

MEETING MINUTES FOR THE BOARD OF DIRECTORS  
OF THE  
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION  
HELD AT  
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM BUILDING  
FOURTH FLOOR BOARD ROOM  
8401 UNITED PLAZA BOULEVARD  
BATON ROUGE, LOUISIANA  
ON THE 17TH DAY OF AUGUST, 2012  
COMMENCING AT 9:36 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR

1           Appearances of Board Members Present:

2           Alden Andre

3           Jason Elkoubi

4           A.J. Roy

5           Jay Rousseau

6           Michael Saucier

7           Thomas Cotten

8           Robert M. Stuart, Jr.

9

10          Staff members present:

11          Daria Vinning

12          Brenda Guess

13          Rick Broussard

14          Seth Brown

15          Susan Bigner

16          Sajni Patel

17          Melissa Moore

18          Bob Cangelosi

19          Anne Villa

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MR. ROY:

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

Roll call, please.

MS. VINNING:

A.J. Roy.

MR. ROY:

Here.

MS. VINNING:

Jay Rousseau.

MR. ROUSSEAU:

Here.

MS. VINNING:

Alden Andre.

MR. ANDRE:

Here.

MS. VINNING:

Jason Elkoubi.

MR. ELKOUBI:

Here.

MS. VINNING:

Mike Saucier.

MR. SAUCIER:

Here.

MS. VINNING:

1                    Thomas Cotten.

2                    MR. COTTEN:

3                    Here.

4                    MS. VINNING:

5                    Harry Avant.

6                    (No response.)

7                    MS. VINNING:

8                    Louis Reine.

9                    (No response.)

10                   MS. VINNING:

11                   Robert Stuart.

12                   MR. STUART:

13                   Here.

14                   MS. VINNING:

15                   We have seven members present. We have  
16 a quorum.

17                   MR. ROY:

18                   Very good.

19                   The first order of business is the  
20 presentation of minutes, June the 15th Board Meeting.  
21 Any additions or corrections?

22                   MR. ANDRE:

23                   Move for approval.

24                   MR. ROY:

25                   Motion for approval as presented.

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MR. ROUSSEAU:  
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, minutes of the Policy Committee  
Meeting, June 15th. Additions or corrections?  
MR. ANDRE:  
Move for approval.  
MR. ROY:  
Motion for approval as presented.  
MR. COTTEN:  
Second.  
MR. ROY:  
All in favor, "aye".  
(Several members respond "aye".)

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MR. ROY:  
All opposed, "nay".  
(No response.)  
MR. ROY:  
Without objection.  
And finally, the Screening Committee  
minutes, July the 20th.  
If I'm going too fast, y'all slow me  
down.  
MR. COTTEN:  
I move for approval.  
MR. ROY:  
Motion to approve as presented.  
MR. STUART:  
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.)

1 MR. ROY:

2 Without objection.

3 All right. Ms. Bigner, under the Small  
4 Business Loan Program, AMCREF Community Capital, LLC.

5 MS. BIGNER:

6 Good morning. I would like to call Kyle  
7 Saucier up to the table.

8 AMCREF Community Capital is out of New  
9 Orleans. This is Kyle Saucier, he is the vice president  
10 and also the portfolio manager for AMCREF. They're a  
11 Community Development Entity, a CDE, which was certified  
12 in 2011 by the U.S. Treasurer's Office. They have a  
13 staff of five people who work in the New Orleans area.  
14 A CDE is a community developer who goes into small and  
15 low income communities and helps with nontraditional  
16 financing. The majority of their work deals with New  
17 Market Tax Credits.

18 What we are asking -- well, what they  
19 would like to do is become eligible for their Small  
20 Deals Fund. Their Small Deals Fund is mostly for  
21 companies who do not meet the definition for the New  
22 Market Tax Credits, but still need financial assistance  
23 and they cannot get traditional financing, so they're  
24 looking for nontraditional. What they do is, they step  
25 in, and from the proceeds from the tax credits, they're

1           able to finance these small companies.

2                           Currently, they've done 509,000 --

3                   MR. K. SAUCIER:

4                           Yes, from the Small Deals Fund.

5                   MS. BIGNER:

6                           -- in the Small Deals Fund, and, like I  
7           said, they're in the New Orleans area, so this is a  
8           community that could really use the assistance.

9                           What I would like to do is be able to  
10          have us do the guarantee on the deals so that they can  
11          assist more companies in their community.

12                           I'm going to turn it over to Kyle and  
13          let him describe their business a little bit to you.

14                   MR. K. SAUCIER:

15                           I don't know how familiar y'all are with  
16          the New Markets Tax Credit Program, but AMCREF is a,  
17          like she said, it's a CDE. We've received five rounds  
18          of tax credits. It's a Federal program run by the U.S.  
19          Treasury, and what we do is, we get these allocations  
20          and tax credits, which have to go into the low income  
21          programs. That's key to the program. We make money by  
22          monetizing these tax credits. It's a six-person  
23          operation. We hired someone last night to increase  
24          that. The two partners who run the program, they take  
25          the proceeds from, you know, generating these tax



1 credits, and we would like to kind of do some smaller  
2 deals. One of the problems with the New Market Tax  
3 Credits is there's a lot of attorneys involved, there's  
4 a lot of accountants involved, they tend to be -- they  
5 have to be larger projects. Usually five to \$6-million  
6 projects. We can't do smaller-sized deals. It's harder  
7 to the do 50,000, \$100,000 loans. Small deal funds are  
8 done directly out of proceeds from our partners. We're  
9 not a bank. We don't have depository funds or anything  
10 like that. If we can get into a guarantee program, that  
11 might allow us to do a few more deals and not have to  
12 tie up all the partners' capital to try do some of the  
13 these small deals.

14 So our portfolio, we've got \$160-million  
15 worth of tax credits under management, and it's  
16 basically from Texas to Florida, mainly the Southeast is  
17 where we serve. We started in Louisiana. We've kind of  
18 expanded it for this program, but we'll focus on  
19 Louisiana for our guarantee program. But, again, we see  
20 a lot of small businesses. We do a lot of rural deals.  
21 We try to do a lot of rural deals, even though we're in  
22 New Orleans. It's not a rural area, but, you know, our  
23 first deals were in now Orleans. We have a deal up in  
24 Baton Rouge as well, but we do think this might be the  
25 program for us to do some small business lending.

1 Any questions that you may have about  
2 our firm?

3 MR. ANDRE:

4 I have a question. What is the failure  
5 rate at these small companies? How many of them get  
6 into --

7 MR. K. SAUCIER:

8 We have our -- we're actually working on  
9 this right now. We've written off -- of the  
10 \$160-million of tax credits, we've written off 2.1  
11 million in the five years. Our default rate is around  
12 .67 percent of managing assets, and our write-off rate  
13 is 1.4 percent. And we're doing higher-risk deals. You  
14 know, the purpose of the program is -- you know, we see  
15 deals that are, if they can get bank financing, they  
16 probably would. We charge -- the tax credit, the New  
17 Market Tax Credit, is to be below market rates for  
18 credits that are having trouble finding traditional  
19 financing. That's what this whole Federal program that  
20 we do is for, is to try to find that incent investment  
21 in low-income entities.

22 So we do below-market interest rates --  
23 with the New Market Tax Credits, we're able to do --  
24 with that Federal program, we're able to do below-market  
25 interest rates for a project that may have trouble

1 finding traditional bank financing. So our clients are  
2 a little more stressed than you would normally see. You  
3 know, for one reason or another, the bank doesn't want  
4 to do it. It has a stay in seven years. That's not the  
5 same on small business financing. We would like to do  
6 some gap financing through small-term bridge financing  
7 for small businesses.

8 But, no, we're very proud of our default  
9 rates. We find our line is below most banks.

10 MS. BIGNER:

11 And with them assisting us with the  
12 State Small Business Credit Initiative, we'll be able to  
13 reach out to a lot of companies that we would not be  
14 able to reach any other way because they're not able to  
15 go to the banks, per se, so this would be helping us to  
16 reach those distressed areas that we've been trying to  
17 focus the SSBCI funds on.

18 LED staff recommends AMCREF Community  
19 Capital, LLC as a lender to participate in the Small  
20 Business Loan Guarantee Program for the following  
21 reasons: AMCREF Community Capital, LLC has a strong  
22 desire to simulate the flow of private capital,  
23 long-term loans and other financial assistance to small  
24 business within Louisiana. They have knowledge,  
25 expertise and means to provide sound financing for the

1 development expansion and retention of small businesses  
2 in Louisiana, especially within distressed areas. The  
3 organization is dedicated to addressing the concern and  
4 needs of the distressed communities by providing high  
5 levels of employment, income growth and expanding  
6 economic opportunities. The U.S. Treasury has  
7 contracted and stated that as long as funds have lost  
8 their Federal classification, they will be considered  
9 private funds, so, therefore, we've asked the U.S.  
10 Treasury if -- because these are proceeds from the New  
11 Money -- from the New Market Tax credits -- I don't know  
12 why I keep trying to get money in there -- that as long  
13 as they've lost their Federal classification, they can  
14 be considered private funds, so that is in line with the  
15 SSBCI financing. The funds used for the Small Deals  
16 Fund are returned from the New Market Tax Credit  
17 investments. They are considered private. With the  
18 approval of AMCREF Community Capital, LLC, LEDC will be  
19 able to further its mission to focus on low-income  
20 communities and low-income individuals. If the Board  
21 chooses to approve AMCREF, LEDC requests -- I'm sorry.  
22 If the Board chooses the approve AMCREF Community  
23 Capital's request, LEDC staff will only consider sound  
24 loans submitted by the organization that meets LEDC  
25 Small Business Loan Guarantee's eligibility

1 requirements, as long as resources permit.

2 MR. ELKOUBI:

3 Can you tell us a little bit more about  
4 the kinds of companies you envision working with? Also,  
5 how do you identify them and establish relationships  
6 with them?

7 MR. K. SAUCIER:

8 The tax credit, the New Market Tax  
9 Credit Program, it's a competitive allocation. There's  
10 10 times more the demand for the tax credits than there  
11 is actual allocation. We get calls constantly looking  
12 for allocation. What we have focused on are renewable  
13 energy projects, green projects. That's kind of one of  
14 the things we try to focus on. We're looking at a  
15 facility up in Lake Providence, which is a highly  
16 distressed area. They're doing these, you know,  
17 biopolymers. There's a new space age technology to try  
18 to create, you know, some green technologies within the  
19 State. So we're getting a lot of calls in that regard.  
20 That's what our focus is on. We're trying to do green,  
21 responsible, sustainable businesses. That's been our  
22 focus. You know, we've tried to do -- you know, we've  
23 tried to solicit businesses affected by the Gulf oil  
24 spill. They're in our backyard. That's kind of what we  
25 do.

1                   One of our initial flagship investments  
2                   was the Make It Right Foundation. We're able to take a  
3                   lot of donation that they had and turn that. That was  
4                   in the lower 9th Ward. They were able to build more  
5                   houses and do sustainable building in that and solar  
6                   technology. You know, some of the other things we've  
7                   done, you know schools. We've done Ursuline Academy in  
8                   New Orleans. We obtained their Early Childhood  
9                   Development. We're looking for community impacts, so,  
10                  you know, we're looking for green, we're looking forward  
11                  and we're looking for job impacts, so it's not just  
12                  refinancing someone else's development. This project is  
13                  going to expand your business. It's going to create  
14                  more jobs. We want a community impact on the stuff that  
15                  we do. We have to. There's a big charge in this  
16                  program, so, like I said, the projects have to be of a  
17                  certain scale because of the economics involved in it.  
18                  Hopefully we can get into some smaller lender projects.  
19                  We get a lot of calls for smaller deals. We get a lot  
20                  of calls for smaller loans that are \$200,000 in gap in  
21                  funding. Well, it's a great job, but that's just --  
22                  it's not economically feasible with the tax credit side,  
23                  so maybe we can start doing some of that.

24                                 Additionally, I come from a bank  
25                                 background. I worked for Gulf Coast Bank & Trust in New

1           Orleans for 10 years. Our partner, Cliff, he worked  
2           with Stonehenge Capital. Between the four senior  
3           members, there's over 40 years of investment banking and  
4           community banking experience, so we still have contacts.  
5           We're still seeing deals constantly. We're just kind of  
6           a boutique firm, so if we can kind of broaden our  
7           product, we can touch more businesses.

8                       MR. ELKOUBI:

9                       Sure. Thank you.

10                      MR. ANDRE:

11                      This is a Federal program, so what's our  
12           role and what's our exposure?

13                      MR. K. SAUCIER:

14                      This is -- what we want to do, we're  
15           taking proceeds from money that we've already made on  
16           this tax credit side. There's no exposure. This is  
17           money that the partners, you know, they can take  
18           themselves, but they want to kind of try to build our  
19           AMCREF Community Capital. We want to tap into new  
20           markets. There's no, like, recapture or something.  
21           That's like a separate business with separate  
22           responsibilities with the Treasury that we have to  
23           adhere to. I mentioned the Tax Credit Program just as a  
24           way of kind of saying what we're kind of bringing to the  
25           table the businesses we're seeing or the types of

1 businesses that we look at in the community development,  
2 but this guarantee program, as we envision, is just us  
3 trying to take our own capital and maybe do slightly  
4 larger loans or maybe do more loans than we might  
5 already do, which are small -- it's like a separate  
6 thing from the tax credit side. The tax credit side  
7 provides us --

8 MR. ANDRE:

9 Are we co-owners? What --

10 MS. BIGNER:

11 Well, we'll continue to do the  
12 guarantees like we would do for a traditional bank.  
13 These are going to be from the smaller loans. They're  
14 small deals, so what they'll do is, they will service  
15 the loan just like a traditional bank would do, but they  
16 will depend on our guarantee if something should happen  
17 with the loan. It's just strictly the guarantee that we  
18 have with traditional banks that we're now trying to  
19 reach out to more nontraditional banks because they're  
20 able to service those individuals that cannot get the  
21 traditional loans.

22 MR. K. SAUCIER:

23 It's probably my fault for confusing you  
24 and talking too much about the tax credits. We just  
25 want to kind of say, we're not just for people who



1 walked in off the street and would like a guarantee to  
2 make some loans, you know.

3 MS. BIGNER:

4 They pretty much just kind of really  
5 recently just got the Small Deals Fund going, and  
6 they're just really looking for someone to help them.  
7 It would be another tool in their tool box, just like  
8 the banks, to help them reach out further.

9 MR. COTTEN:

10 It looks like you're changing  
11 commission, trying to go a little bit smaller, so we're  
12 going to be seeing more processing, more administration,  
13 more loan activity, how are you going to handle that?  
14 Is one of your partners or one of your --

15 MR. K. SAUCIER:

16 We just added a sixth person to our  
17 outfit right now. There were five previously. And  
18 we've got the bandwidth to do more deals. You know,  
19 these tax credit deals are larger in scope, but, you  
20 know, it could be a \$10-million loan in there. We've  
21 got the bandwidth to do more, and that's what we're  
22 looking to do. We're trying to utilize our resources  
23 now to get -- you know, we've got down time. It's kind  
24 of a cyclical business, and we've got the bandwidth and  
25 we've certainly got the pipeline of deals coming in.

1 You know, we could just use a little more capital to  
2 help us with those. We've got the bandwidth.

3 MR. COTTEN:

4 So you want to go for smaller, more  
5 community-receptive loans, and the reason you're going  
6 after that market is?

7 MR. K. SAUCIER:

8 Well, we think there's an underserved  
9 market. You know, I -- having come from a bank, I'm not  
10 getting a sense that there's a lot of lending that's  
11 going on out there on the commercial lending side.  
12 That's -- I would not be getting as many calls as I do  
13 if it was as easy to get a commercial loan as some  
14 people would like you to believe it is, so...

15 MR. COTTEN:

16 In the small loan area, 50 to 150,000?

17 MR. K. SAUCIER:

18 Fifty to 250.

19 MS. BIGNER:

20 I was going to say less than \$300,000,  
21 which is a hard market. A lot of the banks, they're  
22 usually going after a little bigger, and so there's kind  
23 of that gap, these businesses that only need \$100,000,  
24 so we're really hoping that AMCREF can step in and meet  
25 that.

1 MR. K. SAUCIER:

2 We're not looking to go out there and  
3 get 20 loans together tomorrow. If we get approval  
4 here, this is going to be something we want to kind of  
5 put into our chest of tools and kind of see what we can  
6 do and work with LEDC and see what their deal profile is  
7 and hopefully find some loans that work and get some  
8 money out the door.

9 MR. ROUSSEAU:

10 I was just going to ask, what are we  
11 actually approving, though?

12 MS. BIGNER:

13 What we're asking is, with our rules,  
14 traditional banks can come before us and do not have to  
15 be approved as a qualified lender. Nontraditional have  
16 to come to the Board and be approved as eligible to be a  
17 lender in association with LEDC. So what we're bringing  
18 is, we're bringing his qualifications and everything and  
19 asking the Board to make him classified as an eligible  
20 lender.

21 MR. ROUSSEAU:

22 And then we will come back later if he's  
23 got deals, and we will vet them at that time?

24 MS. BIGNER:

25 Right.

1 MR. ROUSSEAU:

2 Okay. I'm good.

3 MS. BIGNER:

4 It's not something we do every month.

5 We've only had a couple that we've brought to the Board  
6 as eligible lenders, but we're really excited to be able  
7 to work with Kyle and his group.

8 MR. ROY:

9 Any other questions or comments?

10 MR. SAUCIER:

11 I move for approval.

12 MR. ROY:

13 Motion to approve.

14 MR. ROUSSEAU:

15 Second.

16 MR. ROY:

17 Second.

18 I have a couple. Tell me about your  
19 underwriting on these deals. How are you going --

20 MR. K. SAUCIER:

21 Well, I mean, we do a lot of the same  
22 stuff. We're going to have to do credit checks on  
23 inventory. We want to see a history of financials. You  
24 know, I think some of the deals we see aren't going --  
25 you know, they're not going to have audited or properly

1 reviewed financial. They're going to be  
2 company-prepared. We're more collateral lenders than  
3 cash flow lenders is kind of, I think, one of the things  
4 that may be a little more different with -- and  
5 hopefully some of these things get approval, but that's  
6 kind of our background is being more -- if deals could  
7 cash flow, they could probably get a loan anyway, so --  
8 but if there's collateral there, and we're trying to be  
9 a bridge financing and kind of step out a little bit and  
10 see, you know...

11 MR. ROY:

12 And that might distinguish you somewhat  
13 from the banks, collateral versus cash flow.

14 MR. K. SAUCIER:

15 Yeah. We want to do community impacts,  
16 but, you know, we'll probably be more collaterally  
17 structured than cash flow based. I mean, I don't want a  
18 bad loan. I don't want to do a loan and then be  
19 repossessing a 60-ton chiller in three months, but we're  
20 going to have to do deals where they can't go and just  
21 walk down the street and get a bank loan. They probably  
22 wouldn't call us. We're going to be a second or third  
23 call on someone's call sheet.

24 MS. BIGNER:

25 And Kyle and I -- I sent him the rules

1 for our program and we've discussed the one-on-one  
2 collateral and the equity requirements and the interest  
3 rate and everything else and they're willing to work  
4 with those guidelines.

5 MR. ROY:

6 One other thing, mentioned a venture  
7 from Florida to Louisiana and perhaps elsewhere, what  
8 percentage of these are you going to focus? This  
9 program is just going to be for Louisiana?

10 MR. K. SAUCIER:

11 This program is just for Louisiana  
12 deals, so, yeah.

13 MR. ROY:

14 Any other discussion?

15 (No response.)

16 MR. ROY:

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

18 (Several members respond "aye".)

19 MR. ROY:

20 All opposed, "nay".

21 (No response.)

22 MR. ANDRE:

23 I'm going to abstain.

24 MR. ROY:

25 Mr. Andre is abstaining.

1                   It's approved. Good luck to you.

2           Please keep us posted. The best to you.

3                   MR. K. SAUCIER:

4                   Thank you very much.

5                   MS. BIGNER:

6                   Thank you.

7                   MR. ROY:

8                   Next order of business, Ms. Patel for  
9           the EDAP Program, Forum US, Incorporated out of St.  
10          Martin Parish.

11                   MS. PATEL:

12                   Good morning. Today I have an EDAP  
13          application for Forum US, Inc. They're requesting funds  
14          for infrastructure and business, and they're located in  
15          Broussard, Louisiana at 920 Memorial City Way, Suite  
16          1000 70518. I have today -- I have the Parish President  
17          of St. Martin Parish, who will be their sponsor, Guy  
18          Cormier. I also have Carl Daniel and Mr. Dan Broussard.

19                   Forum Energy Technology, also known as  
20          FET, was formed in the Summer of 2010 and was designed  
21          as a merger and was organized into two business  
22          divisions, drilling and subsea, and production and  
23          infrastructure business. Forum US, Inc. is the  
24          operating entity for FET. The manufacturing operation  
25          located in Broussard is applying as part of the drilling

1 and subsea business. They produced products for both to  
2 access oil tools, which is tubular handling equipment,  
3 and advanced manufacturing technologies. This company  
4 intends to build a 150,000-square-foot plant on 25 acres  
5 of land.

6 They've requested \$700,000 in EDAP funds  
7 from the State to do the following: Excavation of  
8 ditches for placement of drainage culverts, purchase and  
9 installation of culverts, risers and covers, along with  
10 the backfill and compression of ditches around and above  
11 the culverts. The other estimated 20.2-million private  
12 investment includes: Land purchase, which is  
13 1.2-million; 155,000-square-foot manufacturing building,  
14 which is 13.5-million; IT and office equipment of  
15 800,000; and additional manufacturing equipment of  
16 4.9-million.

17 As far as the recommendation goes, staff  
18 recommends approval of this project as an EDAP Job  
19 Credits Loan. The company will be given five years to  
20 achieve their proposed 125 new job commitment, which  
21 they must retain throughout the five-year loan for the  
22 EDAP commitment. If the required jobs are created and  
23 retained at the stipulated annual payroll levels, then  
24 this EDAP will be considered satisfied. However, if the  
25 company does not create the projected jobs and payroll



1 on an annual basis, the unearned credit balance for that  
2 year will be due and payable to LEDC, plus interest.

3 The contingencies are: If approved by  
4 the LEDC Board, the funding for the project will depend  
5 on the availability of LEDC funds allocated for EDAP by  
6 the Board at the time of approval. This project must  
7 also be approved by the DOA Office of Facilities,  
8 Planning and Control as eligible for Capital Outlay  
9 funding. The second contingency is that the EDAP  
10 applicant will have six months to start the project or  
11 will have to appear before the LEDC Board to explain why  
12 the project is not underway.

13 MR. ROY:

14 Okay. Do any of these gentlemen care to  
15 add anything to it?

16 MR. CORMIER:

17 Guy Cormier, Parish President of St.  
18 Martin Parish. It's not everyday that a company comes  
19 along and wants to set up shop in a parish like myself.  
20 We are a rural parish. I think we have about 52,000  
21 people. The thing most impressive, I think, about  
22 Forum, their average pay of new employees is about  
23 \$60,000 a year, which is a far, far cry above our medium  
24 income. We're a poverished parish. So in an effort to  
25 try and locate them within our parish, we were able to

1 assist them in purchasing a piece of property. Just as  
2 you know -- I think you all have a map of the  
3 property located in the packet. That map shows an  
4 existing parish drainage canal that cuts up their  
5 property pretty bad, and we would need the funding  
6 investment, exactly what Sajni said. We're just trying  
7 to get funding to redirect that drainage so that they  
8 can set up their shop and provide these jobs. It's 125  
9 new jobs, but they're also looking into bringing over up  
10 to 200 jobs, so we just wanted to see if you guys would  
11 let us go forward with it. As far as getting started at  
12 any time, you know, once we find out if we have approval  
13 or not, Forum in St. Martin Parish is ready to pull the  
14 trigger immediately. We're actually probably wishing we  
15 could have gotten it on the agenda a couple of months  
16 ago. We just weren't ready. That's how quick they want  
17 to get moving.

18 MR. ROY:

19 Gentlemen?

20 MR. DANIEL:

21 The only thing I would add is -- the  
22 nice thing that I would add is -- the nice thing about  
23 this company is, this is the sun of Louisiana. This  
24 company was founded and started in the Broussard area,  
25 and we have grown from two guys in a shop, you know, in

1 a garage, to over 200 employees today. We continue to  
2 grow. This will be our third move. We originally  
3 started a couple of miles down the road in a much  
4 smaller shop, and as Guy says, we're ready to get  
5 started. We finalized the land about two weeks ago, and  
6 we wanted to have this facility in operation by June  
7 2013. Lord knows we need it, and with the growth and  
8 the projections that we're seeing, we need to get  
9 started.

10 MR. BROUSSARD:

11 Ditto.

12 MR. ROY:

13 "Two Guys in a Shop" would made a good  
14 legal name for it.

15 Question or comments?

16 MR. ANDRE:

17 I have a question.

18 MR. ROY:

19 Yes, sir.

20 MR. ANDRE:

21 The two acres is owned by the parish?

22 MR. CORMIER:

23 Yes, sir. It's adjacent to a parish --  
24 well, a parish industrial park, but, no, they actually  
25 purchased the property themselves.

1 MR. ANDRE:

2 But the company will own the 25 acres?

3 MR. CORMIER:

4 Yes, sir.

5 MR. ANDRE:

6 And this ditch crosses this private  
7 property?

8 MR. CORMIER:

9 Yes, sir.

10 MR. ANDRE:

11 Should this project fail, who owns the  
12 pipe and stuff that will be used?

13 MR. CORMIER:

14 Should the project fail, you said? I  
15 guess the parish would definitely own the pipe.

16 MR. SAUCIER:

17 I guess I would ask, is the ditch, the  
18 work to be done, public right-of-way, public easement?

19 MR. CORMIER:

20 Yes. Well, you know, we have a public  
21 easement where it exists. We'll be repaving a public  
22 easement to move it on the property that they currently  
23 own, so in a swap, in other words, we're going to --

24 MR. SAUCIER:

25 It's a public improvement project to

1 enhance their private investment?

2 MR. CORMIER:

3 Yes.

4 MR. ROY:

5 Any other questions or comments?

6 (No response.)

7 MR. ROY:

8 Hearing none, what is the pleasure of  
9 the Board?

10 MR. STUART:

11 I move.

12 MR. ROY:

13 Motion for approval as presented.

14 Second?

15 MR. COTTEN:

16 Second.

17 MR. ROY:

18 Comments from the public?

19 (No response.)

20 MR. ROY:

21 Hearing none, all in favor "aye".

22 (Several members respond "aye".)

23 MR. ROY:

24 All opposed, "nay".

25 (No response.)

1 MR. ROY:

2 Without objection. Congratulations.  
3 Please keep us posted. We want to hear about your  
4 success.

5 MR. ROY:

6 Any comments from the public on this  
7 matter or the other AMCREF deal?

8 (No response.)

9 MR. ROY:

10 Okay. Moving along, the Secretary  
11 Treasurer's Report, Ms. Villa.

12 MS. VILLA:

13 Good morning. You have in front of you  
14 a revised Secretary Treasurer's Report. I know that's  
15 it different than what's in your packet. We just had  
16 some final changes into the August closing we just  
17 finished this week.

18 Currently looking at Page 1, the  
19 Financial Assistance Program, we currently have a budget  
20 of \$200,000. We don't have any projected expenditures  
21 currently at this time, so we have a balance projection  
22 of \$200,000.

23 For the State Small Business Credit  
24 Initiative, we have a budget of 4,324,276, and we  
25 currently have some protections of approved expenditures

1 of \$251,752. Later, we'll be discussing the withdrawal  
2 of a previous approval of \$1-million, so we'll have a  
3 balance expected of 5,072,524.

4 Going to the Capital Outlay, we've  
5 broken this out in between the EDAP Program, as well as  
6 the Economic Development Site Readiness, which the  
7 details are on Page 3 of your packet, and we have a  
8 total Capital Outlay of 22,246,340. We have the 700,000  
9 which was just approved by the Board, which leaves a  
10 balance of 21,546,340. We currently have projects under  
11 review by LED of \$500,000 for the EDAP Program, and then  
12 we also have for the EDRED Program a 700-acre site that  
13 we're working with for a cost of 113,077.

14 If you go to Page 4, we've got our Fund  
15 Balance Projections for this \$1,731,003. If you turn to  
16 the last page, it's got the details of the Adjusted Fund  
17 Balance. Starting out at the 12,195, and then the  
18 reductions, that gives you the 7,226,000, that ties to  
19 the summary on Page 4 of the Obligated Fund Balance.

20 Do you have any questions? I'll try to  
21 answer since KC's not here.

22 MR. COTTEN:

23 I do have a question, maybe Ms. Bigner  
24 is going to be able to help me on this. I see on our  
25 Small Business Credit Initiative and Venture Capital

1 Program we have \$1,000 for Louisiana Fund II; is that --  
2 a million; is that million we approved several months  
3 ago?

4 MS. BIGNER:

5 Yes, sir.

6 MR. COTTEN:

7 So it's just now getting funded, so he  
8 has met all of the these obligations?

9 MS. BIGNER:

10 No. We're going to handle that --  
11 you're talking about Louisiana Fund II? We're going to  
12 handle that after all that we're taking care of.

13 MR. COTTEN:

14 Okay.

15 MS. VILLA:

16 It's actually, Thomas, that's what --  
17 Susan is going to talk about this later, but this is  
18 actually one that we're asking the Board to withdraw the  
19 previous approval because of issues that Susan will  
20 explain whenever she addresses the Board, that would  
21 come across. I think they were approved in February.

22 MR. COTTEN:

23 And you have two more down here for the  
24 Fund, they have submitted -- both of those have  
25 submitted applications?



1 MS. BIGNER:

2 Lafayette General has submitted an  
3 initial application. They're going to send me either  
4 today or next week a revised with some revised  
5 information. They will be coming for a million dollars.  
6 I spoke to a couple of the people from the foundation.  
7 It sounds like it's going to be a really interesting  
8 group, and I've spoken to Adam Knapp and he --

9 MR. COTTEN:

10 This is a different one now?

11 MS. BIGNER:

12 This is BRAC -- Ion. It's coming --  
13 it's a brand new application that they will be  
14 submitting within the next week or so.

15 MR. COTTEN:

16 And it will be -- we don't know yet  
17 who's submitting it?

18 MS. BIGNER:

19 Yes. The group that helped Leslie  
20 Jacobs set up her New Orleans Startup Fund, and I cannot  
21 think of them off the top of my head.

22 MR. COTTEN:

23 EMH?

24 MS. BIGNER:

25 Yes, sir. They're going to be the ones



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MR. ROY:

Any comments from the public?

(No response.)

MR. ROY:

It's approved.

The Accountant's Report, Mr. Smith or  
Ms. Bigner.

MS. BIGNER:

We're in the middle of doing our annual  
audit and so the State closed their books Wednesday and  
he is in the office doing his accountant duties so that  
we can finish up and get our audit completed. So he  
asked me to step in and do the Accountant's Report for  
you.

He submitted the report, we have  
Participation Loans, with the one we've got is ADW  
Reality, LLC. They are more than 90 days past due, and  
we're -- if you would like to know some current  
information on it, Seth Brown can step up.

MR. ROY:

Refresh my memory on the deal.

MS. BIGNER:

It originally started out as ADW. It is  
a dealership up in Bastrop that was sold to -- I'm going  
to let Seth, so that I don't mess it up.

1 MR. BROWN:  
2 ADW started off as a -- it was a  
3 dealership. ADW was the realtor -- it was two separate  
4 entities. It was a realtor that owned the property  
5 that -- a Toyota store, a Honda store and a Chrysler  
6 dealership was there, and it was owned by a previous  
7 gentleman, William Ernest, if I'm not mistaken, was the  
8 owner of it. Some things went awry. It was some  
9 tangling with the family, and you know what happens with  
10 that, things tank. Well, Chrysler -- they got rid of  
11 they Chrysler store because of what was happening in the  
12 economy and with Chrysler. They kept the Toyota store,  
13 and they kept the Honda store. Well, a gentleman by the  
14 name of Butch Carter -- you guys probably know Butch  
15 Carter. He played basketball. His brother is Chris  
16 Carter, who we see on ESPN all of the time -- he  
17 acquired it under MV Realty. Well, currently, he seems  
18 to feel as if everything was not disclosed to him about  
19 the previous Participation. This was originated as a  
20 Participation. It was a 40/60 Participation. LED had  
21 40 percent of the loan, and Enterprise Corporation of  
22 the Delta had 60 percent of the loan. Now, they're --  
23 currently, they're known as Hope Credit Union. Okay?  
24 Well, he has some type of deferment, and they were  
25 trying to work something out. That's not going well,

1 and then the banker and him walked away from the table  
2 for a moment. While the bank was trying to contact him,  
3 he was ignoring the bank and he started calling me and  
4 wanted to present and tell something to the Board.  
5 Well, technically the bank has the lead on this. The  
6 bank has to do any type of workout on this deal.  
7 Anything he has to tell us, it's nothing -- it has to be  
8 done with the bank, you know. So, in essence, right  
9 now, it's 90 days past due. The bank is speaking of  
10 going into foreclosure proceedings with them and taking  
11 legal matters with it.

12 Having said that, we found out after  
13 doing some initial investigation, MV Realty, as I said  
14 before, owned the real estate that these entities were  
15 in. MV Realty, he took his -- he has another group  
16 called Carter Group. He took Carter Group, he put the  
17 Toyota stores in it, moved across the street and, now,  
18 the property that MV Realty has is a Goodyear Tire.  
19 Well, from what I've read is a Goodyear Tire shop. He  
20 has some other entity endeavors going as well. But  
21 that's where we stand with it right now. We've been  
22 talking to Mr. Lewis in figuring out where he was going  
23 to go with this legally.

24 Having said that, we have a legal  
25 guarantee with Mr. Carter. Mr. Carter seems to be a man

1 of, you know, great means, so we expect him to honor  
2 that debt that he assumed, and that's where we stand  
3 with that.

4 This is a loan that I think was  
5 originated over eight or nine years ago, so it's been a  
6 moment.

7 MR. ROY:

8 Does the bank actually call the loan?

9 MR. BROWN:

10 The bank has -- well, you see, they said  
11 they're going to call the loan -- they have not called  
12 it as of yet -- and then start the foreclosure  
13 proceedings, you know.

14 MR. ROY:

15 Any other questions or comments?

16 (No response.)

17 MR. ROY:

18 Ms. Bigner.

19 MS. BIGNER:

20 Direct Loans and Investments, we have  
21 Aviation Group, Inc., and they're paying us as they're  
22 supposed to. Under the EDLOP Loan Portfolios, we have  
23 four. We will have two more that will be added.  
24 They're callbacks, and they will be paying over a timely  
25 period. One of them is International Mezzo, and the

1 other is Pierce Foundation, so you should see those next  
2 month.

3 On Page 2 is a list of the Guaranteed  
4 Loan Portfolios. All are current, except for Solangia  
5 Hair. The bank has not called the loan, but it's  
6 pretty -- we're pretty sure that it will be called before  
7 the next couple of months.

8 Page 3 is the Allowance for Loan Losses,  
9 on all three of them, and then after that are the -- is  
10 the Small Business Credit Initiative. This is a list of  
11 all of the loans that have been approved using the SSBCI  
12 funds. Those that have zero balances, the funds -- the  
13 loans have either not closed or they have not -- the  
14 loans have a zero balance. If you'll notice that Great  
15 Southern Galvanizing, which is the first one, has a zero  
16 balance. He has not made use of the line of credit. My  
17 last understanding is that he's fixing to go to two  
18 shifts, one during the day and one in the evening, and  
19 when he does that, he will more than likely make use of  
20 that loan credit. So even though it's zero, that's not  
21 necessarily a bad thing because he's operating without  
22 use of it and he's still expanding and going real  
23 strong.

24 The following pages are the financial  
25 statements, and if you'll notice, they are as of May

1 because Errol is in the process of closing out the year.

2 If you have any questions, I'll be more  
3 than happy to try to assist you.

4 MR. ROY:

5 Questions?

6 (No response.)

7 MR. ROY:

8 I have one. The number of traditional  
9 guarantee deals seems to be down; can someone comment on  
10 that?

11 MS. BIGNER:

12 Well, with the LEDC funds, we've only  
13 got about 200,000, so we're trying to make use of the  
14 Federal funds, so all of the loans that we have recently  
15 happened is, we're making use of the Federal funds.  
16 We've got five years to make use of those funds. We  
17 really want to make the most out of it that we can.  
18 LEDC -- we still have funds in the LEDC portion, the  
19 State program, that we can use, but, right now, it's  
20 very small. It's, like I said, 200,000, and we really  
21 want to make use of the Federal funds if at all  
22 possible.

23 MR. ROY:

24 We could move some money around; right?

25 MS. BIGNER:



1 Well, the rules that we have in place  
2 state that we can use the Federal guarantee for three  
3 years. We have about three loans that are actually  
4 requesting a guarantee of five years, so at the end of  
5 those three years, they will move from the Federal over  
6 to the State.

7 MS. GUESS:

8 And I just want to add that the reason  
9 why you're seeing that decline is that as part of the  
10 application that we have for them to send, the charge  
11 was to take that \$113-million and turn it over 10 times  
12 to make 113 loans of a million dollars and put it in new  
13 investments, so we're trying to make that our target in  
14 utilizing the Federal program, and it's been received  
15 really, really well.

16 MR. ROY:

17 I'm not -- certainly that's a good  
18 program. I was thinking that we had the ability to move  
19 some funds around elsewhere, such that the traditional  
20 guarantee program would not wane substantially because  
21 it's been the bread and butter of LEDC, really.

22 MS. GUESS:

23 And what we've been looking at is  
24 that -- the guarantee programs is still the bread and  
25 butter. We're just using a different source of funds.

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MR. ROY:

Okay. Anyone else?

(No response.)

MR. ROY:

Any comments from the public?

(No response.)

MR. ROY:

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

MR. COTTEN:

Motion.

MR. ROY:

Motion to accept as presented.

MR. ROUSSEAU:

I'll second.

MR. ROY:

Any discussion?

(No response.)

MR. ROY:

Hearing none, all in favor "aye".

(Several members respond "aye".)

MR. ROY:

All opposed?

(No response.)

MR. ROY:

1                   None. Without objection.

2                   Mr. Elkoubi, President's Report.

3                   MR. ELKOUBI:

4                   Thank you, Mr. Chairman. What I would  
5 like to do today is tell you a little bit about LED's  
6 engagement in the Revenue Study Commission. I know many  
7 of you have read about it and perhaps delved into the  
8 details already. Before we dive deep into that, I just  
9 want to mention a few things. Since we last met, we've  
10 had some major wins in both North and South Louisiana.  
11 In North Louisiana, Tiburon and Associates has announced  
12 that they'll be creating 350 new jobs in connection with  
13 the maintenance and overhaul of transport vehicles at  
14 Camp Minden. In South Louisiana, a couple of major  
15 projects, including Methanex's announcement of a  
16 \$550-million dollar methanol plant in Ascension Parish,  
17 as well as Ameritas Technologies here in Downtown Baton  
18 Rouge announcing the 300-job technology center. So a  
19 number of exciting projects just in the last month or  
20 so.

21                   Also, Louisiana FastStart, which is  
22 LEDC's customized workforce solution for major job  
23 creation projects, was just recognized for the third  
24 year in a row as the Top Workforce Solution in America.  
25 That was from Business Facilities Magazine, so it's

1 something that is not only providing a competitive,  
2 compelling solution for companies that need to create a  
3 lot of jobs quickly and identify individuals to fill  
4 them, train them up, but it's also something that, with  
5 these national magazines, is continuing to grasp our  
6 reputation as a State as economic competitiveness is  
7 improving, so very significant there.

8 I want to draw your attention to the  
9 document that I just handed out entitled "Selected  
10 Exhibits for the Revenue Study Commission". This is  
11 something that we presented at the Commission's first  
12 meeting, which was held last month in July, and I just  
13 want to give you a little backdrop there. This is a  
14 commission that was created in this past legislative  
15 session. It was the Senate Concurrent Resolution  
16 sponsored by Senator Donahue to create this commission,  
17 and the legislation focuses it on tax exemptions  
18 primarily, so these would be deductions and exclusions  
19 and all sorts of mechanisms in our tax code, including  
20 some of the economic development tax credits and rebates  
21 that we're very familiar with. A number of entities,  
22 including LED, are charged with supporting the work  
23 commission, so we have sort of an official role, if you  
24 will, in helping the commission work through its agenda  
25 and try to identify places where Louisiana can improve.

1       In terms of how we're approaching this, we have  
2       basically -- and this is covered on Page 1 -- tried to  
3       emphasize that while the legislation focuses on  
4       exemptions, you really need to consider that tax systems  
5       are composed with a number of different factors. You've  
6       got the activities that are being taxed in terms of  
7       sales and income, the way they're being taxed is, in  
8       terms of rates and the brackets, and, obviously, when  
9       you get into things like the exceptions and the  
10      exclusions; but very importantly, it is the entire tax  
11      system, not just, you know, an individual part of it  
12      that determines the overall tax burden and that  
13      determines our economic competitiveness in terms of tax.

14                People often will ask the question, you  
15      know, is this a high-tax estate or a low-tax estate, and  
16      what we've realized as we've begun to the dig into this  
17      over the last several years is that, you know, you can  
18      have a state that's sort of overall high tax, and when  
19      you look at particular types of individuals or  
20      particular types of businesses, you can find that,  
21      depending on what you're talking about, it could be high  
22      or low tax. So, you know, a high-tax state overall  
23      could be high or low taxed, depending on what you're  
24      talking about, and vice versa in terms of low-tax state.  
25      So when it comes to looking at competitiveness, it's

1 really important to ask the question both in an overall  
2 sense, as well as for particular types of things that  
3 you're concerned about, whether those are individuals or  
4 different business entities. And so as the commission  
5 proceeds with its work, we urge them to consider ways to  
6 improve the State's overall tax competitiveness.

7 Page 2 is really just sort of a way to  
8 conceptualize this, and it kind of flows from top to  
9 bottom. The things that are shaded in darker gray are  
10 the different types of exemptions, and so you can see  
11 how they factor in. So if you look at the top, you're  
12 talking about basically your total pie or your potential  
13 tax base and exemptions and exclusions would be taken  
14 out of that, and then you've got different types of tax  
15 mechanisms, both normal mechanisms as well as special  
16 tax mechanisms that are used. Those are also special  
17 types of exemptions, and then you end up through that,  
18 sort what you might call your gross potential revenues,  
19 and then you take out other exemptions, which would  
20 include tax credits and rebates and things like that, to  
21 end up with your actual tax revenue. I should mention  
22 that the sizes of these things are really just intended  
23 to provide kind of a conceptual illustration of this,  
24 and, very importantly, when talking about exemptions,  
25 what we're really talking about is a pretty broad

1 definition of that word that's used by the Department of  
2 Revenue, not just including things like tax credits, but  
3 also the exclusions and deductions and special formulas  
4 and rates that are used.

5 On Page 3, you can see that, because  
6 you're dealing with a pretty complex concept, there are  
7 many different measures of tax competitiveness. This  
8 focuses on measures for individuals or, you know,  
9 individual people. You can see that at the top, one of  
10 the measures, probably the broadest measure that's out  
11 there, is the total state and local tax burden, which is  
12 done by the Tax Foundation every few years. Basically  
13 what it does is, it looks at the total state and local  
14 taxes that are collected as a percentage of the total  
15 personal income measure, so on that measure, Louisiana  
16 is the ninth lowest -- I should say the ninth  
17 best-ranked state in the country in terms of tax  
18 burdens, and we have one of lowest tax burdens in the  
19 company for individuals, fourth best in the South. This  
20 is a very broad measure. It doesn't consider the  
21 difference between different types of individuals. For  
22 example, we've done some analysis for some of our  
23 project work at LED that shows that while Louisiana is,  
24 for the most income earners, a lower tax state, has a  
25 lower tax burden than the State of Texas. For very high

1 income earners, the State of Texas offers a lower tax  
2 burden. Obviously, we're talking in general terms here,  
3 but it just shows how some of those differences play  
4 out.

5 In terms of the sales tax burden,  
6 Louisiana is number 48, which is to say we have the  
7 third highest overall sales tax burden in the U.S., and  
8 number 15 if you look at just the southern states. The  
9 reason for that is that we have a relatively high local  
10 sales tax burden. Louisiana State rate is not  
11 extraordinary, but the local average rate, if you will,  
12 tends to be much higher than we see elsewhere.  
13 Conversely, if you look just at property taxes, which is  
14 the item at the bottom, Louisiana has one of the lowest  
15 burdens, the sixth lowest burden in the United States,  
16 the fourth lowest in the south based on property tax  
17 collections per capita. So you can see many different  
18 measures shown us in different lights.

19 I did a similar thing on the following  
20 page on Business Tax Competitiveness. I think you've  
21 heard me talk about it before, the Location Matters  
22 Report, which was published by the Tax Foundation  
23 earlier this year. This is really a landmark study  
24 because before it was published, there was not a single  
25 publicly available analysis showing actual tax burdens



1 for a particular type of business in an apples-to-apples  
2 way across the 50 states, and that's what this did. And  
3 basically it did by identifying seven different types of  
4 industries and in modeling them based on their actual  
5 tax burden, both for new operations, where they would be  
6 eligible for typical, statutorily-available incentives,  
7 and also for mature operations, where those things would  
8 not apply. That analysis, that report, showed that  
9 Louisiana is the second top-ranked state in the country  
10 in terms of new firms and number 10 in mature firms and  
11 number one and three respectively in the South. So  
12 something that shows for particular types of industry  
13 sectors, including many of those that we're trying to  
14 target, these stacked up very, very well, and indeed  
15 have improved relative to some of the prior analyses  
16 that have been done here in Louisiana.

17 Another business tax measure that is  
18 commonly cited -- you'll see this in the media, and, in  
19 fact, it's one that factors into some of the others in  
20 business climate rankings -- there's one called the  
21 State Business Tax Climate Index. This is also  
22 published by the Tax Foundation. It's not a measure of  
23 business tax burden at all. What it is is a measure of  
24 how well or not well a state's tax system aligns with  
25 the philosophical view of the Tax Foundation. Basically

1       they believe that a modern tax system should be simple,  
2       it should be low, it should be flat, have a broad base.  
3       On that measure, which looks at a number of different  
4       taxes, Louisiana ranks number 32 in the U.S., number 6  
5       in the South. It doesn't consider differences in  
6       industry sectors in the way that the Location Matters  
7       Report does. Similarly, Cost and Earnings down on the  
8       bottom here, they do total state and local business  
9       taxes report, which basically looks at the aggregate of  
10      the business tax burden, just the ratio of taxes paid to  
11      private sectors, GSP. On that measure, Louisiana ranks  
12      number 35 in the Nation, number 13 in the South. Again,  
13      it doesn't look at any particular industry sectors.

14               So just to bring this to light a little  
15      bit more, on Page 5, I've shown, you know, how Louisiana  
16      gets to number two on the Location Matters Report. This  
17      is the one that does, you know, apples to apples for  
18      different industry sectors. Number two for new firms,  
19      and compared to Texas, number 42, so, you know, these  
20      are -- we often compare ourselves to Texas. Texas is,  
21      you know, often thought of as a state of a strong  
22      business environment. Obviously there are many  
23      competitive factors there, but, you know, here you see  
24      how the different components drive towards these very  
25      different outcomes for our states. The major

1 differences here are that in Texas, you have typically  
2 much higher property taxes for new firms, and, also,  
3 Louisiana has a much stronger set of incentives  
4 available for new firms.

5           If you flip to Page 6, you'll see that  
6 while we are number two for new firms and number 10  
7 overall -- oh, excuse me. Number two for new firms and  
8 number 10 for mature firms, our rank on individual  
9 industry sectors is not uniform. In fact, you know, on  
10 new firms, we rank very, very high on several of the  
11 industry sectors, for example, R&D facilities, both  
12 types of manufacturing and corporate headquarters.  
13 However, we rank near the bottom of the list in terms of  
14 cost centers and distribution centers. We do not  
15 have -- or I should say we did not have until recently  
16 an ability to mitigate property taxes on those types of  
17 capital-intensive facilities in the way that we have for  
18 manufacturing in a high industrial tax exemption  
19 collection program. You know that we have a standard  
20 10-year exemption for property taxes for manufacturers.

21           So, again, I think this just drives home  
22 the point that there's not a single measure of tax  
23 competitiveness that is sort of the silver bullet.  
24 These are complex systems that involve a lot of  
25 different pieces. When you ask the question about tax

1           competitiveness and ways to improve it, it's really  
2           important to focus on different types of businesses and  
3           not just sort of an overall measure.

4                       I wanted to close with a little bit of  
5           what the overall exception landscape of Louisiana looks  
6           like. There's a lot of focus on economic development  
7           incentives and exemptions, you know, in part because  
8           they're often associated with high-profile projects that  
9           are covered in the media, but when you look at the total  
10          exemption pie in Louisiana, based on all of the  
11          different types of exemptions that I was describing  
12          earlier, what it shows is that as of fiscal year '11,  
13          state fiscal year '11, there were a total of about  
14          \$6.8-billion in exemptions. These are all reported in  
15          the Department of Revenues' Tax Exemption Budget, which  
16          is published annually. What it shows is that only five  
17          percent of that value is in economic development  
18          incentive programs that are managed by LED. Ninety-five  
19          percent is in other areas. These are things like the  
20          Federal -- the standard deduction for Federal taxes  
21          paid, but for individual and businesses, excess itemized  
22          deductions, the sales tax exemption on groceries, on  
23          prescription drugs. So, you know, it's not to say that  
24          we shouldn't look at the LED incentive programs.  
25          Absolutely those deserve close scrutiny, but if you look

1 at the total picture, 95 percent of the value of  
2 exemptions is in another areas.

3 So it looks like the Revenue Study  
4 Commission is going to meet approximately monthly. We  
5 just met on Wednesday and Thursday of this week, and we  
6 anticipate meeting again in September. It looks like  
7 what they're going to be doing is taking different tax  
8 types and looking at the exemptions within those types  
9 at each of their meetings, so, for example, having a  
10 meeting focused on maybe personal income tax and tax  
11 exemptions that are associated with that. Also, this  
12 week, the Governor indicated that the tax reform would  
13 be his number one focus for the coming year, so we  
14 anticipate that some of the ideas that get uncovered in  
15 this process, you know, could be kind of picked up and  
16 considered as we look at opportunities to improve  
17 Louisiana's tax competitiveness in the longer terms. So  
18 this is something where LED would be very engaged over  
19 the coming months, where I'm personally very engaged  
20 right now. I wanted to share this with you just to  
21 bring you up to speed on that. This is something that,  
22 you know, has some, you know, impact on how we, you  
23 know, consider them, and certainly for all of you  
24 individually, how you think about your own business  
25 engagements and public services.

1                   So I want to stop there and just open it  
2                   up for any questions or comments that y'all might have.

3                   MR. STUART:

4                   Thanks, Jason. I'm just curious, tax  
5                   credits (inaudible)?

6                   MR. ELKOUBI:

7                   Yes, it does. The question is about tax  
8                   credits, and it does.

9                   MR. STUART:

10                  How much of the exemptions are tax  
11                  credits, sellable tax credits?

12                  MR. ELKOUBI:

13                  Oh, I don't know the exact number, Rob,  
14                  but I think it's a very small percentage, certainly  
15                  single digits, of the total.

16                  MR. STUART:

17                  Single digits of it's total, that's  
18                  still a meaningful number.

19                  MR. ELKOUBI:

20                  Sure. For example, the Film Tax Credit  
21                  Program is currently running at an annual rate of about  
22                  \$200-million, all of that \$200-million is potentially  
23                  sellable, so I would -- you know, without knowing  
24                  exactly where it is, I would guess that the number is in  
25                  the hundreds of millions.

1 MR. STUART:

2 I would think so. And I'm just curious  
3 of your perspective on that, and, in particular, about  
4 salable tax credits. To the person buying the credits  
5 off, they're having paid five or six or whatever the  
6 charge is, so if you're a big company with a big tax  
7 bill, you have to use credits to offset that tax bill,  
8 the credits going for buying them, the company is  
9 incentivized to do something else, but who is not  
10 generating taxable income in a state level used to sell  
11 them.

12 MR. ELKOUBI:

13 Sure.

14 MR. STUART:

15 I'm just really kind of asking for my  
16 own edification and partly to your view on that.  
17 Clearly we're subsidizing industries to make them grow  
18 and industries don't really pay much in the way of  
19 income taxes. The companies that have a high tax bill  
20 are buying credits to offset their taxes, so Louisiana  
21 doesn't get the tax, but it's still a cash outlay of  
22 probably 85 to 96 percent of taxable income.

23 MR. ELKOUBI:

24 Just a couple of comments. I would say,  
25 first of all, when you look at that issue, the sort of

1 revenue benefit versus the cost of these programs, you  
2 know, in some cases you've got credits that are very  
3 sellable, but in other cases you've got essentially  
4 refundable tax credits, so even if you can get a refund  
5 for the amount in excess of your liability, even if  
6 they're not sellable -- so, I think -- you know, we  
7 would want to include that. You know, I think the way  
8 that I would look at that is, credits are credits for  
9 many different purposes. I think in some cases you  
10 would say that it's an economic development purpose  
11 where you would want a program, and, for example, this  
12 is how we manage some of our discretionary programs  
13 including the Megafund where part of the evaluation, the  
14 key part of the evaluation is an ROI analysis that  
15 ensures that the project, including direct impacts,  
16 generates more revenue than the costs, or the value of  
17 the incentives provided.

18 In the case of some of the other tax  
19 credits, the purpose is to, say, establish a certain  
20 industry sector. You know, for example, in the one that  
21 we were just talking about, film, as I appreciate it,  
22 the purpose of that program is to create and sustain a  
23 viable film production industry in Louisiana, and I  
24 think by that measure, the program has been very  
25 successful. Now, I think one of questions that would be



1 asked is, okay, is that success worth the associated  
2 costs to the State, and that is the process that this  
3 community --

4 MR. STUART:

5 Essentially, I think it's done well in  
6 the film jobs. It looks to me, as you step back, the  
7 question should have been asked at the time is, do you  
8 want films done at the expense of higher education and  
9 healthcare, because that's, in essence, where we've done  
10 the tax benefits. You moved to supplement the film  
11 business and reduced the State money available. In some  
12 cases, that might have been a good trade, but I think  
13 all of the people look at the tax credits and with what  
14 they do with the budget, particularly at times like  
15 this, impact certain other things that just can't be  
16 funded.

17 I'm also curious as to create some  
18 issues, I know you do the return on investment, but I  
19 think the return on investment is really all of the  
20 revenue that comes in off of that, so do you have some  
21 problems where you may be reducing corporate income  
22 taxes through the credits, which fund certain pieces of  
23 the budget and you look at the current investment  
24 picking up a lot of sales taxes and other things and  
25 looking at the parts of the budgets that may actually,

1 between state and local, give you more money, but it's  
2 not necessarily money available for healthcare and  
3 higher education? And we've cut our budget up.

4 MR. ELKOUBI:

5 That's right. I can't think of a lot of  
6 deals where the predominant impact such as of those  
7 others.

8 MR. SAUCIER:

9 Jason, just put this in for your  
10 discussions with the Governor, it does tackle this.  
11 I've had clients both from out of town looking to bring  
12 distribution centers here, and I've got clients who  
13 already have distribution centers here, they're -- the  
14 ones who are already here feel sometimes that they're at  
15 a disadvantage. They have a business here in  
16 distribution, they're paying property taxes, full  
17 property taxes, someone comes from out of town,  
18 establishes the same business, directly competing,  
19 they're paying no property taxes. That's probably not  
20 fair. Certainly there's business retention and we also  
21 want to attract people to come here, but I believe that  
22 it needs to be looked at, because it can really upset  
23 the local operations when you bring in the big  
24 distribution competitors. There's a clear, direct  
25 disadvantage to what their cost of operations are. So

1       you don't create this affect of people just going and  
2       moving to another state so they can get that. It's a  
3       very easy jump, so that property tax abatement, the  
4       property tax -- it's really not an abatement, it's  
5       forgiveness for 10 years, or 15 years in the case of  
6       Texas -- needs to be looked at really close, so if you  
7       don't disadvantage tremendously, competitively the  
8       businesses that are here already.

9                   MR. ELKOUBI:

10                   Sure.

11                   MR. ROY:

12                   Do we know in both of those points  
13       there's a general direction right now as to where the  
14       proposed reform may be headed?

15                   MR. ELKOUBI:

16                   Yeah. I do think there's a general  
17       direction, at least from the administration. The  
18       Governor has indicated that he's open to tax reform  
19       ideas that are basically in the direction of lower,  
20       flatter and simpler tax mechanisms where you would not  
21       be raising revenue. So basically revenue-neutral  
22       reforms that simplify the tax system by, you know,  
23       eliminating some of the, maybe, exemptions and reducing  
24       rates in a way that broadens the base and creates the  
25       same amount of revenue.

1 MR. ROY:

2 When you talk about that proposed change  
3 along with the lines of what Mr. Saucier is brining up,  
4 does that contemplate with what we just talked about  
5 what the State can do, or are we anticipating the  
6 totality of circumstances of what local governments are  
7 doing, the parishes and cities?

8 MR. SAUCIER:

9 There are TIFs, which we don't do a lot  
10 of those now, TIFs are between local and state taxes  
11 that are (inaudible).

12 I really would like to go back to your  
13 point about the tax credits for movies. Yes, it does --  
14 when you look at it, those tax credits are coming out of  
15 budget, but I think the way the State looks at it is  
16 that those businesses want to be here anyway, or maybe  
17 70 percent of those businesses would be here anyway if  
18 you didn't have that tax investment. I like personally  
19 investment tax credits, where there's an existing  
20 business here that's going to expand and create jobs,  
21 usually bricks-and-mortar-created jobs, you know, and  
22 just fill them with robots and computer-picking  
23 mechanisms, somebody's got to run that, and that  
24 benefits everybody, someone here locally that's got to  
25 expand, and someone that's come in from out of town.

1 MR. ELKOUBI:

2 Just bricks-and-mortar-created jobs,  
3 would you --

4 MR. SAUCIER:

5 Well, typically bricks-and-mortar means  
6 jobs, unless somebody is coming in with a total  
7 robotic-picking system for a distribution center and  
8 they're going to have two people running a  
9 100,000-square-foot warehouse, but that's usually the  
10 exception, not rule. So investment tax credits,  
11 bricks-and-mortar, which the move is for intellectual  
12 property or fair across the board, fair to the people  
13 who are here, and they're fair to the people who are  
14 from out of state.

15 MR. STUART:

16 I guess the question I would ask, I  
17 think true investment tax credits would give you credit  
18 against taxes that you have paid. It makes sense that  
19 they will give you tax money, even though you don't pay  
20 taxes. In reality, it's coming out of somebody else's  
21 pocket.

22 MR. ELKOUBI:

23 Just one thing on your comment, Mike,  
24 and that is that, you know, the incentive programs that  
25 are managed by LED without exception, as far as ones

1 that are available, any expanding business, whether it's  
2 a Louisiana-based business already or one that's located  
3 in Louisiana for the first time, so, you know, it's  
4 really growth that we're -- it's really growth that's  
5 incentivized in these programs that are created, and  
6 it's something that is -- and I know, you know, that  
7 it's actually one of the most common misperceptions  
8 about the tax incentive programs that are managed by LED  
9 that they're only available for certain new businesses  
10 that are locating in Louisiana for the first time,  
11 whereas in reality -- and, Brenda, maybe you can help me  
12 on this -- the majority, and I think a significant  
13 majority, of those tax credit programs are utilized by  
14 existing Louisiana businesses.

15 MS. GUESS:

16 Yes, they are. We're talking about the  
17 programs such as the Enterprise Zones or the Industrial  
18 Tax Abatement for equipment purchases for manufacturers,  
19 but the majority of them have been with the Enterprise  
20 Zone.

21 MR. SAUCIER:

22 I think I was talking to one of the  
23 Sperry's about the property tax situation that they did  
24 with one particular company that built a facility that  
25 did not receive that here. They came here and they

1 built a facility and they had property tax on their  
2 property and there was a reach to get another company  
3 into Louisiana and they received a property tax and I  
4 don't think the local company really could have received  
5 property tax abatement. I don't know. Maybe they just  
6 didn't apply for it.

7 MR. ROY:

8 So is the goal to adjust this number, in  
9 essence, for the Tax Foundation globally to look at the  
10 State and local tax burden, or are you concentrating  
11 just on the State side?

12 MR. ELKOUBI:

13 Okay. So, A.J.'s question is about if  
14 the goal is really to look at the State and local tax  
15 burden all over, and, you know, I think the  
16 commission -- the commission is comprised entirely of  
17 State legislators, so the individuals you have  
18 represented there are, I think, primarily -- I can't  
19 speak for them, but, you know, they certainly have the  
20 authority primarily over the State tax credit, you know.  
21 So far the activities of the commission have been  
22 focused on State-level tax provisions. I don't know if  
23 they're going to look closely at some of the local  
24 provisions or not, but I would anticipate that the  
25 majority of their time is going to be focused at the

1 state level. Obviously anything that we do at the State  
2 level in terms of improvement would include a total  
3 state and local tax program, even if you sort of left  
4 that piece alone.

5 MR. ROY:

6 I'm just wondering if they're going to  
7 see through the local governments. I don't mean to  
8 belabor the point.

9 MR. COTTEN:

10 Just as the resident CPA, this is a  
11 great, I think, commission; but I want to go back a step  
12 further when we looked at streamlining commission, there  
13 was a movement recommendations for revenue at LED that I  
14 thought were very valuable from the Governor's  
15 streamline commission, not many of those got  
16 implemented. I think this is going to be, I hate to  
17 say, but a great search of all of the opportunities and  
18 what's out there and what we can do. There may be a  
19 more efficient tax system. I just hope they have the  
20 business climate to pass some of this, so thank you,  
21 Jason.

22 MR. ROY:

23 Any other questions or comments?

24 (No response.)

25 MR. ROY:



1                   Mr. Elkoubi, thank you for that  
2                   enlightening report, and, as you can tell, it's all near  
3                   and dear to our heart.

4                   MR. ELKOUBI:

5                   I'm glad to do it.

6                   MR. ROY:

7                   But more on that subject later.

8                   Ms. Bigner, you have an update on LA  
9                   Fund II?

10                  MS. BIGNER:

11                  Yes, sir. So on February the 7th of  
12                  2011, the Board approved the application for LA Fund II  
13                  for the Louisiana Seed Capital Program with use of the  
14                  Small -- SSBCI funds. The fund was expected to make a  
15                  final close of \$50-million, and the application was to  
16                  take those funds and match them up against a  
17                  million-dollar SSBCI investment. Joseph Lovett, Richard  
18                  Babb and Thomas Dickerson are listed as the managing  
19                  directors. Since the SSBCI funds are Federal funds,  
20                  there's certain guidelines that have to be met that we  
21                  did not previously have for the State fund. These  
22                  circumstances include the waiver of the quarterly  
23                  management fee and additional documentation for each  
24                  investment. To ensure compliance with the Federal  
25                  program guidelines, a modification to the subscription

1 agreement was going to be needed. At the same time that  
2 we did Louisiana Fund II, we also did Themelios. I can  
3 never say that. We worked real hard with Ross Barrett,  
4 as well as trying to work with Mr. Lovett and Mr. Babb.  
5 We came up with an amendment to the subscription  
6 agreement for the other fund, and we have not been able  
7 to do one for Louisiana Fund II. We've sent -- we've  
8 worked really hard with them. There's been a lot of  
9 correspondence between us and the fund.

10 On July 12th, we sent a letter to  
11 Louisiana Fund II requesting either a signed  
12 subscription agreement or a letter declining the SSBCI  
13 commitment to be delivered to our office by July 18th,  
14 and it also stated that the Louisiana Fund II  
15 management -- that without the signed subscription, LED  
16 staff would have to request reconsideration from the  
17 LEDC Board for the million-dollar investment.

18 If we dedicate these funds and they're  
19 not in use, then we cannot use them for other  
20 investments. As you saw previously on the Accountant's  
21 Report, there are two funds that we are expecting to  
22 receive applications and consideration for over the next  
23 coming months. LED staff really felt that it was  
24 difficult to continue with the commitment of the million  
25 dollars for Louisiana Fund II, so we're coming to the

1 Board and we're asking that the commitment be withdrawn  
2 at this time. We've opened the door to Louisiana Fund  
3 II and told them that they are more than welcome to come  
4 back at any time and reapply for the -- for another  
5 investment for the \$1-million, as long as the funds are  
6 available, but we would like the Board to -- we're  
7 asking that the Board withdraw the initial commitment  
8 for the million dollars of the SSBCI investment.

9 MR. COTTEN:

10 Question: Themelios, did they comply --

11 MS. BIGNER:

12 We have a signed agreement with them.  
13 At this time, I've got the Limited Partners Agreement on  
14 my desk for final review. They would like to do --  
15 they're closing next week, and they already have one  
16 investment that they're looking to invest in. So we  
17 have everything that we need to from them. That fund  
18 and New Orleans Startup Fund have both -- both have  
19 funding agreements, and everything is going as needed  
20 for those two, but we just have not been able to get a  
21 closure on Louisiana Fund II.

22 MR. COTTEN:

23 Have you spoken to Mr. Lovett or  
24 Mr. Babb?

25 MS. BIGNER:

1                   We have numerous letters. We sent one  
2 back in June asking them to work with us on a signed  
3 agreement. I spoke to Richard Babb over the phone back  
4 in June, and his response was they're not able to sign  
5 this subscription agreement at this time.

6                   MR. ROY:

7                   Okay. Any other question or discussion  
8 on staff's recommendation?

9                   (No response.)

10                  MR. ROY:

11                  What is the pleasure of the Board  
12 regarding the suggestion to remove the commitment?

13                  MR. COTTEN:

14                  I make a motion to remove it.

15                  MR. ROY:

16                  Motion to remove the commitment.

17                  MR. ANDRE:

18                  Second.

19                  MR. ROY:

20                  Second.

21                  Any discussion?

22                  (No response.)

23                  MR. ROY:

24                  Hearing none, all in favor "aye".

25                  (Several members respond "aye".)

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MR. ROY:

All opposed, "nay".

(No response.)

MR. ROY:

Without objection, it's removed.

MS. BIGNER:

Thank you. Again, for the record, we are very open to Louisiana Fund to come back for an investment in their fund. It's just, at this time, we're just not able to hold those funds.

MR. ROY:

Thank you.

Any other business?

(No response.)

MR. ROY:

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

MR. ROUSSEAU:

I move.

MR. ROY:

Motion by Mr. Saucier and Mr. Rousseau.

Thank you, we're adjourned.

(Meeting concludes at 10:56 a.m.)

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STATE OF LOUISIANA:

This verification is valid only for a transcript accompanied by my original signature and original blue seal on this page;

I, Elicia H. Woodworth, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this testimony was taken, do hereby certify that the witness, to whom oath was administered, after having been duly sworn by me upon authority of R.S. 37:2554 did testify as hereinbefore set forth in the foregoing pages;

That this testimony was reported by me in the stenotype reporting method, was prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding;

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

Baton Rouge, Louisiana, on this date \_\_\_\_\_.

\_\_\_\_\_  
Elicia H. Woodworth, CCR  
Certificate No. 27014