

MINUTES

IN-HOUSE COMMITTEE MEETING

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

July 25, 2013

**LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
CAPITAL ANNEX BUILDING
SECOND FLOOR, ROOM 220
1051 NORTH THIRD ST
BATON ROUGE, LOUISIANA 70802**

MEMBERS PRESENT

**Anne Villa
Brenda Guess
Rick Broussard
Robert Cangelosi
Seth Brown
Susan Bigner**

CALL TO ORDER

Meeting was called to order by Rick Broussard 11:10 a.m.

Daria Vinning called roll, and a quorum was present. (6 members)

1. **LOAN GUARANTY**
 - a. **Covenant General Contractors, Inc.**

Susan Bigner with Louisiana Economic Development Corporation (LEDC) reported that Iberia Bank is requesting a loan guaranty for Covenant General Contractors, Inc. under the Louisiana Small Business Loan & Guaranty Program in association with the State Small Business Credit Initiative.

The project satisfies the LEDC Board of Directors' criteria for an existing business with a proven concept, an experienced management team, and the SSBCI criteria of extending financial assistance to underserve/minority businesses, and sought after product in a niche market with 2 new jobs.

Upon approval of Covenant General Contractors, Inc. request for a loan guaranty not to exceed \$150,000.00 based on 75% of a 200,000.00. RLOC (excluding any bank financed fees/costs) under the Louisiana Small Business Loan & Guaranty Program in association with the State Small Business Credit Initiative, the loan guarantee will be subject to the bank's commitment letter and the following terms and conditions.

1. There will be no application or guarantee fee charged on this loan. A signed bank commitment letter on bank stationary is required. In addition, bank may charge a maximum interest rate up to 5.0% above Wall Street Journal prime, fixed or variable rate.
2. The "in solido" guaranties of Mr. Noble Enime and Mrs. Arti Enime.

3. The loan will be secured by a first secured interest on all accounts receivable as collateral and a blank UCC filing on all equipment.
4. The borrowing base of accounts receivable is 80%. Ineligible receivables include those over 90 days past due, retainage, and accounts subject to the 20% sold current rule. Collateral to loan ratio must meet 1:1 coverage.
5. LEDC will share in a pro-rata position with the bank on all collateral securing this loan.
6. The RLOC will decline 33.3 annually and terminate in three (3) years.
7. Interest shall be paid monthly on the RLOC.
8. Subordination of all existing stockholder debt, and future stockholder debt, to bank and LEDC for the period of LEDC's involvement in the loan. Additionally, cessation of all current portions of long-term debt payments to stockholders, and a moratorium on future payments to stockholders which may be reinstated with written approval of the bank and LEDC.
9. There shall be no draws, bonuses, dividends, employee advances, or director's fees paid to company officers, stockholders or owners, except where allowed by the bank, during the term of the LEDC guaranty.
10. Forty-eight hours prior to closing, the bank shall provide copies of all closing documentation for review to the LEDC legal staff. After closing, the bank shall provide LEDC with copies of the loan closing documents, recording data and acknowledgments evident, and all other documents requested under the general terms and conditions of the loan commitment letters.
11. For the first year, company prepared financial statements on the business are due on a quarterly basis within ten (10) days of the end of the period reported. They are to be forwarded to the bank (including a balance sheet, an income statement, notes to the statement, etc). C.P.A. compiled statements prepared in conformance with Generally Accepted Accounting Principles (GAAP), are due within 90 days of year end. The bank will review all statements when received and forward copies with comments to LEDC as needed.
12. For the remaining two years, on an annual basis, borrowers will provide the bank with C.P.A. compiled financial statements prepared in conformance with GAAP. In addition, personal financial statements, federal tax returns, and renewal of the insurance necessary to protect the bank and LEDC are to be forwarded to the bank annually. The bank will review this information and forward copies with comments to LEDC as needed.
13. Bank shall report to LEDC the current loan status (balance, subsequent due date, etc.) prior to the 25th monthly.
14. All conditions listed by Bank and LEDC for closing the loan must be met within 90 days of the LEDC decision, i.e., October 23, 2013 or the next subsequent Board meeting, by the expiration of the bank's commitment letter, or LEDC's guaranty commitment may be withdrawn.
15. The LEDC guaranty commitment is being extended based on the financial information submitted. Any material adverse change in the financial condition of the company, principals, or guarantors prior to closing may cause the withdrawal of the LEDC guaranty commitment

Anne Villa had a question about the Iberia Banks commitment letter stating it states 12 months and Seth Brown stated that it was customary to renew every 12 months on receivables.

Rick Broussard also had a question about the commitment letter's credit memorandum that the bank created. The date showed 6/5/13 and revised on 6/19/13. Rick Broussard wanted to know was the loan approved before or funded. Mr. Broussard stated he was just trying to figure out to avoid a J.B. Baites situation. Brenda Guess stated that was her concerned as well.

Susan Bigner explained that they requested \$200,000 and the bank said no we will do \$50,000 and so they went through and this is for the \$50,000 and towards the back by the credit analysis they come back and say we will do \$50,000 but we will only do \$200,000 if they guarantee is on the bank.

Rick Broussard pointed out that in that section it states revised 6/19/13 increases line of credit to \$200,000 requiring LEDC guarantee, so they did increase. Rick Broussard's question was, was it on the books before. Susan Bigner stated no its not but they do have a line of credit with this bank. Susan Bigner stated she asked them will they be refinancing this line of credit and he said no that this is a complete new line of credit.

Anne Villa asked so they do have a line of credit with the bank right now and Susan Bigner confirmed that they do for \$50,000. Anne Villa asked was that going to remain in tack. Susan Bigner stated it was her understanding that they were going to close that line of credit prior to this line of credit being approved.

Rick Broussard stated that documentation needs to be clear and to add a use of language and conditions that clarifies that it will not be refinance money with the same bank.

Brenda Guess had a question about the banks application and the value of the collateral as being \$117,000 which is the general equipment and the account receivable as of June 5, 2013 is \$112,900.00. Brenda Guess wanted to know is there an aging on the receivables and did they provide an aging because she did not see one. Susan Bigner stated that there was no aging in the application. Brenda Guess stated that they need to provide an aging of receivables because they do not know and Anne Villa stated especially since they only have 110 days as their experience.

Further discussion was held.

A motion was made by Brenda Guess to approve the loan guaranty based on the additional terms and conditions and seconded by Anne Villa. Rick Broussard voted against the loan based on the company's unwillingness to provide a lockbox. The committee voted for the approval of the loan guaranty for Covenant General Contractors, Inc. Motion passed.

ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned.