

2 MR. ANDRE:

3 I appreciate it. I know it took a lot  
4 of time to do this. If this could be updated, I don't  
5 know on what basis, maybe not monthly, quarterly or  
6 whatever?

7 MS. BIGNER:

8 Yes, sir. I can do that.

9 MR. ANDRE:

10 Okay. Thank you.

11 MR. REINE:

12 Do we need a motion to accept?

13 MS. THAM:

14 So moved.

15 MR. ROY:

16 To the extent we need a motion to  
17 accept.

18 MR. REINE:

19 I so move.

20 MR. ROY:  
21 Motion.  
22 MS. THAM:  
23 Second.  
24 MR. ROY:  
25 Second.

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1 All in favor, aye.  
2 (Several members respond "aye".)  
3 MR. ROY:  
4 without objection.  
5 Any comments from the public?  
6 (No response.)  
7 MS. BIGNER:  
8 Thank you.  
9 MR. ROY:  
10 Thank you.  
11 All right. And an update by  
12 Mr. Broussard on SSBCI Consultant's Report.  
13 MS. GUESS:  
14 Mr. Chairman, while Keith is coming to  
15 the table, I'll give you a real brief background of who  
16 Mr. Broussard is. I know he will tell you, but as you  
17 may recall sometime ago I mentioned that Treasury  
18 was interested in helping LED with our marketing of our  
19 SSBCI program. We were one of about three states that  
20 Treasury engaged outside consultants to help with the  
21 marketing of our program, and I gave you updates as to  
22 how we were going towards our marketing. Mr. Broussard,  
23 along with his cohort, that was Kevin Williams, who were  
24 the two consultants that were assigned to us by

25 Treasury, assisted us with our marketing campaign, which

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1 we all determined was very, very successful. Another  
2 four more legs on the ground. It helped us really reach  
3 out to a lot more people, and so Keith is going to give  
4 us a summary of his final report that was submitted to  
5 Treasury and subsequently submitted to us, which we have  
6 provided you a copy with today.

7 MR. ROY:

8 Mr. Broussard.

9 MR. BROUSSARD:

10 Yes. Good morning. As she said, my  
11 name is Keith Broussard. I'm CEO and President of KCB  
12 Capital Management. It's a financial consulting firm  
13 that consulted with individuals, businesses and  
14 municipalities in terms of financial management. I've  
15 been in business for over 30 years. As a matter of  
16 fact, I can remember when Ms. Brenda was considered "Ms.  
17 LEDC," and now she has gotten to the point where it's  
18 now "Her Majesty Executive Director of LEDC," and I'm  
19 sure she has done a great job for you-all.

20 Again, we were commissioned by the U.S.  
21 Treasury to assist LEDC in marketing its program. As  
22 y'all are aware -- I'm sure you-all have a copy of your  
23 report. As y'all are aware, this LEDC and the State of  
24 Louisiana was the recipient of \$13-million funding.  
25 Five-million dollars of it was allocated to the Venture

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1 Capital and another 8-million toward their Loan Guaranty  
2 Program. We were brought in to assist them in their

3 outreach efforts to the banks and to financial  
4 institutions to put the money out on the street. We met  
5 with LEDC and Treasury. We developed a plan of action,  
6 and this is the result of the plan of action. I'm sure  
7 y'all have reviewed it. The main idea that we wanted to  
8 get across is that idea of keeping the program in front  
9 of the bankers. In our survey, in planning to put this  
10 together, we got the comments from the some of the  
11 bankers, and a lot of them was, well, they just didn't  
12 even know the program existed or they had participated,  
13 but it was so long ago they had just forgotten about it.  
14 So one of our recommendations is to keep it in front of  
15 the bankers. We're recommending, like, for instance,  
16 like what we did this time was, at the beginning of the  
17 year, we partnered with LBA, partnered with the small  
18 business development centers and we put on nine  
19 workshops throughout the state. They did e-blasts. We  
20 worked with some of the congressional offices for them  
21 to put out e-blasts announcing what we were doing. As a  
22 result of that, we did hold nine meetings throughout the  
23 state. We were able to get the data together of who  
24 attended, for who were interested, and we've provided  
25 all of that information to LEDC so that they have the

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1 ammunition to go out and market the program.

2                   The other part of the recommendation, I  
3 guess, will come from you as the Board. This program,  
4 this Loan Guaranty program had already been established  
5 when the moneys came here in from Treasury. There's a  
6 program in Alabama where they never had a guaranty  
7 program, so they can design it based on whatever would



8 fit, and they were able to get all of their money out on  
9 a very quick turnaround basis. But because LEDC had  
10 already had an established program, that there were  
11 statues that govern you and that y'all had to adhere to.  
12 we're not recommending going totally of what Alabama  
13 did, but there some things, because of the advance of  
14 technology, because of the quick turnaround that's  
15 required on these types of transaction, that the Board  
16 should be considering some of the things that the staff  
17 is going to recommend that may not be traditionally how  
18 the Board has operated, and we just want to ask you that  
19 you take those into consideration.

20 AS I said, the report is there for y'all  
21 to review. If y'all have any questions, I'll welcome  
22 the question.

23 MR. ROY:

24 Any one, questions or comments?

25 (No response.)

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1 MS. GUESS:

2 The only other comment that I'd like to  
3 make is that what you saw today is, like we had Hope  
4 Credit Union here, and the credit unions was one of the  
5 groups that we were targeting for participation in the  
6 Loan Guaranty Program. Our recent participation and  
7 presentation at the LBA Convention back in May was  
8 very -- I would say it fruitful. It has been. Banks  
9 that came to us that when they found out that we were on  
10 the agenda, they would come and say, "Oh, I'm not coming  
11 to your presentation because you remember I came to  
12 Monroe or I was at the seminar in Sulphur and I want to

13 go hear about something else," so we know about it and  
14 it has been -- we've received more phone calls than  
15 we've received deals thus far. We made it clear that we  
16 would entertain any questions that a bank might have, to  
17 give us a call to see if a particular credit that they  
18 were considering or something that was already on their  
19 desk or just a customer's inquiry to call and talk it  
20 through with us and we could see just by them sending us  
21 maybe a brief e-mail to give us a the down and dirty of  
22 what the scenario is and we know that -- I think that  
23 this is going to be a real busy summer for us, which is  
24 unlike the ones we've had in the past.

25                   we have, I think, approximately a couple

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1 of -- more than a couple deals that are in the pipeline,  
2 and we've got a friendly competition going on among  
3 staff to be the first, second or third or if not  
4 simultaneously to bring us in that next deal that puts  
5 us over that 80 percent for us to request our third and  
6 final tranche. And so we're excited, and I'd like to  
7 publicly thank Keith for his assistance in helping us,  
8 and I think with just the pushing us a little bit  
9 further than we had normally gone and working with our  
10 staff and working with Treasury, that we've been able  
11 to -- I think we're going to see some real powerful  
12 improvements to what we're doing, how we're doing and  
13 we're going to see our pipeline and our deals will pick  
14 up quite a bit.

15                   MR. ROY:

16                   Very good.

17                   MR. REINE:

18 I've got two questions.

19 MR. ROY:

20 Yes, sir.

21 MR. REINE:

22 Go ahead.

23 MR. SIMPSON:

24 Mine was regarding the fact that they  
25 want an approval for the Board Loan Committee to approve

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1 loans over a million dollars. What would that -- who  
2 would be the Board Loan Committee?

3 MR. BROUSSARD:

4 Well, the Board would assign the Board  
5 Loan Committee, and basically that was suggestions so  
6 that it doesn't need approval of the full Board so it  
7 can be a faster process, but the committee would be made  
8 of Board members.

9 MR. SIMPSON:

10 Of Board members.

11 MS. VILLA:

12 Currently we have a Finance Committee  
13 that's a subcommittee of the Board members that I'm a  
14 participant of as well, so the proposals would go  
15 through to the Finance Committee to grant them more  
16 authority than just the million dollars -- up to a  
17 million dollars.

18 MR. ANDRE:

19 Finance or Screening?

20 MS. VILLA:

21 Screening. I'm sorry. Screening  
22 Committee, correct.

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MR. ROY:

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So the recommendation would be to

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increase the authority of the Screening Committee?

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MS. VILLA:

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The Screening Committee, yes. Thank you

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for that correction. I'm so used to Finance.

4

MR. REINE:

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That was one of my questions. First of

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all, it says that it's required of the Board approval.

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Who requires it, the rules, the Fed, the State?

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MS. VILLA:

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It's in the bylaws currently.

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MR. REINE:

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The bylaws.

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wouldn't it seem more reasonable to give

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the Chairman the authority in the event that a quorum

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wasn't reached to appoint a committee to approve them

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pending final Board approval? That way, if you do that

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committee and the committee doesn't show up, you're not

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any better off than you were to begin with, but if the

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Chairman has the authority to appoint the committee in

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the event when the quorum can't be reached, he could

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appoint to available people and have the meeting. You

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might not be solving your problem with whatever

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committee you give this to if it's the same people who

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can't make the meeting, and then you could choose from

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the people who are available to have your committee and

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you'll get a quorum.

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MR. ANDRE:

That's good. The difference is the amount?

MR. ROY:

Yes. I think your point is a good one. I think that that would be one prongs of the fork, but the other part would be the amount.

Yes, sir.

MR. BROUSSARD:

And the other thing, I think in order to get approval, the members, the Board members have to be present. Well, in these days of technology of being able to do a conference, that if they can vote based on a conference meeting.

MR. ROY:

Then I think we run afoul of Public Open Meeting Law. We would like to do that, but I think we're precluded by law from doing that.

MS. GUESS:

And then let me point out, as they were developing their report and some of the recommendations, we hadn't been on the same page, you know, with some of their recommendations because some of the things that the other states are doing, we don't have that luxury of doing because we're bound by statutes. And one of the

things that we are already in the process of doing is to go through the finalization internally of the consultant's report and see which parts of this report actually we'll be able to allow.

MR. ROY:

6                   So the plan is for staff to come back to  
7 the Board with recommendations based on Mr. Broussard's  
8 report?

9                   MS. VILLA:

10                   Correct, and we would have proposed  
11 bylaw changes that would have to be approved by the  
12 Board.

13                   MR. REINE:

14                   Let me make a statement. I'm not real  
15 comfortable giving up the authority of the Board. If we  
16 can meet them halfway, we can have a process in which  
17 they can move forward, but at the end of the day, over a  
18 million dollars, I'd still like for the Board to have  
19 the ultimate authority, the ability at its next Board  
20 meeting to look at it, and if there's a problem that is  
21 not foreseen by the committee to take some action. So  
22 my suggestion that allows for them to do the committee  
23 would be an initial approval. I still think that,  
24 unless there's a process in which we don't approve it at  
25 the next Board meeting, could the full Board have the

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1 tonight to look at the documents, ask questions and have  
2 some input. I'm not crazy about saying won't come to  
3 the meeting and do what we've come to do.

4                   My other question is about bid cos, and  
5 I don't understand probably enough about bid cos, but  
6 why we haven't allowed them, is there some reasoning or  
7 there's -- this recommends doing business with bid cos.  
8 It says that our policy in the past is not to allow bid  
9 cos to submit for loan guarantees. Is there some  
10 reasoning I don't know about that we don't allow them?

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MS. GUESS:

The bid cos that are in existence, the majority of them in Louisiana already have state dollars, so, in essence, we may be in -- and depending on that particular bid co, we may be guaranteeing our own money.

MR. REINE:

Okay. That makes sense.

MR. ROY:

Any other questions or comments?

MS. THAM:

I did have a comment. I was very impressed with the efforts that were made to educate and make the lenders aware. I thought that that was a very the enthusiastic approach and it looks like it may bear

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some fruit and I hope that kind of contact continues.

MR. ANDRE:

And I commend you for this report. Well done.

MR. BROUSSARD:

Thank you.

MR. ROY:

And I'll echo that. Being a member of the banking community, I don't know if we've had an effort to date that has been more comprehensive in our attempts to touch the creditors, and I commend staff, Mr. Broussard. Great effort. I think it's going to produce some fruit.

MS. GUESS:

well, one of the things that Steve and I

16 have been finding as a challenge, and also with the  
17 staff, is that we've got all of the phone calls coming  
18 in, deals coming in, and I'm asking, "Okay. Where's  
19 that marketing schedule?" Well, you know, we still have  
20 the same three or four people that we've already had,  
21 and so we're just having to schedule a little bit better  
22 our marketing trips as a result of the survey and the  
23 banking -- our presentation, I know, at LBA, we have  
24 more one-on-one requests being asked for to come talk to  
25 a group of lenders at my branch. And so as long as

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1 they're, you know, day trips and not a two-day,  
2 three-day trips out of the office, we're going to spread  
3 out ourselves a little bit thinner because we have an  
4 ultimate goal to achieve and we want this program to be  
5 really successful.

6                   we did find out during a recent -- the  
7 annual SSBCI Annual Conference that there might be an  
8 additional round of dollars in the President's budget for  
9 SSBCI past the sunset date of 2017, which is when this  
10 ends. So we're still waiting to see if that's going to  
11 be a reality or not, so it will continue and that will  
12 give us more money. We're starting to have some loans  
13 that were made back in 2011, 2012, have paid off, and  
14 we're starting to recycle a lot of those funds, so we're  
15 moving forward.

16                   MR. ROY:

17                   Very good.

18                   MR. REINE:

19                   Mr. Chairman, I make the motion that we  
20 accept the report and that we request the staff to look



21 into providing us with some draft language based on our  
22 conversation to address the timely approval of  
23 guarantees over one million dollars.

24 MR. ROY:

25 Okay. We have a motion.

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1 MR. ANDRE:

2 Second.

3 MR. ROY:

4 Second from Mr. Andre.

5 Any discussion?

6 (No response.)

7 MR. ROY:

8 All in favor, aye.

9 (Several members respond "aye".)

10 MR. ROY:

11 Any comments from the public?

12 (No response.)

13 MR. ROY:

14 without objection. Thank you, Mr.

15 Broussard. I appreciate you report.

16 MR. BROUSSARD:

17 I want to thank you-all for allowing me

18 to present this today, and it was a pleasure working

19 with the staff and we look forward to other

20 opportunities to do so again.

21 MR. ROY:

22 well, we appreciate the information,

23 and, perhaps, most importantly, we appreciate the

24 information about Brenda. I'd ask that she wear her

25 sash next meeting that says she was Ms. LED and her

1 crown if you could do that for us.

2 MS. GUESS:

3 I'll try to do that.

4 MS. VILLA:

5 I'm just not certain -- I'd like to  
6 recognize -- I believe y'all know that Rick retired,  
7 Rick Broussard retired after many, many years of service  
8 here to the State of Louisiana, to LED and to this  
9 Board, and I believe this is Steve Baham's first meeting  
10 here with the Board in his capacity here, so he is the  
11 New Business Manager for LEDC and for business  
12 incentives and supporting the LEDC Board in that  
13 capacity.

14 MR. ROY:

15 Very good.

16 MR. REINE:

17 welcome aboard. If I had known it was  
18 your first meeting, I would have asked you a lot of  
19 questions.

20 MR. BAHAM:

21 well, first meeting in four years, so  
22 it's good to be back.

23 MS. VILLA:

24 He was previously with LED.

25 MR. ROY:

1 Okay. Is there anything else?

2 MR. REINE:

3 Move to adjourn.

4 MR. ROY:  
5 Motion to adjourn.  
6 MR. MESSER:  
7 Second.  
8 MR. ROY:  
9 We're adjourned.  
10 (Meeting concludes at 11:32 a.m.)  
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1 REPORTER'S CERTIFICATE:  
2

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

9 prepared and transcribed by me or under my personal  
10 direction and supervision, and is a true and correct  
11 transcript to the best of my ability and understanding;

12 That the transcript has been prepared in  
13 compliance with transcript format required by statute or  
14 by rules of the board, that I have acted in compliance  
15 with the prohibition on contractual relationships, as  
16 defined by Louisiana Code of Civil Procedure Article  
17 1434 and in rules and advisory opinions of the board;

18 That I am not related to counsel or to the  
19 parties herein, nor am I otherwise interested in the  
20 outcome of this matter.

21

22 Dated this 9th day of July, 2014.

23

24

25

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ELICIA H. WOODWORTH, CCR  
CERTIFIED COURT REPORTER