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MEETING MINUTES FOR THE BOARD OF DIRECTORS
OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
HELD AT
LASALLE BUILDING
LABELLE ROOM
617 NORTH 3RD STREET
BATON ROUGE, LOUISIANA
ON THE 23RD DAY OF SEPTEMBER, 2016
COMMENCING AT 9:34 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR



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LEDC BOARD OF DIRECTORS

1 **Appearances of Board Members Present:**

2 Alden Andre
3 Will Cambell, Junior
4 Nitin Kamath
5 Mandi Mitchell
6 A.J. Roy, III
7 Susan Tham

8 **Staff members present:**

9 Steve Baham
10 Susan Bigner
11 Eric Burton
12 Bob Cangelosi
13 Frank Favaloro
14 Brenda Guess
15 Christian Pennington
16 Errol Smith
17 Melissa Sorrel
18 Anne Villa

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MR. ROY:

Good morning. If everyone will have a seat, we'll get started. Glad to know even the government can say let there be light, and there's light.

Call to order the Board of Directors of the Louisiana Economic Development Corporation.

Rollcall, please

MS. SORREL:

A.J. Roy.

MR. ROY:

Here.

MS. SORREL:

Alden Andre.

MR. ANDRE:

Here.

MS. SORREL:

Louis Reine.

(No response.)

MS. SORREL:

Susan Tham.

MS. THAM:

Here.

MS. SORREL:

Mandi Mitchell.



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1 MS. MITCHELL:
2 Here.
3 MS. SORREL:
4 Cal Simpson.
5 (No response.)
6 MS. SORREL:
7 Nitin Kamath.
8 MR. KAMATH:
9 Here.
10 MS. SORREL:
11 Will Campbell.
12 MR. CAMPBELL:
13 Here.
14 MS. SORREL:
15 We have a quorum.
16 MR. ROY:
17 Very good. I'll ask everyone to please
18 silence their cell phones.
19 Before we go any further, it is my
20 privilege to introduce our new board member, Mr. Will
21 Campbell to my left.
22 Mr. Campbell, welcome. Glad you could
23 join us. We look forward to serving with you. Perhaps
24 you'd like to say a few words.
25 MR. CAMBELL:



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1 Good morning to everybody. Just glad to
2 be a part of the Board here.

3 Just to give you a little bit about my
4 background, I'm from a little town called Lucedale
5 Mississippi, graduated from University of South Alabama
6 with my undergrad degree. I got my master's from
7 Liberty University in Lynchburg. Spent about 17 years
8 in the military; retired out in 2003 as a captain. I've
9 been in banking about 20-something years. I worked for
10 Wells Fargo, Capital Bank. I was an SBA man for a
11 number of years. Now I'm VP of Commercial Services for
12 Ascension Federal Credit Union.

13 I love coaching home school basketball,
14 and wife and three beautiful children, and, you know,
15 she's the boss of the house, so...

16 Just glad to be here and part of the Board
17 in any way we can assist. Thank you.

18 MR. ROY:

19 Thank you.

20 The first order of business is the
21 approval of the April 15th minutes.

22 MS. MITCHELL:

23 Move to approve.

24 MR. ROY:

25 Motion to approve as presented.



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MR. ANDRE:
Second.
MR. ROY:
Second.
Any discussion?
(No response.)
MR. ROY:
Hearing none, all in favor, "aye."
(Several members respond "aye.")
MR. ROY:
All opposed, "nay."
(No response.)
MR. ROY:
Without objection.
Next order of business, the inhouse
approvals, Small Business Local Guaranty Program. Who's
going to give us an update on that?
MR. BAHAM:
I'll be happy to give you a quick update
on this loan. We did this one back in June, earlier in
this year. This was done by Ms. Shamelda Pete, one of
our loan officers, who's unable to attend today. This
one being considered is True Fund Financial Services out
of New Orleans for Gulf South Engineering and Testing.
They specialize in engineering and soil testing. The



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1 company's been around since 2011. They were mainly
2 looking for a new loan for additional trucks. They
3 currently have a staff of 18 employees, which they were
4 planning on a hiring minimum of two new jobs. The main
5 reason they were acquiring these vehicles is they have a
6 contract with the expansion of New Orleans Airport to do
7 a lot of the groundwork involved with the new runways
8 and terminals.

9 Very good business. Been around for,
10 like I said, since 2011. They're growing fairly strong.
11 We actually picked this one up after having meetings
12 earlier this year at the Bankers Conference in New
13 Orleans. We met with True Fund after the conference and
14 kind of went through the loan, and Shamelda piked it up
15 and knocked it out of the park with this one.

16 MR. ROY:

17 Very good. Any questions or comments
18 from the Board?

19 (No response.)

20 MR. ROY:

21 This is approved. This is just by way
22 of information for everyone.

23 Thank you.

24 Next order of business is under the EDAP
25 Program, Lotte Chemical Louisiana, LLC, and, for the



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1 record, Mr. Andre is going to recuse himself. He feels
2 that he should do so.

3 Steve.

4 Morning.

5 MR. ROCK:

6 Good morning.

7 MR. BAHAM:

8 With me today for the first EDAP request
9 that we have for Lotte Chemical is Mr. Jim Rock, who is
10 right here to my left, and the consultant for the
11 project, Mr. Jesse Broderick.

12 This EDAP is an unsponsored EDAP award
13 for payroll credit in the amount requested of
14 \$1,470,000.

15 Lotte Chemical of Louisiana, LLC is a
16 wholly-owned subsidiary of Lotte Chemical USA
17 Corporation. They have been around since 1976. They
18 continue to grow by successfully expanding their
19 business operations through vertical immigration of both
20 its raw material extraction and also production of new
21 products. They're a global company. They sell to
22 companies, other companies around the world, and
23 approximately 152 countries and growing.

24 Their most recent expansion, which this
25 EDAP request is for, is for a new -- bare with me. I'm



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1 not familiar with these terms -- 700 kiloton per annum
2 or 1.5-billion pounds per year of monoethylene glycol
3 plant in Westlake, Louisiana, which is in Calcasieu
4 Parish. The new plant will be fully integrated with our
5 next EDAP request for the newly-formed joint venture of
6 LACC, LLC, which that is proposing a 1,000 kiloton per
7 annum or 2.2-billion pounds per year ethenol cracker.

8 The proposed monoethylene glycol plant
9 or MEG has the capacity to produce products to be
10 distributed to customers throughout primarily US, Europe
11 and Asia, and once it's completed and fully operational,
12 this will be the largest MEG plant of the kind in the
13 US.

14 As I said, the EDAP request is for
15 \$1,470,000. We will be assisting with infrastructure
16 and improvements. Primarily we're looking at road
17 upgrades and associated activities with the
18 infrastructure.

19 Lotte Chemical will provide the state
20 with either a first position mortgage or equivalent
21 because it is an unsponsored, so it's all owned by
22 private property. The total project is approximately
23 \$1.1-billion. It would be the infrastructure
24 improvement of 1.47-billion. It is .14 percent of the
25 overall project budget. The rest of it will be financed



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1 primarily through the company itself.

2 Job performance goals that the company
3 has agreed to is to create and maintain 80 new jobs at
4 an annual payroll of 8.1-million to be reached by 2022.
5 And just for comparison purposes, Calcasieu Parish's
6 unemployment rate in July 2016 is 5.5 percent as
7 compared to the state rate of 6.9 percent for the same
8 time period, and the per capita income of Calcasieu
9 Parish in 2014 was just over \$40,000 compared to the
10 state per capita of \$42,000.

11 Staff recommends approval of this
12 project as an unsponsored EDAP payroll credit award with
13 our basic contingencies that we normally have. The
14 company has agreed to create those 80 jobs and maintain
15 them through the life of the EDAP project with the
16 associated payroll of 8.1-million through 2022.
17 Additionally, the total capital investment by Lotte
18 Chemical and the Westlake facility will be invested by
19 the company at a rate of 1.1-billion to be hit by May
20 1st, 2018.

21 And with that, I'm going to turn it over
22 to Mr. Rock and Mr. Broderick as they have a little bit
23 more information about the company and give you a little
24 bit more detail about the activities that are taking
25 place in Westlake.



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1 MR. ROCK:

2 Thanks, Steven.

3 I'm Jim Rock. I'm the executive
4 director of the site for Lotte Chemical, USA, which has
5 ownership of both LACC and LCLA. They own 100 percent
6 of LCLA, which is Lotte Chemical of Louisiana, and they
7 own 90 percent of LACC, which is located at Axiall
8 Corporation. And the investment for LACC is a
9 1.9-billion. For LCLA, it's 1.1-billion for a total of
10 \$3-billion.

11 And one thing I'll start out by saying,
12 I've heard it pronounced Lotte, Lotte, and Lotte, and
13 it's actually Lotte.

14 MS. MITCHELL:

15 Thanks for that correction. That was
16 going to be my question.

17 MR. ROCK:

18 They're headquartered in South Korea.
19 It's a very large corporation, very integrated
20 corporation that has a lot of retail products of
21 beverages, foods, hotels, hotels in New York City and
22 around the world. They've got total of 200,000
23 employees worldwide, including about 70,000 in Korea and
24 South Korea, and elsewhere in the world. The investment
25 represents not only the largest MEG plant in the US, by



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1 far the largest investment that Lotte has. Prior to
2 this investment, we had about a 303-employee facility
3 just outside of Hyundai manufacturing plant in Southeast
4 Alabama, so this is a big investment for Lotte, a big
5 investment for -- a foreign investment for the State of
6 Louisiana and we're glad to pick Louisiana because of
7 the workforce, because of the -- deepwater ports, also
8 the Lake Charles plant and also the integration with the
9 what used to be BP industries and it became Axiall and a
10 couple weeks ago became part of the Westlake Chemical.

11 MR. ROY:

12 Any questions or comments?

13 MS. MITCHELL:

14 Mandi Mitchell, Assistant Secretary.

15 Thank y'all for being here today.

16 I was just looking through your
17 presentation and wanted to emphasize the economic impact
18 of the project being 66.7-million and an estimated local
19 tax revenue of 215-million over the 10-year period. Did
20 you want to elaborate on that?

21 MR. ROCK:

22 Well, our total improvement for the two
23 sites is going to exceed about 215 or so. We've also,
24 right now, the Lotte offices are in Houston, Texas.
25 That's because CB&I was already in contract for a



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1 project and then contemplated moving the USA
2 headquarters into Louisiana to Westlake. If that comes
3 comes to fruition, that's going to bring, as you can
4 imagine, high-salary jobs. There will be a lot of state
5 income tax abatement and a lot of purchases if somebody
6 moves, they're buying houses; they're buying groceries;
7 they're buying gas; they're going out to eat at
8 restaurants. There's a lot of other investments going
9 into Calcasieu Parish, as I'm sure you're aware of, so
10 it's going to be a tremendous benefit for the parish as
11 well as the state.

12 MS. THAM:

13 Can I ask quickly what the number of
14 people at the headquarters currently is?

15 MR. ROCK:

16 We're anticipating that it's going to
17 add about 25 jobs, president, financial, HR.

18 MS. THAM:

19 All high salary?

20 MR. ROCK:

21 Right.

22 MR. ROY:

23 Yes, sir.

24 MR. BRODERICK:

25 My name is Jesse. I just want to add



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1 to your comment that the state revenue of 66.7, I mean,
2 that's mostly made up of the sales tax and the benefits
3 the state will get from the indirect jobs that come.
4 What's not included is the anticipated income tax
5 revenue. Now, you could anticipate there could be over
6 300-million in additional income tax that the State of
7 Louisiana will get over the next 10 years as a result of
8 this project.

9 MR. ROY:

10 I'm sorry. I missed your title and
11 name.

12 MR. BRODERICK:

13 Jesse Broderick. I'm managing partner
14 of SumIT Credit.

15 MR. ROY:

16 Thank you.

17 Any other questions or comments?

18 MR. CAMPBELL:

19 I just want to ask, what motivated you
20 to look at purchasing this particular project?

21 MR. ROCK:

22 Well, this project is important for
23 Lotte because they wanted to take advantage of the
24 low-priced ethane, which was a stateside ethylene
25 cracker. Other parts of the world, ethane is either



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1 very expensive or nonexistent and does not fit the other
2 feedstock, so being able to take advantage of the low
3 cost of ethane was a very important factor into this
4 area. And, also, building a plant, the smaller you
5 build a plant, the less economy of scale have, so they
6 wanted to build a full-scale facility, and they had
7 demand for about 1-billion pounds a year to meet their
8 MEG requirements. And Axiall, who uses approximately
9 about a billion pounds a year for their Westlake
10 facility, and so in their existing Westlake facility,
11 they produced, according to cost of just the basic
12 products, to sell most of the cost, about 65 percent of
13 chlorine will be used in derivative products, and those
14 derivative products all contain a carbon molecule and
15 the ethane and carbon molecule in the plant. So they
16 produce perchloroethylene, trichloroethylene, methyl
17 chloroform, EDC is ethylene dichloride and dichloride,
18 which goes to the EBC, which, you know, is housing and
19 that sort of...

20 MR. CAMPBELL:

21 Got you.

22 MR. ROCK:

23 So we looked for a partner that needed
24 about the equivalent amount of ethylene.

25 MR. ROY:



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1 Good match and a great place to do
2 business.

3 MR. CAMPBELL:

4 Got you.

5 MR. ROY:

6 Anyone else?

7 (No response.)

8 MR. ROY:

9 Hearing none, I'll entertain a motion.

10 MS. MITCHELL:

11 Move to approve the unsponsored EDAP for
12 Lotte Chemical at 1.47-million.

13 MS. THAM:

14 Second.

15 MR. ROY:

16 Motion and a second.

17 Any other discussion?

18 (No response.)

19 MR. ROY:

20 Hearing none, all in favor, "aye."

21 (Several members respond "aye.")

22 MR. ROY:

23 All opposed, "nay."

24 (No response.)

25 MR. ROY:



1 Any comments from the public?

2 (No response.)

3 MR. ROY:

4 Hearing none, it's approved.

5 Congratulations. Please keep us posted on your success.

6 MR. ROCK:

7 Thank you.

8 MR. ROY:

9 Next order of business is LACC, LLC, US,
10 and that's the Axiall Corporation. They related a
11 project?

12 MR. BAHAM:

13 With me again is Mr. Jim Rock and Jesse
14 Broderick representing LACC here for this project.

15 As Mr. Rock pretty much summed up the
16 relationship between the two companies in his
17 presentation just a minute ago, I'll go ahead and quick
18 you a quick rundown.

19 As he said, Lotte Chemical is building a
20 new facility, which we just approved to assist in the
21 infrastructure improvements at the Westlake location
22 next door to Axiall Corporation.

23 Just to give you a brief history, Axiall
24 Corporation has been operating in Southwest Louisiana
25 for many decades, I believe over 70 years now, and



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1 they're a global provider of chemicals and building
2 products. They mainly utilize natural resources in its
3 essential ingredients, like chlorine, caustic soda,
4 needed to create products such as minor building
5 materials, siding, windows, doors, trims, pipefitting,
6 et cetera.

7 For Axiall Corporation, this joint
8 venture plant represents continued investment into the
9 State of Louisiana and the people of Calcasieu Parish.
10 This new plant, which is a joint venture between Lotte
11 and Axiall, will be, once created, it's a newly-created
12 ethenyl cracker, will be able to produce approximately
13 1-million metric tons of ethylene a year. Also, for
14 Lotte, not only is this representing an expansion of
15 their operations here in the US, but it marks the first
16 Korean-based petrochemical company to locate here than
17 anywhere in the United States.

18 This particular EDAP request is for
19 700,000, which will also go towards improvements to the
20 infrastructure or additions to privately-held
21 infrastructure, like rooms and all of the associated
22 pieces that go with that.

23 The total project for this is
24 \$1.9-billion of which the 700,000 represents just .04
25 percent of the overall cost of the project. Similar



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1 documents and payroll commitments made for this
2 particular plant. Axiall has agreed to retain 1,600
3 jobs with an approximate annual payroll of \$86-million
4 at an increase of two percent per year through 2022.
5 And, also, LACC, which is the new joint venture, has
6 agreed to create and retain 135 new jobs throughout the
7 life of the EDAP at an annual payroll of 11.5-million by
8 2022.

9 Just to reiterate, the previous project
10 and this protect, while they're related and while Lotte
11 Chemical does own 90 percent of this joint venture,
12 they're two separate entities. The 80 jobs from the
13 previous EDAP will be separate. They are totally
14 separate from the 135 jobs and payroll for this plant,
15 so they will be reported and that's why they're being
16 presented as two separate projects because they are
17 legally two separate entities and all of the jobs and
18 investment will be completely separate.

19 Staff would recommend -- recommends
20 approval of this protect as an unsponsored EDAP and
21 payroll award. Axiall has, as I said, agreed to retain
22 1,600 jobs with an estimated payroll of 66-million to be
23 increased by two percent annually, and LACC will create
24 135 new jobs with an estimated payroll of 11 and half
25 million by 2022. We have all of our standard



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1 contingencies, which I might add the additional
2 investment by LACC will be at least 1.9-billion by May
3 1st, of 2018.

4 And I'm going to pass it over to
5 Mr. Rock and Mr. Broderick for any additional
6 information I may have missed or skimmed over and answer
7 any questions you have.

8 MR. ROY:

9 Before you begin, just for the record,
10 Mr. Andre is recusing himself from this matter as well.

11 You may proceed. Thank you.

12 MR. ROCK:

13 This project, the LACC part is important
14 because you can't make MEG without the E, so that's why
15 it's titled that project.

16 The Axiall portion is going to supply
17 their ethylene need for their Lake Charles or Westlake
18 facilities of both the North and South plant, and
19 currently -- that plant started up in 1947, so it's got
20 over 70 years of operations since that time. In the
21 early 1960s, when the plant expanded and started to
22 produce for the -- in like with those projects and so
23 they started purchasing ethylene at that time. So right
24 now, the plant is, historically since the '60s, have
25 bought ethylene from a variety of producers in Southeast



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1 Texas and around Louisiana getting their own
2 producer-based economics. Ethylene is going to help
3 ensure the actual plant can operate another 70 years.
4 It's very competitive. That's why it's important.

5 MR. ROY:

6 Would you like to add anything to that
7 before we have questions?

8 MR. BRODERICK:

9 No. At this time, I'm just going to
10 help answer any questions.

11 MR. ROY:

12 Questions or comments?

13 MS. THAM:

14 It appears that there's plenty of demand
15 for this project; right, just in the companies here that
16 even building such a big facility, it's not going to
17 surpass the demand, is it?

18 MR. ROCK:

19 No, certainly not. There will be no
20 other -- no other ethylene plants will be shutting down
21 as a result of this.

22 MR. BRODERICK:

23 I guess I could point out if you have
24 your presentation in front of you, if you looked at the
25 map, you can see that these two facilities will



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1 literally be right next to each other. They are
2 altogether.

3 Page 3 of the slide presentation of the
4 project.

5 MR. CAMPBELL:

6 I just have a question real quick. I
7 was kind of noticing the financial showing that the
8 revenues were decreasing for actual. What was the main
9 reason for that piece?

10 MR. BRODERICK:

11 I think over in 2013, '14 and '15, like
12 it went from -- if I'm looking at this correctly.

13 MR. CAMPBELL:

14 Looks like it dropped from 3,700,000 to
15 3,300,000.

16 MR. BRODERICK:

17 Are you looking at the prior year
18 financials?

19 MR. CAMPBELL:

20 Yes, yes. The credit memo.

21 MR. ROCK:

22 This is for Lotte Chemical or is this
23 for Axiall?

24 MR. CAMPBELL:

25 Axiall, right.



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1 MR. BAHAM:

2 What page is that on, Mr. Campbell?

3 MR. CAMPBELL:

4 It's on Page, I think, 133 under the
5 Financial Analysis section.

6 MS. THAM:

7 There's a Comparative Financial
8 Statement on 174, too, that shows the three years.

9 MR. ROCK:

10 You're talking about Reduced Revenue for
11 Axiall Corporation?

12 MS. THAM:

13 Right. The sales went down
14 significantly.

15 MR. ROCK:

16 Yeah. I mentioned earlier their base
17 products are chlorine and caustic soda and they used
18 very little of the caustic in their production and sell
19 most of that. A lot of cost that goes into the alumina
20 industry, and whether they -- they sell, they market
21 maybe 35 percent of the chlorine and use the other 65
22 percent in their derivatives products, but they sell
23 90-something -- over 90 percent of the caustic. So the
24 caustic price is like a sign, it goes up and down, up
25 and down according to demand, and a lot of that, they



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1 export all of that caustic to South America and the
2 other countries where there's large alumina plants and
3 the alumina industry has taken a hit, you might be aware
4 of here. Domestically, as well as a lot of the alumina
5 industry is down, a lot of those plants are shut down,
6 so the price of caustic, which varies tremendously, has
7 a gigantic impact on revenue.

8 MS. MITCHELL:

9 If I may, just to piggyback on what the
10 gentlemen just mentioned about the alumina industry,
11 just because I'm directly involved with efforts of one
12 of our aluminum plants in the state here to try and help
13 retain those jobs, they have taken a significant hit
14 because of unfair practices of China basically dumping
15 alumina into our industry, into the market and driving
16 those prices down and putting pressure on the alumina
17 plants that we do have in the US. And so I can speak to
18 that directly because I'm involved with an effort to try
19 to raise awareness of this issue amongst or members of
20 congress because we have one plant here in Louisiana
21 with almost 400 jobs that we're trying to help retain.

22 MR. CAMPBELL:

23 The reason I ask the question, and I
24 just want to make sure, the impact of the profitability
25 the company.



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1 MR. ROCK:

2 This project is going to help because,
3 like I mentioned, the price of caustic goes up and down
4 and so it's very atypical for the nature of it, and
5 Axiall is one of the few companies that is not packing
6 and making their own ethylene. So this is going to help
7 us be competitive with other --

8 MS. THAM:

9 So if they're primarily chlorine and is
10 this a major diversification for this?

11 MR. ROCK:

12 Well, it's a diversification that
13 started in the early '60s, so it's been around for a
14 while, and that's where a lot of most of the chlorine
15 and chlorinated-derivative products, you know, vinyl,
16 all kind of products that's used in your home, the
17 vehicle, PVC, of course, and all kinds of house building
18 and industrial building materials. That's kind of where
19 the growth of the chlorine market has been for a couple
20 of decades.

21 MR. ROY:

22 What percentage of the world's ethylene
23 will this plant produce once it's up and running as the
24 largest ethylene plant in the world?

25 MR. ROCK:



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1 Well, it's the largest -- I think we
2 said the largest MEG plant that was built in the United
3 States. So there are ethylene plants larger than the
4 one we're building. Actually one right across the
5 interstate. Sasol is building one that's larger than
6 this right now, but percentage-wise, I don't know.

7 MR. ROY:

8 It's the largest what?

9 MR. ROCK:

10 MEG plant.

11 MR. ROY:

12 Plant in the US.

13 How many MEG plants are in the US?

14 MR. ROCK:

15 I don't know how many.

16 MR. ROY:

17 Any other questions or comments?

18 (No response.)

19 MR. ROY:

20 Comments from the public?

21 (No response.)

22 MR. ROY:

23 Hearing none, I'll entertain a motion
24 from the board.

25 MS. MITCHELL:



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1 Move to approve the \$700,000 unsponsored
2 EDAP for the LACC and Axiall joint venture project.

3 MR. CAMPBELL:

4 And I second that.

5 MR. ROY:

6 Motion and second.

7 Any other discussion?

8 (No response.)

9 MR. ROY:

10 Hearing none, all in favor, "aye."

11 (Several members respond "aye.")

12 MR. ROY:

13 All opposed, "nay."

14 (No response.)

15 MR. ROY:

16 Without objection. Congratulations.

17 Again, please keep us posted.

18 MR. ROCK:

19 Thank you.

20 MR. BRODERICK:

21 Thank you.

22 MR. ROY:

23 Next order of business is one of the
24 SSBCI program, Acadian Cypress & Hardwood, American Bank
25 and Trust. Mr. Pennington.



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1 MR. PENNINGTON:

2 Good morning.

3 MR. ROY:

4 Good morning.

5 Good morning, gentlemen.

6 MR. PENNINGTON:

7 This is Mr. Frank Vallot. He's the
8 owner of Acadian Cypress, and Stan is - Mr. Stan from
9 American Bank and Trust.

10 I'm excited about this project this
11 morning. This is a great Louisiana company and a brand
12 new bank; hadn't used our program. Excited to be
13 working with them as well as American Bank and Trust.
14 Glad to have them at the table.

15 Basically what Acadian Cypress does is
16 they manufacture lumber, plywood, siding, shingles
17 flooring, fencing, basically wood products essentially.
18 Cypress Hardwoods and the loan they're looking at today
19 is for \$1.5-million, of which \$250,000 will be carved
20 out as eligible as a refinance. By rules, we're not
21 allowed to guaranty that, so that would reduce the
22 amount of the loan that we can guaranty down to
23 \$1.4-million, of which we'll have a \$930,000 guaranty on
24 that.

25 The purpose of this loan is mostly for



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1 inventory, to purchase new rolling stock for the
2 company, and for working capital. The collateral is
3 going to be the new rolling stock purchase, properties
4 that is owned by Mr. Frank, and the collateral more than
5 meets the one-to-one requirements.

6 Now, I have a handout I passed out up
7 there I think I gave everyone. There's some appraisals
8 that came in afterwards, after I sent out the package,
9 and I just want to make sure that everyone got one, and
10 it more than meets the one-to-one requirement of the
11 collateral.

12 This loan is going to result in the
13 creation of five new jobs and the retention of 61 new
14 jobs. And one other thing I want to mention is we got
15 we got this loan package before the flood happened, and
16 they were having an uptick in the hardwood and cypress
17 business before the flood happened. I'm sure Mr. Frank
18 can talk to that. They're definitely going to have a
19 great bit of demand in the Baton Rouge area for these
20 type of products. And I, for one, am happy that a
21 Louisiana Company is going to be supplying the needed
22 materials to rebuild basically Baton Rouge and the
23 state, and with that, I'll hand it over to Mr. Frank to
24 talk about his business and how he's looking to expand
25 and what he's got on the plan.



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1 MR. VALLOT:

2 Good morning. Thank you, Chairman Roy,
3 Assistant Secretary Mitchell and the LEDC Board for the
4 opportunity to be here today.

5 I made notes because after being in
6 business 30 years and starting, I can ramble, so I know
7 that I have to cram it into, let's say, less than seven
8 minutes, so it's not that I'm reading from script. It's
9 so I don't veer.

10 I'd like to also thank Stan Dameron,
11 President of American Bank, and Pascal Dean, who's with
12 American Bank. He's the Vice President. And I'd like
13 to introduce Willie Bartel is our CFO, and Rick
14 Cangelosi, Vice President of Operations. We're the
15 think tank for Acadian Cypress today.

16 Until yesterday at about 6 o'clock, I
17 knew exactly what I was going to say and then I started
18 trying to cram it through the blender and so it's
19 interesting, I started this business and it's almost
20 like a business fairytale. This Cajun guy goes to
21 college at USL, which, for those that are younger, it's
22 Lafayette. It used to be called.

23 MS. MITCHELL:

24 I'm from Lafayette, so you just scored
25 some points, and you called it USL.



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1 MR. VALLOT:

2 Yeah. Well, if I'm here long enough,
3 I'll probably just drop in occasion I was born and
4 raised in New Iberia and it really comes out in me every
5 once in a while. Don't...

6 Okay. So I fell for this girl and followed
7 her to Ponchatoula, and while I was there in
8 Ponchatoula, that's where the real story begins. I
9 started Acadian Cypress in 1986 in my back yard. Today,
10 we're 30 years strong. We're approaching, during this
11 next five-year projection, a billion dollars in gross
12 sales revenue. We have a customer base of 1,900, which
13 is industry specific and reoccurring accounts. They are
14 cabinet makers, contractors, developers, antique
15 renovations and replications, retail, custom home
16 builders and people that want something special in their
17 home, and lumber yards. We sell a lot of products to
18 other lumber yards as items that compliment the packages
19 they put together. Not one customer accounts one or two
20 percent of our gross sales, so we're not dependent on
21 their volatility. We have -- that's our ability to
22 maintain and survive and thrive through the ups and
23 downs over the last 30 years.

24 We have 61 full-time employes. Combined
25 total years of experience is 458, which is average of



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1 seven and a half per tenure, so we have a good retention
2 rate. The average income of all of the those employees
3 is over \$40,000, and we are adding five new jobs as a
4 guaranty, but our projection is 10 to 12 positions.

5 We have over 300 years experience within
6 the sales nucleus. We have a specific sales staff that
7 is trained and not only educated, but we have continued
8 to develop them. And specifically what Acadian does in
9 Ponchatoula, Louisiana for Louisiana.

10 We have domestic and imported vendors.
11 We bring products in from all over the world, and we
12 have proprietary manufacturing agreements with countries
13 or manufacturers in countries such as China that bring a
14 product in that fits Louisiana's need. And it is
15 different, you know. It's, if you look at the box
16 stores, even their product line has changed from area to
17 area. Walmarts and all of those, you can see Cajun
18 paddles; however, you won't see them in Montana. So we
19 have specific needs for the people and the builders
20 here.

21 We have our own in-house CAD-based
22 molding manufacturing system where we can duplicate a
23 molding if it's brought to us. We also have
24 documented -- we have over 2,000 profiles in-house, and
25 we're able to pull from that 2,000-plus for as the



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1 manufacturer is needed. What that does is allows us to
2 replicate molding if we're putting in a bid and we're
3 going to produce something to repair the State Capitol
4 and they need to match a molding. If they're going to
5 build and produce a cabinet or a table in a new building
6 such as this, we have the specifications and ability to
7 provide all of the products you're looking at that are
8 wood related.

9 And most importantly, the home builders
10 and the contractors that come to see us, especially now
11 with the recent storm and the flood that we've all
12 experienced in South Louisiana, the ability to help
13 them, give them identity and a special product that is
14 cost effective and it gives them a value-added product
15 and improves their worth when they're building their own
16 home.

17 The use of the funds will be primarily
18 and specifically for the increase of inventory to raise
19 the stock levels to approach the business that we know
20 we have out there before us. It did not take into
21 consideration the impact of the flood. That is
22 something that was separate and distinct, and I did not
23 include it in these growth papers.

24 We will take advantage of certain new
25 markets, but most of what we do is what we've been doing



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1 with the most efficient and most net profit at the end
2 of the day. I'll come right up there and say that the
3 business goes up and down and it's not what it was four
4 years ago, but Acadian has been more profitable. We
5 reached people early on, and we have -- our entire fleet
6 is paid for. All of our manufacturing equipment is set
7 to run for another 20 years. It has a long lifespan and
8 it's well managed. And the ability to increase
9 manufacturing by 100 percent without another increase in
10 the manufacturing machinery and everything that
11 complicated, so that's 100 percent increase available.

12 The flood impact. The projections did
13 not include that you looked at. Nineteen percent of our
14 customer base is in the same flood zone, and we've
15 already received advance orders. We helped some that
16 are flooded. We helped them recover some of their
17 products, and that was -- that took on water and helped
18 them salvage. And we've supported them just like we did
19 through any of the other events that we've experienced
20 over the last 30 years. This is the latest and
21 greatest, but it's huge.

22 We plan on being there, and our
23 employees are Louisianans; they plan on manufacturing
24 and providing products and more of them to these people,
25 and it can be a benefit not only for the new employees



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1 that we're putting on staff, but to the future customers
2 that are in this area.

3 The jobs that we're putting on are not
4 short-term jobs. They're long-term jobs. We plan on
5 growing and exceeding those numbers. It's not going to
6 end when the rebuilding stops. That's why this wasn't
7 included.

8 At this point, if you have any
9 questions, I sure would invite them.

10 MS. THAM:

11 I'd like to ask, have you made any
12 plans -- well, first of all, what I'm hearing from
13 people who flooded is, "I'm only putting cypress back in
14 my house," and, you know, there are no cabinets
15 available. So obviously you guys are going to try to
16 make use of that 100 percent increase in manufacturing.
17 Have you made plans for what you're going to do after
18 and it contracts back down, I mean, as far as how you're
19 going to gear up that fast and slow back down? Is that
20 a concern?

21 MR. VALLOT:

22 The proprietary manufacturing agreements
23 we have with some of the domestic plywood manufacturers
24 there's a railcar coming down right now that is going to
25 target the products that these people are using. The



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1 big difference between -- let's use Katrina as an
2 example. People rebuilt and they bought cabinets and
3 they put them in and they looked pretty and substantial
4 and they spent a lot of money on them. Then when this
5 flood comes that no one anticipated, these cabinets fall
6 apart because the composition of this board is not the
7 plywood. It's not a veneer or plywood. It doesn't even
8 have moisture resistance. It's a particle board or
9 medium-density fiber board, things that cannot handle
10 the moisture. And specifically use -- they have a great
11 lifespan and they have a fantastic purpose and they're
12 cost effective and they look good, they're durable, but
13 they're not water resistant in any shape or form.

14 Two of the customers that brought solid
15 wood cabinets pulled their cabinets after the storm and
16 they took the cabinets out and set them outside, put
17 them on tables and they said they love their cabinets
18 more than anything they could replace and they're
19 putting those cabinets back. Now, the granite tops
20 broke and they had to take them out and put in new
21 granite tops back in. All of the people are rebuilding
22 that with that in mind. The line of customers, that's
23 why I why I was telling you 19 percent, a lot of those
24 people call and say, "I need this veneer for Birch." "I
25 need this veneer for oak," and "I need the lumber to go



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1 with it." We manufacture the molding products to go
2 with species, so if you're building a set of oak
3 cabinets -- and I just briefly touched on this because I
4 didn't want to ramble, but if you're building a set of
5 oak cabinets and you need oak crown molding and you need
6 oak trim, we manufacture those products. Those are the
7 jobs vertical integration, which will increase the
8 profit and a direct bottom line net profit.

9 So the products that people are
10 rebuilding with now are 100 percent different than what
11 they did in Katrina because of the knowledge in such a
12 short-term of what happened then and what's happening
13 now. They're rebuilding with those products. Our
14 advance orders are going up quite a bit. That is not
15 going to be something that will last forever, but we
16 have other grown and we have other areas that we've
17 already targeted and we're approaching those as a
18 combination.

19 MS. THAM:

20 What percentage of your wood products
21 are cypress? Are you having trouble getting the
22 cypress?

23 MR. CANGELOSI:

24 We have three primary suppliers that are
25 outside of the State of Louisiana, and we have a small,



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1 less than three-percent, inside the State of Louisiana
2 at this moment. The ability -- the resource is there,
3 but the ability to acquire it, as there's so much
4 weather out there, that you have to work with that. So
5 our ability to supply and our gross sales on cypress is
6 never more than 15 percent of our total business, but
7 it's an identifying market because it's indigenous in
8 Louisiana.

9 MR. CAMPBELL:

10 One question, are these the most current
11 balance sheet, back in July, in this loan package?

12 MR. PENNINGTON:

13 Yeah. I think the one is dated July the
14 31st, 2016.

15 MR. BAHAM:

16 That's it. That's the most current one
17 supplied to us, yes.

18 MR. CAMPBELL:

19 What were you looking to -- I was kind
20 of looking at liquidity of the company. What are you
21 planning to do to increase the liquidity?

22 MR. VALLOT:

23 Well --

24 MR. DAMERON:

25 That's one of the reasons we're here is



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1 that I've watched Frank over many, many years and he's a
2 constant entrepreneur and his business acumen has
3 matured over the years. He's had other ventures. He's
4 narrowed down to what he thinks or what he knows he can
5 do the best, and that's dealing with the hardwoods. He
6 had some other ventures. He got into manufacturing and
7 sawmills a little bit, but this is a business that he
8 understands, he knows. He knows the marketplace; he
9 knows the need. He's consolidated down there's an
10 opportunity that's out there that he saw before the
11 flood, but he needed some capital resources, and that's
12 why he came to us. He has another bank he deals with.
13 Frankly we're a smaller bank and we're not able to
14 handle his needs. He said, "Would you look at this?"
15 And we said, "Sure." So we're here for -- this is an
16 enhancement to the credit. It doesn't make or break the
17 credit. I think the loan-to-value ratio is we're going
18 to have about 3.6-million in collateral and we're
19 lending about 2.5, so we feel that we are conservative
20 in putting this together.

21 He's on an eight-year amortization,
22 which he'll be able to pay out through sales and
23 increase in inventory if not quicker, and this will
24 build his financial capacity to go forward. He does
25 have short-term liquidity, and that's why we're here.



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MR. CAMPBELL:

I just want to commend you on the management, the profitability of the company. I just wanted to make sure that, you know, from a management, you're building liquidity over time because I think you very well, you know, with the flood opportunity here, so I just wanted to make sure we comment on that.

MR. VALLOT:

Absolutely. Thank you.

MR. ROY:

Any other questions or comments?

(No response.)

MR. ROY:

Comments from the public?

(No response.)

MR. ROY:

Hearing none, I'll entertain a motion.

MR. ALDEN:

I'll move for approval.

MR. ROY:

Motion for approval as presented.

MS. MITCHELL:

Second.

MR. VALLOT:

Thank you.



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MR. ROY:

Any other discussion?

MR. VALLOT:

Another USL graduate here.

MS. MITCHELL:

And, Mr. Vallot, my fiancé is from New Iberia, so I really like you.

MR. VALLOT:

My father was born in Acadia and lived in Port Sulphur. He fought in WW2, the "big war" as he's always said, and he wouldn't teach us the French because of all of that he had gone through and he, you know, it's something that he said, "If I had know one day how cool it would be to be Cajun, I would have taught you." So thank you very much. I appreciate it.

MS. MITCHELL:

Good luck to you.

MR. ROY:

I have a motion and a second.

All in favor, "aye."

(Several members respond "aye.")

MR. ROY:

All opposed, "nay."

(No response.)

MR. ROY:



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1 Without objection. Congratulations.
2 These are the kind of projects we love to see, true home
3 projects helping people in Louisiana, so good luck to
4 you. Keep us posted on your success. Thank y'all for
5 coming.

6 MR. PENNINGTON:

7 This is Mr. Gerard from Farmer's State
8 Bank, and I have a handout. I have a handout I passed
9 to everyone with a current balance sheet as of August
10 31st if everyone I got that after we sent out the
11 package as well, so I want to make sure everyone got it.

12 Basically what this business is, it's a
13 startup business called Hose Source, and I want to
14 mention as well, this is a brand new bank for our
15 program as well, Farmer's State, and I'm very happy to
16 have Mr. Arden here at the table with us presenting a
17 new loan. Hopefully we can have more projects coming
18 through as well.

19 This business is a startup hose
20 manufacturer. They manufacture hoses in the oil and gas
21 business and other businesses where we have to have
22 hoses. They manufacture both hydraulic and pneumatic
23 hoses. And the owner, Mr. Credeur, has quite a bit of
24 experience in this business. He started up a business
25 in 1994 called All Hose Specialty, and he ran it for



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1 about 10 years and then he sold out to a larger company.
2 And now he has -- went to work another company for a
3 number of years and now he's back starting up a business
4 again.

5 The loan that we're looking at today has
6 two components. It has a million-dollar permanent loan
7 to purchase equipment, and it has \$300,000 loan for
8 revolving line of credit backed by receivables, so a
9 total of 1.3-million, and the guaranty amount is 9.75,
10 \$975,000.

11 The collateral for the loan is going to
12 be the equipment purchase for the permanent loan as well
13 as the receivables worth \$300,000 with a line of
14 revolving line of credit. The equipment loan should be
15 amortized over 10 years with the remainder due in five,
16 and the first six months is going to be interest only.
17 And this loan is going to result in five new jobs.

18 Like I said, the business owner has been
19 has private experience in this business. He's already
20 put up \$200,000 of his own money in the business to
21 start it and he has two other business partners that
22 will be taking out permanent loans to put in the
23 business as well. So they're putting about \$400,000
24 plus a little bit into this business to get started on.
25 The three owners have all worked in this field for



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1 numerous years.

2 Staff recommends that the board approves
3 this loan. The loan guarantee not to exceed \$975,000
4 based on 75 percent of 1.3-million excluding the bank
5 fees or finance costs from Louisiana Small Business
6 Owner Guarantee Program. LEDC will utilize SSBCI funds
7 for the entirety of the term. There will be a one
8 percent guaranty fee charged for this loan. Besides
9 that, it's the standard contingencies that we normally
10 would have.

11 With that, I'll let Mr. Gerard speak
12 about the loan.

13 MR. LABAT:

14 Thank you, Christian, for inviting me
15 this morning, and I guess the good side of my customer
16 not being here is that he's out there drumming up
17 business. All three of them are salesmen first, so
18 their company is taking off. They opened up the branch
19 in Houma, and very soon, by the end of the year, they
20 will be opening up another location in Broussard. So
21 these gentlemen, like Christian said, have been in the
22 business a long time and are very knowledgeable about
23 hoses. In fact, I've got a little bit. They gave me a
24 little, short presentation on how to make hoses under
25 pressure and all of this and crimping and all of that



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1 kind of stuff.

2 So our bank, we've made SBA loans, USDA
3 RD loans, B&I loans, FSA government guaranty loans.
4 We're just getting into this guaranty program, and I'm
5 very hopeful, like Christian said, that we'll have a
6 long-term relationship. So far, I've enjoyed working
7 with Christian and learning a little bit about this
8 program, but I'm very confident in this loan. The main
9 man, Toby Credeur, is putting up real estate for
10 collateral, and their inventory is going to turn because
11 they have a lot of contacts and a lot of projected sales
12 already just getting started, so...

13 MR. PENNINGTON:

14 I wanted to mention that this company
15 has only been operating for a couple of months, and if
16 you look, they already have revenues of \$993,000,
17 top-line revenue, and a gross income of \$323,000, and
18 they started opening business in June, I believe, June
19 1st. So they've already hit the ground running. Being
20 in business for as long as Mr. Credeur has, he has the
21 contacts necessary to facilitate this loan. And it's
22 going to result in five new jobs in which isn't a lot of
23 jobs, but it's important, you know. And in small
24 businesses, I'm very confident in this one, and I'll
25 entertain any questions or any concerns.



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1 MR. ROY:

2 Questions or comments?

3 MS. MITCHELL:

4 I do have a question. Just it's
5 remarkable the progress the company has been able to
6 make in a short period of time. I just want hear from a
7 representative from the bank. Mr. Labat; is that right?

8 MR. LABAT:

9 Labat. My name does get turned around a
10 few ways.

11 MS. MITCHELL:

12 I'm from your neck of the woods. I know
13 how to pronounce it.

14 MR. LABAT:

15 Some people say Gerald, but it's Gerard.

16 I guess to give you a history of our
17 bank, Farmers State Bank, our main headquarter is in
18 Church Point, and we're mostly in Acadia area. We do
19 get confused with Farmers and Merchant Bank out of
20 Breaux Bridge, so there is a difference there, but your
21 question.

22 MS. MITCHELL:

23 I was just going to ask, clearly the
24 bank has done its due diligence, but if you could just
25 speak to the Hose Source customer base because the



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1 perception is that the oil industry is in a downward
2 spell, and so we just want to make sure that the company
3 will be able to remain viable going forward. So clearly
4 you've done your due diligence, and if you can kind of
5 speak to that.

6 MR. LABAT:

7 Right. And the company is diverse. Oil
8 is not the main -- I mean, it's part of it, but they do
9 hoses for agriculture. In fact, I had a son-in-law
10 that's a sugarcane farmer and he buys hoses for his
11 tractors all of the time. The hoses that they provide
12 are all different sizes different, different pressures.
13 It's very diversified. So, yeah, the oil field is
14 definitely a major component, but the company is very
15 spread out what they clearly provide to.

16 These guys had a business before and
17 very successful, like Christian, said, so they have a
18 lot of oil customers that will come back to them. They
19 had a noncompete clause moving from the old companies to
20 where they are now. That's all -- legality-wise that's
21 all been ironed out, so we feel very confident. We know
22 they're going to be very successful because of their
23 history and their track record.

24 MS. MITCHELL:

25 Okay. Thank you so much, and I didn't



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1 even think about the fact that you're huge down in the
2 Acadia area, so thank so much.

3 MR. CAMPBELL:

4 I just have a question. First I want to
5 commend you for bringing this type of credit to LED. It
6 kind of shows your ability strike the deals.

7 Now, one question is what percentage, do
8 you know, of the revenue is coming from the oil and gas
9 versus the other percentage of the other streams do you
10 think?

11 MR. LABAT:

12 I really didn't do those numbers, crunch
13 those numbers. I could find that out for you.

14 MR. CAMPBELL:

15 No, no. I'm looking at the liquidity
16 here. The standard history of the experience on the
17 owners is tremendous.

18 Now, let me ask you this: Why did you
19 choose LED versus SBA guaranty? Easier process?

20 MR. LABAT:

21 Well, I was contacted -- I work closely
22 with the UL Small Business Development Center in
23 Lafayette at the college.

24 MR. CAMPBELL:

25 Is that Heidi Melancon?



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1 MR. LABAT:
2 Heidi Melancon.

3 MR. CAMPBELL:
4 Did she help you with the package?

5 MR. LABAT:
6 Yes. She helped to a degree, but our
7 customer actually put his business plan together.

8 MR. CAMPBELL:
9 Wow.

10 MR. LABAT:
11 Because years ago, he felt that with UL,
12 with the other company, so he would -- you know, the UL
13 business plan is also a learning experience, and we
14 don't want them to do the plan for our customer. We
15 want our customer -- it's his plant. They just assist.
16 So our customer, he brought the whole plan. It was one
17 that he put together under the UL Small Business
18 Development, and I think that this fellow's very good,
19 very intelligent and very knowledgeable.

20 And, Christian, when you met him --

21 MR. PENNINGTON:
22 Talked to him on the phone.

23 MR. LABAT:
24 On the phone, yeah.

25 And so, you know, I think that that's



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1 how I came in to knowing this program, where I heard
2 about it, and I started comparing it to SBA and USBA and
3 FSA and all of the other ones. I said, "This is just
4 another tool in my toolbox that I can have access to."
5 So I started looking at when I get the project, which
6 one fits. This one seemed to fit the best for this
7 program, and I want to develop that relationship with
8 Christian. I'm hoping down the road that we can do some
9 more.

10 So, in fact, we met recently on a
11 perspective one in Lafayette just last week, I think it
12 was.

13 MR. PENNINGTON:

14 Week before.

15 MR. LABAT:

16 Yeah. So we do have some more potential
17 projects that we can work on.

18 MR. CAMPBELL:

19 Okay.

20 MR. PENNINGTON:

21 I reach out to Farmers State and Mr.
22 Gerard, I want to say in March or so when I was doing my
23 marketing. I tried to go out and hit as many banks I
24 possibly can and meet with them one-on-one and tell them
25 about our program trying to get the word out there, and



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1 that's how I first met Mr. Gerard.

2 MS. THAM:

3 Looking at the financial statement, it's
4 amazing the speed in which y'all have come up to that
5 kind of sales number, and I see you're projecting a net
6 profit for the year of \$105,000. Right now it's
7 negative 80, and I'm assuming that -- you know, as the
8 net profit, and I'm assuming that a lot of that has to
9 do with startup costs and things, but have they taken an
10 effort to identify after this August balance sheet, are
11 they still projecting a profit; do you know?

12 MR. PENNINGTON:

13 I'm not sure. I know that
14 projections -- you're correct, they were projecting a
15 profit, and the reason why they are negative so far is
16 startup costs. I know that's why they're \$80,000 as it
17 is right now. That's on a fiscal year basis, so it goes
18 from the 6th of 2016 to 6 of 2017, so it's just a
19 couple --

20 MS. THAM:

21 About 10 months.

22 MR. PENNINGTON:

23 Exactly, yeah. So that's -- they
24 haven't been operating very long, so that's basically
25 what it is, yes, ma'am.



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1 MS. THAM:

2 Well, the fact that they have a balance
3 sheet together from 20 days ago means that they're
4 keeping up with it, I believe.

5 MR. PENNINGTON:

6 Absolutely, yes, ma'am.

7 MS. THAM:

8 That analyze. So that seems to be a big
9 problem with startup companies is that they don't
10 realize they need to do that.

11 MR. PENNINGTON:

12 Absolutely. Most of the ones I see,
13 when I bring up financial statements, their eyes just
14 kind of glaze over and they don't -- a lot of times,
15 they don't understand what I'm asking for, really.

16 MS. THAM:

17 It's hard to make good management
18 decisions if you don't have numbers. The fact that
19 they're paying attention and putting numbers together
20 speaks well of them.

21 MR. ROY:

22 Any other questions or comments?

23 (No response.)

24 MR ANDRE:

25 Move for approval.



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MR. ROY:

Motion for approval from Mr. Andre.

MR. CAMPBELL:

I move for approval on this credit.

MR. ROY:

Second by Mr. Campbell.

Any discussion by the public, comments?

(No response.)

MR. ROY:

Any discussion -- any further discussion
by the Board?

(No response.)

MR. ROY:

Hearing none, all in favor, "aye."

(Several members respond "aye.")

MR. ROY:

All opposed, "nay."

(No response.)

MR. ROY:

Congratulations. Please tell the
gentleman we hope he was selling something and we look
forward to hearing about his success.

MR. LABAT:

I would like to also thank you on behalf
of our bank president, Danny Domingue, and we look



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1 forward to having a relationship in the future.

2 MR. ROY:

3 This is great. I think both of these
4 banks, this is their first LEDC guaranty. That's great.
5 I commend the staff for bringing everybody to the table.
6 We look forward to working with you.

7 MS. MITCHELL:

8 Mr. Labat, do you know any Duplechain's
9 in Church Point, tell them I said hello. That's my
10 family.

11 MR. LABAT:

12 I do know some.

13 Thank you.

14 MR. ROY:

15 All right. Next order of business is
16 the Treasurer's report. Ms. Villa.

17 MS. VILLA:

18 Good morning. This morning we have
19 actually two Secretary Treasurer's Reports. We have a
20 final report for Fiscal Year '16, which is going to be
21 the first Secretary Treasurer's Report in your packet.
22 I'll start with the overview.

23 Our '15-'16 budget in total was
24 16,181,766 and our balance is 12,218,891 prior to the
25 projects that we had currently in-house of 5,770,000,



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1 which leaves us with a projected ending balance of
2 6,448,891 across all programs, including the Financial
3 Assistance Program, the State Small Business Credit
4 Initiative and our Capital Outlay and EDAP and EDRED
5 programs.

6 If you go to the next page, it shows in
7 detail what we had for each of the units. The first
8 being the Financial Assistance Program where we ended up
9 for the year on that program, it was \$144,067. For the
10 State Small Business Credit Initiative, we had a
11 beginning budget of \$2,747,174, and we had approved
12 projects of 212,246, which left us with a balance of
13 2,390,861, and that's where we ended up the year for
14 State Small Business Credit Initiative.

15 If you go down to the next page is our
16 EDAP and EDRED programs through our Capital Outlay, and
17 we had a budget between the two of 13,434,592, and we
18 had projects that were approved of 1,290 -- I'm sorry --
19 3,750,629, which left a balance of 9,683,963 between the
20 two programs. And we had projects under review, as I
21 mentioned earlier, 5,770,000 broken out there. You see
22 the project names that we still had under review, two of
23 which were brought to the Board this morning for
24 approval, which left a balance at the end of the year of
25 3,913,963.



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1 We wended up the year, as you can see,
2 on the Fund Balance available for the year of
3 18,933,298, and our expenses for the year total
4 13,771,271, which left a balance available of
5 \$5,162,027.

6 If you go on to the Capital Outlay,
7 which is the final page, we had a total fund balance
8 available through Fiscal Year '16 of -- I'm sorry --
9 with a budget of 5,210,000. We actually ended with
10 654,679.

11 So I'll start over with the Capital
12 Outlay Appropriation General Fund for FY '16, as I
13 mentioned, a fund balance 5,210,166, and our adjusted
14 fund balance is available through, which included the
15 additional periods of August 14, 2016, had adjusted fund
16 balance of 1,814,634.

17 So we start out FY '17 Secretary
18 Treasurer's Report with a budget of 15,048,882, and we
19 have projects under review pending the Board of
20 2,646,250, which left a balance of 12,402,632. And then
21 we had additional projects under review of 3,600,000,
22 which leaves a project yearend balance of \$8,802,632.

23 So going onto the detail of that, the
24 Financial Assistance Program budget for the year is
25 190,000. We currently do not have any projects pending



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1 approval or under review by the staff, so we project an
2 ending balance of 190,000.

3 For the State Small Business Credit
4 Initiative, our budget for FY '17 is 2,580,800 -- I'm
5 sorry. It's 2,390,861, and we had two projects that
6 were brought to the Board today of 476,250, and that
7 leaves a balance of \$1,914,611. And this is the program
8 that, as you know, we have the remainder of through
9 March of '17 to expand those loan guaranties for the
10 State Small Business Credit Initiative, and as Christian
11 has talked about, they've been marketing to try to get
12 those funds guaranties out the door prior to that time I
13 think. So with that, we have a projected ending balance
14 right now of 1,914,611 for the State Small Business
15 Credit Initiative, and hopefully we'll get those loan
16 guaranties done prior to that time.

17 Going on to the next page of the
18 Secretary Treasurer's Report, we have our Capital Outlay
19 Appropriation of 12,425,526. The Board approved the two
20 projects this morning for Lotte Chemical and LACC of
21 2,170,000, which leaves a balance of 10,255,526. We
22 have currently projects under review of 3,600,000, which
23 leaves a projected yearend balance of 6,655,526.

24 We have Appropriated in HB2 for Capital
25 Outlay Funding for EDAP projects \$10-million, of which



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1 3-million is in Priority 2 and 7-million is Priority 5.

2 And our Capital Outlay Appropriation for
3 the EDRED, we have a balance -- or a projected budget --
4 sorry -- of \$42,495, and we have expected that to be our
5 expected ending balance as well.

6 And then when you go down to the last
7 page, our projected Fund Balance Revenue is projected at
8 \$16,845,679, and our expenses are expected at
9 \$16,200,000. That leaves us with a balance available of
10 654,679.

11 Any questions? I know that's a lot of
12 numbers.

13 MR. ROY:

14 Questions, comments?

15 (No response.)

16 MR. ROY:

17 How do you generally look at this past
18 fiscal year compared to what is approaching?

19 MS. VILLA:

20 I think we did see an upcrease,
21 increase, an uptick and increase in our EDAP programs.
22 I know that's always -- or applicants, I should say. I
23 know that's always been a concern that the Board has had
24 because we hadn't previously had a lot of projects
25 coming forth to the Board for approval. I definitely



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1 feel that, though, we've seen an increase. We're
2 bringing more to the Board now. I think that from the
3 state's perspective, we have to keep our eye on the ball
4 from a cash management projection looking to see where
5 those dollars are going to be expended because we have
6 to go forth and get the appropriation or lines of credit
7 for our Capital Outlay. So I think that that's
8 something that we're going to see, you know, more this
9 year, especially as we have projects that come under
10 review and approval to the Board for EDAP.

11 So we did have a cut in LED, as we
12 mentioned before, in our FY '17 budget that we're
13 currently in, in roughly, I think it was, about
14 \$4.2-million to LED, which was broken up between
15 FastStart, marketing communication and our regional
16 economic development appropriations that we give to
17 those organizations. So we're continuing to monitor the
18 budget. We've got Revenue Estimating Committee coming
19 up, I believe, October 21st, Mandi, if I'm not mistaken,
20 for revenue estimating.

21 October 21st, does that sound like a
22 date?

23 MS. MITCHELL:

24 I'm not sure.

25 MS. VILLA:



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1 October 20th.

2 So we have a revenue estimating that's
3 going to be coming up in the next month, so it will be
4 interesting to see what the estimates are at that time.
5 Hopefully there's no further impacts to state agencies
6 with that.

7 MR. ROY:

8 Any comments from staff? It probably
9 will be a lot of opportunity for the LEDC program and
10 the flood area, a lot of those businesses, as everyone
11 knows, you buy business interruption, flood insurance,
12 et cetera, there's probably a lot of opportunity for the
13 program there. Of course, it would be money put to good
14 use, so perhaps we can pick up some guaranties.

15 MS. VILLA:

16 We have about six months left.

17 So, Brenda, I don't know if you want to
18 comment to that.

19 MS. GUESS:

20 One of the things that's taken place is
21 the Louisiana Public Facilities, LPFA, has also gone and
22 kind of surrendered or gathered some funds directed at
23 the flooding, and similar to what happened during
24 Katrina, that there were bridge loans that were made
25 available for small businesses at that time to serve in



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1 a capacity to be that actual bridge until the insurance
2 companies paid off the little small businesses. We have
3 seen an increase of phone activity from some of the
4 affected areas, and I think as soon as people can get
5 their housing needs back together, then the business
6 needs will follow in.

7 I'd like to publicly take this
8 opportunity to commend Christian, Steve and Shamelda,
9 also Susan. The staff has worked real hard over the
10 last few months. We're approaching the time of the year
11 where our loan activity kind of slows down a little bit,
12 but we think we're seeing a lot of the fruits of the
13 labors that we've gone through over the last few months
14 starting to pay off.

15 We are also realizing with SBA, one of
16 the banks said, you know, they're looking at us as
17 another tool in their toolbox, so we're going to be
18 exploring a lot of the opportunities. And we plan to be
19 very busy between now and the end of year and through
20 March 30th of next year, which is when the program
21 sunsets.

22 MR. ROY:

23 We commend staff. I know that
24 several of you were personally impacted by the flood, so
25 tough to concentrate on work sometimes when you have



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1 such personal needs.

2 MS. VILLA:

3 One thing I would like to add to what
4 Brenda just said, and even I mentioned it, even though
5 this program is sunseting from the federal standpoint,
6 that just means that from their standpoint, once we
7 receive in these recycled funds, it no longer carries
8 the federal constraints or requirements that we have
9 with them, but this program is going to continue. Our
10 loan guaranty programs will continue. We'll continue to
11 use those resources that we were given from the federal
12 government to continue with our loan guaranty program so
13 we can service the needs of the community in that way.

14 MR. ROY:

15 I think we'll hear more in a minute
16 about default, but our default rate is petty low; right,
17 so expect to get most of the money back?

18 MS. VILLA:

19 Yes, sir.

20 MS. GUESS:

21 Yes, sir.

22 MR. ROY:

23 Very good. Any other questions or
24 comments?

25 (No response.)



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MR. ROY:

Hearing none, I'll entertain a motion to accept the Treasurer's Report.

MS. THAM:

Move to accept.

MR. ROY:

Motion.

MR. ANDRE:

Second.

MR. ROY:

Second.

All in favor, "aye."

(Several members respond "aye.")

MR. ROY:

All opposed, "nay."

(No response.)

MR. ROY:

It's accepted.

The Accountant's Report, Mr. Smith.

Any comments from the public on that?

(No response.)

MR. ROY:

Accountant's Report, Mr. Smith.

MR. SMITH:

Morning. Yes. My job is to come and



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1 tell you what's performing and what's not performing,
2 and my report at this time will be similar to my report
3 for the last, maybe, five years.

4 LED Status Report as of August 31st,
5 2016, we have three loans on the books performing EDAP
6 and EDLOPs for their loans. They're all performing with
7 a total of 768,469 as of end of August 31st, 2016.

8 In the old LEDC loan program, there's,
9 right now, as we speak, one loan, Depot Drilling, the
10 balance of that loan they're paying down. It's 164,516.
11 Of course, we have to have allowances set up for default
12 for the guaranty loans of 18 percent for EDLOP and EDAP
13 loans is 15 percent, which is standard. That means that
14 none of those particular loans are headed toward default
15 or late.

16 Total EDLOP, the total EDLOP balance, as
17 we said, is 768,146. Fifteen percent of that is a
18 reserve, which is 115,270. The old Loan Guaranty
19 Program is 164,516, 18 percent, 29,613 as of August
20 31st.

21 Then we move to the SSBCI Guaranty Loan
22 portfolio. As of August 31st, 2016, we have 22 current
23 loans, and I am, again, happy to report that there's no
24 one in default. There's no one late as of August 31st.
25 And so you spoke about our default rate, I think we've



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1 had one default since I've been here, and I've been
2 here, what, almost nine years now? And it's been so
3 long I can't even remember what that was that defaulted,
4 but it was an old loan in an old program.

5 And so that concludes my good news
6 report, but I have in my hand, we're getting ready to
7 embark upon the time of the year where the legislative
8 auditors are coming in and visiting us for the next two
9 to three months as usual, so maybe by the end of October
10 we would have our VP evaluations back and we can close
11 out June 31st and we'll be visited by the auditors and
12 we'll bet be getting back with you with our final
13 financial reports. Hopefully sooner than January like
14 we did last year. I think January or February. I can't
15 remember.

16 That concludes my report.

17 MR. ROY:

18 Questions, comments?

19 (No response.)

20 MR. ROY:

21 You said our formal is 14 or 15 percent
22 of the balance, the total reserve; is that what you
23 said?

24 MR. SMITH:

25 No. It was 18 percent for guaranty



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1 loans, 15 percent for EDLOP and EDAP loans per board
2 memorandum.

3 MR. ROY:

4 Far above our historical losses.

5 MR. SMITH:

6 Right.

7 MR. ROY:

8 Okay. Any other questions or comments?

9 (No response.)

10 MR. ROY:

11 Motion to accept the Accountant's
12 Report.

13 MS. THAM:

14 Move to accept.

15 MR. ROY:

16 Motion.

17 MS. MITCHELL:

18 Second.

19 MR. ROY:

20 Second.

21 All in favor, "aye."

22 (Several members respond "aye.")

23 MR. ROY:

24 All opposed, "nay."

25 (No response.)



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1 MR. ROY:

2 Without objection.

3 Ms. Mitchell, President's Report.

4 MS. MITCHELL:

5 Yes, sir. Good morning, everyone. Glad
6 to be here to provide a report to you on behalf of
7 Secretary Pierson, so thank you-all very much for being
8 here today.

9 As you know, a lot has happened since we
10 last meet in April and we ended up having to cancel our
11 last meeting due to our attention can focus on flood
12 recovery, response and recovery, as well as many of our
13 own staff members unfortunately being affected by this
14 flood disaster, so we do thank you-all, fellow Board
15 members, for being flexible.

16 In response to the flood disaster, LED
17 is sprang into action, and in conjunction with the Small
18 Business Administration and the Louisiana Small Business
19 Development Center Network, we have established
20 throughout the state eight business recovery centers
21 that are providing onsite services to businesses, small
22 businesses in particular, that have been impacted by the
23 flood. We also established very early on an online
24 portal of business recovery resources. We were, if not
25 the first, one of the first to do so to provide a



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1 one-stop shop of information on resources available to
2 businesses trying to get themselves back up and running
3 after the flood.

4 We also worked with Economist Dek
5 Terrell to develop an official economic impact report of
6 the flood so that Governor Edwards had with him some
7 official record of the damages and the economic impact
8 of the flood as he and his team pursue appropriations,
9 federal appropriations, from Congress to assist
10 Louisiana in flood recovery.

11 So the estimated impact, not counting
12 any impact to public infrastructure, is around
13 \$8.7-billion and about 3-billion of that hitting
14 Louisiana businesses on natural losses of inventory,
15 impacting their infrastructure and business
16 interruption. So it was a significant event, and LED,
17 in addition to our day-to-day responsibilities, we are
18 continuing to do everything that we can to help our
19 businesses get back on their feet.

20 And then within that number, which just
21 may be of interest to you, there's an estimated impact
22 of about \$110-million to the agriculture sector, which
23 is critical to Louisiana, particularly rice and soybean
24 crops took a significant hit. So there are about 900
25 businesses that were interrupted by the flooding that



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1 began on August 11th and that continued for days, and we
2 estimate, also, about 6,000 businesses in 22 different
3 parishes actually were impacted in some way, shape or
4 form by the flood.

5 Good news, if we want to project it,
6 most of our major industries in the state remained open
7 and continuing their operations successfully. Our
8 challenge remains, obviously, in restoring small
9 businesses and helping residential repair housing
10 because the information that we provide with economic
11 impact actually translates both to the commercial impact
12 and to the residential impact.

13 We also, we were working on launching an
14 innovative, new program to help small construction
15 companies build a solid foundation for their businesses
16 for growth and success through the Louisiana
17 Contractor's Accreditation Institute. So that's going
18 to be conducted throughout October and November
19 throughout the state. That will help small and emerging
20 construction companies learn the basics of the industry
21 and prepare for the state's licensing exam, and that's
22 going to be critical, even more so now, to get Louisiana
23 businesses back on their feet and give them the
24 knowledge and capacity to be able to help with the flood
25 recovery.



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1 Besides the focus on flood recovery, our
2 team has been heavily focused on implementing the
3 executive order issued on June 24th, 2016, which
4 provided some significant reforms to the Industrial Tax
5 Exemption Program, and our sister board, the Board of
6 Commerce and Industry, is actually overseeing those
7 changes to that program. So what the Governor's
8 executive order eventually did was two key things,
9 provided a voice for local government as well as
10 accountability for program participants through job
11 creation. And so we are focused very closely on
12 ensuring a smooth implementation of the executive order
13 so that companies and local governments and the state
14 can all work together to make sure that our program
15 remains competitive as one of 39 states that offer
16 industrial tax exemption. And for the first time,
17 Louisiana will be in line with the other 38 states in
18 having local approval as part of the process.

19 Just some notes. We're also monitoring
20 the Task Force on Structural Change and Budget and Tax
21 Policy, which will soon be producing a report of
22 recommendations for the Governor and the legislature to
23 take a look at for the 2017 session as it pertains to
24 tax reform. And that's why Louis Reine is absent today
25 because he also serves on that task force and their



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1 meting is this morning as well.

2 Just some highlights on some good news
3 that recently has come to LED. Area Development has
4 ranked Louisiana Number 5 in its Annual Top States For
5 Doing Business Report. We climbed three spots from last
6 year. We were ranked Number 8, and it's the higher
7 ranking we've ever gotten from this publication. And
8 just a bit of background for you, this serves as one of
9 the nation's top sites selection consultants weighing in
10 on their experiences in doing businesses in different
11 states around the country.

12 Some other good news is that LED has
13 launched its first Diversity Committee for Small
14 Business Growth. We have reaffirmed our longstanding
15 commitment to developing and advocating for woman and
16 minority-owned businesses throughout the state, so we
17 have a really good cross section of organizations that
18 promotes those goals as part of our Diversity Committee.
19 They've already held their first meeting and they will
20 continue to meet not only in Baton Rouge, but throughout
21 the state and get input on what the state can be doing
22 to help support those businesses.

23 So it's been a brisk Summer for LED, to
24 say the least, and we expect that pace to continue
25 throughout the Fall, but we do thank y'all for your



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1 service on the Board and thanks for working with the
2 department.

3 MR. ROY:

4 Thank you Ms. Mitchell.

5 Any other business?

6 (No response.)

7 MR. ROY:

8 Hearing none, I'll entertain a motion to
9 adjourn.

10 MR. ANDRE:

11 So moved.

12 MS. THAM:

13 Second.

14 MR. ROY:

15 Motion and second.

16 (Meeting concludes at 11:05 a.m.)

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2 I, ELICIA H. WOODWORTH, Certified Court
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5 Directors of the Louisiana Economic Development
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7 reported by me in the stenotype reporting method, was
8 prepared and transcribed by me or under my personal
9 direction and supervision, and is a true and correct
10 transcript to the best of my ability and understanding;

11
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 Dated this 26th day of October, 2016.

22

23

24

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ELICIA H. WOODWORTH, CCR

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