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MINUTES FOR THE BOARD OF DIRECTORS MEETING
OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
HELD AT
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM BUILDING
FOURTH FLOOR BOARDROOM
8401 UNITED PLAZA BOULEVARD
BATON ROUGE, LOUISIANA
ON THE 17TH DAY OF JANUARY, 2014
COMMENCING AT 9:40 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR



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1 Appearances of Board Members Present:

2 Susan Tham

3 A.J. Roy

4 Alden Andre

5 Nitin Kamath

6 Quentin Messer

7 Louis Reine

8 Cal Simpson

9

10 Staff members present:

11 Melissa Sorrell

12 Brenda Guess

13 Rick Broussard

14 Susan Bigner

15 Seth Brown

16 Christian Pennington

17 Bob Cangelosi

18 Errol Smith

19 Celia Pugh

20 Robbie Tate

21 Marc Katsanis

22 Anne Villa

23

24

25



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MR. ROY:

If everyone will have a seat, we'll call to order the Board of Directors Louisiana Economic Development Corporation.

Rollcall, please.

MS. SORRELL:

A.J. Roy.

MR. ROY:

Here.

Jules Rousseau.

(No response.)

MS. SORRELL:

Alden Andre.

MR. ANDRE:

Here.

MS. SORRELL:

Quentin Messer.

MR. MESSER:

Here.

MS. SORRELL:

Nitin Kamath.

MR. KAMATH:

Here.

MS. SORRELL:

Cal Simpson.



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MR. SIMPSON:

Here.

MS. SORRELL:

Robert Stuart, Junior.

(No response.)

MS. SORRELL:

Susan Tham.

MS. THAM:

Here.

MS. SORRELL:

Harry Avant.

(No response.)

MS. SORRELL:

Lewis Reine.

MR. REINE:

Here.

MS. SORRELL:

We have a quorum.

MR. ROY:

Okay. I'll ask everyone to please
silence your cell phone.

We have before us the approval of the
October 18th Board minutes. What is the pleasure of the
Board?

MR. ANDRE:



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So moved.

MR. ROY:

Motion for approval as presented.

MS. THAM:

Second.

MR. ROY:

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 is the election of officers, chairman and vice chairman, and if anyone would like to be chairman, I'll certainly step down. I just want that to be known up front.

MR. REINE:

A.J., I move to nominate you to be the chairman again.

MR. ANDRE:

Second.



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MR. ROY:

Motion to appoint me as chairman. Let
me --

MR. REINE:

I move the nominations be closed.

MR. ROY:

I was trying to step out of the room
real fast and let you discuss it.

MR. ANDRE:

Second.

MR. ROY:

All right. Second.

I guess we'll vote on the motion to
close the nominations.

All in favor, "aye".

(Several members respond "aye".)

MR. ROY:

All opposed, "nay".

(No response.)

MR. ROY:

Thank you very much. I appreciate your
confidence.

Next order of business is the election
of vice chairman. What's the pleasure of the Board?

MR. REINE:



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Who is the vice chairman?

MR. ROY:

We currently have no vice chairman.

MS. GUESS:

That's correct.

MR. ROY:

As I recall, Mr. Cotten was last elected for vice chairman, but had to step down. Okay. We have no vice chairman.

MR. REINE:

I nominate Alden.

MR. BROUSSARD:

If I'm not mistaken, Mike Saucier was --

MR. ROY:

That's right, then he had to step down. In rapid succession, we had voted for a vice chairman.

MR. REINE:

I nominate Alden. You can't get rid of him.

MR. ROY:

Motion to appoint Mr. Andre as vice chairman.

MR. SIMPSON:

Second.

Any other nominations?



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1 (No response.)

2 MR. ROY:

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

4 (Several members respond "aye".)

5 MR. ROY:

6 All opposed, "nay".

7 (No response.)

8 MR. ROY:

9 Without objection. Congratulations,
10 Mr. Andre.

11 Moving along, we have -- in your Board
12 packet, we have a description of the various committees,
13 and by rule, the executive committee chair is held by
14 me. By rule, also, the screening committee chair is
15 held by the vice chairman. We do have a vacancy,
16 however, on each committee, and I would ask for
17 volunteers for -- let me paint the entire picture. We
18 have a vacancy on executive committee. We have a
19 vacancy --

20 MR. REINE:

21 Where are you at?

22 MR. ROY:

23 I'm sorry. What tab is that under?

24 MR. BROUSSARD:

25 Excuse me.



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MR. ROY:

Sure.

MR. BROUSSARD:

The vice chairman chairs the screening committee, that will be Mr. Andre, and, hence, you have one vacancy taken care of on the screening committee. That's now Mr. Andre.

MR. ROY:

Right. So we have one vacancy.

MR. BROUSSARD:

We have one vacancy on that committee. We still need volunteers for the others.

MR. ROY:

Exactly. And to answer the question, where is that? Which tab is that under?

MS. GUESS:

It's not on the tabs.

MR. ROY:

I have a handout, so...

MS. GUESS:

It was a separate document.

MR. ROY:

Okay. If someone doesn't have it -- we need two more.

MR. REINE:



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1 The vice chairman doesn't have one.

2 MR. ROY:

3 Does everyone have a copy? I think
4 counsel needs one.

5 All right. I'll go back through it to
6 reiterate what Rick has said. The chairman, by our
7 rules, chairs the executive committee. The vice
8 chairman chairs the screening committee. We have a
9 vacancy on the executive committee. We have a vacancy
10 on the screening committee. We have a vacancy on the
11 finance committee, and we have a vacancy on the
12 government outreach committee.

13 Rick, you starred the policy committee
14 as a vacancy, but I don't see that written next to any
15 names; is that correct?

16 MS. GUESS:

17 No. We're good on policy.

18 MR. ROY:

19 We're good on policy. Okay.

20 So, once again, executive, screening,
21 finance and governmental outreach committees all have a
22 vacancy. What I'd like to do is ask various Board
23 members to volunteer for whichever committees they would
24 like to be on rather than appoint, so take a minute to
25 look at the descriptions, please, and hopefully we



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1 can -- everyone can participate on the committee they
2 would like to participate on.

3 Does anyone have any thoughts on which
4 committee he or she might want to serve on?

5 MR. ANDRE:

6 I'll offer for finance.

7 MR. ROY:

8 Okay. Mr. Andre for the finance
9 committee. He will be taking the seat formerly held by
10 Mr. Cotten.

11 MS. THAM:

12 You have a vacancy on the screening
13 committee?

14 MR. ROY:

15 Yes, ma'am.

16 MS. THAM:

17 Since I'm local, that might be a...

18 MR. ROY:

19 Okay. Ms. Tham volunteers for the
20 screening committee. That's a great point, because the
21 screening committee can meet quite frequently as an
22 alternative to a full Board meeting.

23 MR. BROUSSARD:

24 Since Alden's vice chair, he's the
25 chairman of the screening committee. So there's a



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1 vacancy still, so that's only two positions left to be
2 filled.

3 MR. ROY:

4 Right. Exactly. So currently we have
5 finance and -- finance is the only one filled. We still
6 need a volunteer for screening and governmental
7 outreach. Anyone?

8 MR. SIMPSON:

9 I don't mind doing one. I don't know if
10 me being so new to it what I'll be able to add, but I
11 would think along the lines of governmental outreach
12 would be more -- I'm not very financial minding.

13 MR. ROY:

14 I'm sure you'll do a great job,
15 Mr. Simpson, if you would like to volunteer for the
16 governmental outreach committee.

17 MR. BROUSSARD:

18 At this point, you have a full
19 committee. You need to appoint a chair for the
20 committee.

21 MR. SIMPSON:

22 I don't think I should chair it.

23 MR. ROY:

24 Who would like to chair the governmental
25 outreach committee?



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MR. MESSER:

I can do that.

MR. ROY:

Okay. The undersecretary will do that.
Appreciate it, Mr. Messer.

And the finance committee, Mr. Stuart
still has...

Let's handle the screening committee.
We're still -- that's taken care of now with Ms. Tham;
right?

Okay. One more. So who else would like
to be on the screening committee?

MR. KAMATH:

I volunteer for the screening committee.

MR. ROY:

Very good. Thank you, sir, Mr. Nitin.
And what am I missing? Is that it?

MS. GUESS:

I think so.

MR. ROY:

All right. Very good. Appreciate
everyone's help in making that happen.

Moving along to the next order of
business --

MR. REINE:



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1 Let me ask a question.

2 MR. ROY:

3 Yes.

4 MR. REINE:

5 It seems like Board members, several of
6 us, our terms are expired. Is there any conversation
7 about reappointment or we're just going to hang out
8 or...

9 MS. GUESS:

10 Yes. There is a -- we're in constant
11 communication and contact with the Office of Boards and
12 Commissions, and they move rather slowly. We are still
13 trying to get a vacancy filled for Shelley Ferro from
14 the National Association of Women Business Owners.
15 They're still working on that one. They're also working
16 on -- we brought it their attention that there are
17 expired terms that you very well can see, but you serve
18 until you're replaced, and so we're operating under that
19 same premise that until the expiration dates either are
20 extended or you're replaced, then you, you know, still
21 serve in that capacity as a Board member.

22 MR. REINE:

23 Are we confirmed by the Senate?

24 MS. GUESS:

25 No, sir.



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MR. REINE:

So we've got a problem. They passed a new law, if your term expires, you've got to -- even though you're supposed to stay, you have to go back and get reconfirmed or it gets declared a vacancy, but if we don't have to send a confirmation --

MS. GUESS:

We get our directions from the Boards and Commissions, and we've not been apprised of any affirmation.

MR. ROY:

You mentioned we tend to do some kind of hanging out. We tend to do a lot of that not knowing exactly what the future holds.

All right. Very good. We have the committees filled. Any other questions or comments on the roles or duties of the committees?

(No response.)

MR. ROY:

Okay. On the EDAP program, are we ready to go? Okay. Hayes Manufacturing Company, Ms. Bigner.

MS. BIGNER:

Good morning.

MR. ROY:

Good morning.



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1 MS. BIGNER:

2 I have James Hayes, Junior here with me
3 from Hayes Manufacturing. On the agenda, it says
4 Haynes. That is incorrect. It is Hayes, H-A-Y-E-S.
5 There was a misprint on the agenda only. All of the
6 paperwork and everything, all of the notes that you have
7 are correct with Hayes.

8 Hayes Manufacturing is coming to LEDC
9 for a \$500,000 EDLOP to be paid pack with payroll. This
10 is a 60,000 square-foot expansion to an existing 100,000
11 square-foot facility. They're located in Pineville,
12 Louisiana. The business started with Mr. Hayes, Senior
13 back in 1954. He started with a single welding machine
14 on the back of a -- James Hayes, Senior started the
15 business back in 1954 with a single welding machine on
16 the back of a Model T Ford. Since then, the facility --
17 he started a small fabrication shop, and that small
18 fabrication shop continued until the early '70s when his
19 sons James Hayes, Junior and Cliff Hayes joined the
20 company. Since then, it has continued to expand and
21 there's now three divisions known as Hayes
22 Manufacturing, Hayes Industrial Services and Hayes Crane
23 Services. They currently employ 135 employees with a
24 payroll of \$5.7-million.

25 Christian and I went to see the facility



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1 earlier this week. They're actually packed into the
2 facility. He has a sand blasting and a painting booth
3 that when they do the expansion, they're going to move
4 those over. It's really -- you pull up into the
5 facility, it's a very populated area, and I'm thinking,
6 "Oh, my gosh, where is he going," but when you look,
7 it's more T-shaped. So what he's going to do is, he's
8 going to expand on the top of the T and on the bottom of
9 the T and a little bit on the side.

10 They're main customers are American
11 Tank -- is that correct?

12 MR. HAYES:

13 Union Tank Car.

14 MS. BIGNER:

15 I'm sorry. Union Tank Car and
16 OneSubsea.

17 They have all of their equipment and
18 this huge building and they're quickly outgrowing it.
19 This extra area will allow them to move their office
20 space and give them more room for their office space,
21 give them a meeting room, as well as additional
22 equipment.

23 They own their crane service. They rent
24 cranes as well as do hauling services. On their
25 industrial services, they do turnarounds for plants and



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1 plant maintenance, and on the manufacturing side, they
2 do the metal work, fabrication.

3 They're wanting to take the \$500,000,
4 and the way it's going to work is, the company will
5 perform for one year and receive half of the grant, the
6 award for \$250,000, then they'll have to perform for the
7 second year to receive the second \$250,000. They will
8 have to maintain employment at the requested payroll
9 through 2020 to pay off the full award.

10 They're agreeing to hire 75 employees,
11 35 this year and 40 next year, and they're going to have
12 equipment as collateral. We did something different
13 this time in the Board packages. We also gave you a
14 list of the financial information or financial analysis
15 similar to what we do with the Loan Guarantee programs,
16 so it gives you an idea of how the company is
17 functioning. This is a well-run family business. As
18 you can see, they have company sales last -- up to this
19 year, it's been 24-million, up to October, and that
20 exceeds what they did last year, and it also shows you
21 the projections.

22 Again, the collateral is going to be on
23 two pieces of machinery that value over \$620,000. Their
24 customers are oil and gas and industrial construction.
25 And the second page goes through and tells you their



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1 quick ratio and everything as well as the application is
2 attached.

3 We will have personal guarantees of
4 Cliff Hayes and Mr. James Hayes, Junior, and, as you can
5 see, their personal worth is listed as well.

6 LEDC staff recommends Hayes
7 Manufacturing for approval for EDLOP for \$500,000 with
8 the following contingences: The funding of the project
9 will depend on the availability of LEDC funds allocated
10 for EDLOP by the Board at the time of the approval. The
11 project must also be approved by the Division of
12 Administration Office of Facility Planning and Control
13 as eligible for Capital Outlay funding. The recorded
14 first lien on the capital equipment offered as
15 collateral. The in solido personal guarantees of
16 Mr. James Hayes, Junior and Mr. Cliff Hayes, and the
17 EDLOP application will have 90 days to start the project
18 or will have to appear before the LEDC Board to explain
19 why.

20 They're purchasing some land at the back
21 of their property, and they're going to have to level it
22 and everything. He's in the process of finishing the
23 sales up and everything. This project is moving very
24 quickly. It's -- he's got things well organized. I was
25 really impressed with his business.



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1 I'm going to turn it over to Mr. Hayes
2 and let him talk a little bit about the business, and if
3 you have any questions, I'll be glad to answer anything.

4 MS. HAYES:

5 Susan did a pretty good job of telling
6 you about our company and how we started, and through
7 the 60 years of the existence of our company, we've
8 basically done everything on our own and it's been a
9 slow road due to that. And we have an opportunity to
10 work for a few old oil and gas companies that --
11 basically one came to us and says, "We're looking for
12 Louisiana companies," and I thought that was great.
13 First. "If we can't find them, of course we're going to
14 go elsewhere. We like your company, we like what you
15 do," so I offered them 10 percent of our capacity, and
16 they said, "Well, that's fine, but we'll take your whole
17 shop if you start doing work for us because we see the
18 quality of work that you do, and this is what we're
19 looking for." So in order to make this expansion and to
20 keep this money in the State of Louisiana, I think it's
21 good for the State. It's good for OneSubsea folks, and
22 it's good for Hayes Manufacturing. It's a win-win
23 situation. Yeah, we could -- this package that we've
24 been offered is going to allow us to accelerate this
25 much faster. If we can't do what these guys want us to



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1 do, they'll go elsewhere, so we feel like we could
2 easily put the 75 employees to work, increase the
3 revenues of our company and that trickles down through
4 the State through our company, essentially, Louisiana
5 where we are. So do we have to have this to survive?
6 No. But will we get there quicker? Yes. So I think
7 that's what all this program is about, and we're
8 definitely going to do our end of it.

9 MS. BIGNER:

10 Not only that, but this is in Central
11 Louisiana. It's not up north, it's not down south, it's
12 Central Louisiana, and that is an area that we have
13 really been trying to assist because there's not as much
14 going on there as there is in the north and in the south
15 of Louisiana.

16 Any questions?

17 MR. SIMPSON:

18 What percentage of your overall
19 business -- it may be in the financials there, but will
20 they become?

21 MR. HAYES:

22 I would like for the oil and gas
23 companies that we are courting -- and, actually, they're
24 courting us. It's a good position to be in. I would
25 like to get them -- and I see the potential of revenues



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1 of about 40 percent. I'd like to, you know, 8 to
2 \$10-million. We could easily see that, if not more. We
3 just don't have the room.

4 MR. SIMPSON:

5 And that business, will there be
6 guarantees of ongoing business -- I guess my question
7 is, if they control so much of what your business is, do
8 they control you on, you know, say, "Okay, we need to
9 get this cheaper or we move on"?

10 MR. HAYES:

11 No. I never allow my company to be in
12 that position. I never have. Over the last eight
13 years, we have grown substantially, but other than one
14 piece of equipment, I haven't borrowed money in eight
15 years. We own everything we've had. It's paid for.
16 Two. I loaned one small long-term building loan, and
17 one large piece of equipment that we purchased
18 specifically for the railroad company that we pretty
19 much had guarantees on. Other than that, everything we
20 have is paid for, and I like to be in that position. If
21 these folks come in and for some reason decide they want
22 to move their business elsewhere, we'll never be in a
23 position that they have to dictate to us what they want.
24 We, during the recession where companies were going
25 bankrupt, with having our company in the position it



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1 was, we made as much or more profit during the recession
2 than we ever have. So I think you may have our
3 financials, but we're a very, very solid company.

4 MS. BIGNER:

5 Not only that, when you have -- when you
6 purchase product from Hayes, you not only get the
7 product, but you also get their family service. There
8 was -- for the tank cars where you stack that -- what
9 was that? I'm sorry.

10 MR. HAYES:

11 There was some -- we make a lot of parts
12 for tank cars. We do a lot of value-added engineering,
13 and every company that we've ever worked for, the
14 product they bring to us, we not only make the product,
15 but we improve it for them, most of the time at no
16 charge. And this is something that I think the oil and
17 gas companies are really looking for the highest of
18 quality companies. As you know, some of the problems
19 they've had in the Gulf, they're really scrutinizing the
20 companies. The OneSubsea company that worked for us,
21 when they came to see us, said they had about 1,500
22 vendors that do similar work for them as to what we do,
23 and they said, "We want you to be part of that." I
24 said, "Well, we're going to invest a lot of money.
25 Where does that set us in that 1,500?" They said,



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1 "Well, we see you in our top five with the work that you
2 do." This is a multi-billion-dollar company that's been
3 put together by Schlumberger and Cameron, two very large
4 companies, so this work will be world-wide that we're
5 doing. It's not going to be so sickly as some of these
6 oil and gas companies that we all know, people pop up
7 overnight and then the company comes in and starts
8 dictating to them what you're going to make the product
9 for and get put in a situation where they go bankrupt.
10 So I feel very good about what we're doing, and if we
11 could double our size overnight, I could fill our shop
12 full of work.

13 MS. THAM:

14 Let me ask you, your financials for '11
15 and 12 said you had one major customer that represented
16 70 percent of your sales. Was that OneSubsea or was
17 that Union Tank Car?

18 MR. HAYES:

19 That's Union Tank Car.

20 MS. THAM:

21 So this would actually diversify your
22 customer base?

23 MR. HAYES:

24 Exactly. It's a good thing and a bad
25 thing. It's a double-edged sword having Union Tank Car



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1 as 70 percent of our income. The reason they're that
2 large of a customer is that we have taken their products
3 for their tank cars and improved them, and I actually
4 invented a machine and patented a machine that would
5 make some reinforcements for their tank cars that
6 greatly improved their quality of the car that they have
7 and that just kept snowballing. And they're still after
8 us to do more work, and it's a shame. I want -- my
9 revenues, to make a stronger company, I think our
10 revenues need to be spread out a little bit more. That
11 never looks good in a financial, I know, to have 70
12 percent of your income from one company, but if they
13 went away overnight, we would still be a solid company.

14 MS. BIGNER:

15 This is a homegrown Louisiana company
16 that is expanding in a more rural area. FastStart is
17 going to step in and assist in getting them some metal
18 work people. That's a group of workers that, you know,
19 usually they come and they go and you either pull them
20 from one state, and then when another project comes
21 along, they go off to somewhere else. FastStart and the
22 company -- the company treats their employees well. I
23 mean, like I said, it's a homegrown business. They're
24 very personable. Their employees are very happy working
25 with them, and so we're looking to increase their



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1 employment from 135 to well over 200.

2 MR. ROY:

3 Yes, sir, Mr. Andre.

4 MR. ANDRE:

5 As I understand, the service for oil and
6 gas industry is a new venture for you, and you're not
7 doing that now, or are you doing it now and just
8 expanding it?

9 MR. HAYES:

10 We haven't. You know, I lived through
11 the late '70s and early '80s when the oil and gas crash
12 hit. Anyone from around the Lafayette area knows how
13 bad that was, and I tried to steer away from that type
14 of work. We had, in Central Louisiana, you know, we
15 have paper, paper mills. You've got Martin Industries,
16 which is big in the state. There's plywood mills, some
17 chemical plants and I felt like it was enough for us in
18 that area, and it was. To stay in that was very solid
19 work. It wasn't very reciprocal as the oil and gas
20 industry was then, so I stayed away from it and kept our
21 company solid, but recently we have ventured out to
22 these companies to see what we can do and what we've
23 done in the past and what we can do for them. They're
24 very excited for us to work with them, and I think with
25 the U.S. becoming more and more energy independent that



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1 the investments within our country is growing and, you
2 know, we're going to be a part of that and I don't think
3 it's going to be crashing. I've been assured of that by
4 our customers because, you know, they'll tell you
5 anything, but I really feel like this is real solid for
6 us, but we are going to go down and the oil and gas
7 companies that we're working for, they need people with
8 the skills that we have. I didn't know it, but when
9 they visited us, they said they really like doing
10 business with family-owned businesses because they have
11 found that there's a 30-percent increase in quality just
12 with family-owned and operated business. That surprised
13 me in one way, but no one cares about your work more
14 than you and your family does, and it's -- right now,
15 it's -- I have a brother that's vice president and two
16 sons that's coming up third generation and they're
17 really doing a great job, and to be honest with you, if
18 it wasn't for these young kids coming up, I probably
19 wouldn't be doing what I'm doing right now.

20 MR. ROY:

21 Yes, sir, Mr. Reine.

22 MR. REINE:

23 This is for the staff. Page 2 of the
24 performance objectives would include -- I don't believe
25 I understand that chart. I'm assuming it says in 2014



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1 you're going to add 35 employees with an annual that
2 will add \$700,000 to payroll.

3 MS. BIGNER:

4 Right, because this is happening, the 35
5 employees wouldn't be hired until towards the end of the
6 year, so the \$700,000 will probably only be for maybe
7 two or three months and that's the reason it's so slow
8 there, and it jumps up towards the 2015 because, by
9 then, they would have put in a full year.

10 MR. REINE:

11 So the 2.7 is on the total 75, and what
12 was the 100,000?

13 MS. BIGNER:

14 One-hundred thousand is like just an
15 increase in their payroll so that they continue to
16 increase the payroll -- usually --

17 MR. REINE:

18 Nobody gets a raise until 2017?

19 MS. BIGNER:

20 We're saying that, you know, it might
21 level off a little bit.

22 MS. REINE:

23 Further, there's a letter from Louisiana
24 Economic Development, the total project is 4.25-million.

25 MS. BIGNER:



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1 Yes, sir, that's what it's estimated.

2 MS. REINE:

3 And Page 15, there's a letter from
4 Economic Development offering \$4.4-million in
5 incentives.

6 MS. BIGNER:

7 Yes. That includes Quality Jobs, so
8 it's not -- we're actually not going to give them that
9 money. What we're doing, Quality Jobs, as you can see,
10 is a rebate, a payroll rebate for ten years. That is an
11 existing program that has been --

12 MR. REINE:

13 That's for new employees?

14 MS. BIGNER:

15 That's for new employees only.

16 MR. REINE:

17 Okay.

18 MS. BIGNER:

19 Also, they're going to do 1.3 in
20 workforce training, screening, getting employees in.
21 The Industrial Tax Exemption, that's just what they're
22 going to exempt for the life -- for 10 years, and then
23 we've got the \$500,000. So, actually, the 1.3 in the
24 training and the \$500,000 are really what's going to be
25 spent from the State.



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MR. REINE:

That's not true. The Quality Jobs is a rebate. We're going to give them a check.

MS. BIGNER:

Yes, it is a rebate. It's a rebate, but it's not cash we're giving right up front.

MR. REINE:

It has nothing to do with him.

MS. BIGNER:

Okay.

MR. REINE:

It's that we're going to take 75 jobs on a project of \$4-million, then the State's going to put up more money or lose more revenue -- however you want to look at it -- than the total cost of the project.

MS. BIGNER:

No, sir, between all of the direct jobs, the sales taxes and everything, this will be paid back -- we'll receive a positive benefit within five years.

MR. REINE:

On what?

MS. BIGNER:

On the 75 new jobs and the expansion.

MR. REINE:



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1 The whole \$4.4-million?

2 MS. BIGNER:

3 Yes, sir.

4 MR. REINE:

5 Okay. Run that by me one more time.

6 MS. BIGNER:

7 When a project is taken to the
8 Secretary, before he does an offer letter, they do a run
9 on investment and they include all of the benefits that
10 are going to be offered to the company and the State has
11 to have a return within a certain period of time and the
12 State will get their return on these benefits within
13 five years from direct jobs and indirect jobs, sales
14 tax, payroll taxes...

15 MR. REINE:

16 Y'all have that somewhere I can see
17 that, because that's amazing? We're going to do a
18 \$4-million job, we're going give more tax exemptions
19 than the job costs, and you're going to tell me the
20 State's going to recover the total amount of money?

21 MS. BIGNER:

22 I've got a copy of the return on
23 investment if you'd like to see it.

24 MR. REINE:

25 I'm just questioning giving tax



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1 incentives that are more than the total amount of the
2 project.

3 MS. BIGNER:

4 But the return that the State's going to
5 get --

6 MS. THAM:

7 All of the factors that are included in
8 what the State gets, does it include the State income
9 tax the employees are going to pay and all of the
10 unemployment pseudo taxes?

11 MS. BIGNER:

12 Right.

13 MR. ROY:

14 Any other questions?

15 MR. ANDRE:

16 I have one more question.

17 Sir, I see where you have 131 employees
18 and then you're adding 75. That's significant. I'm in
19 the petrochemical industry. We're having a hard time
20 finding quality employees. How do you feel you're going
21 to find 75 people at the skill level and quality of work
22 that you do? Does Central Louisiana have more available
23 than in, say, Greater Baton Rouge?

24 MS. BIGNER:

25 They're also getting FastStart.



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1 FastStart is going to help them with screening and
2 employment and training, also.

3 MR. ANDRE:

4 What about the pool; is there a larger
5 pool to draw from?

6 MR. HAYES:

7 One of the things that I've done is I
8 kind of did a survey of what all of the fabrication
9 shops in our area are having to pay, and this year, in
10 order to attract these higher-quality, you know, five to
11 10-year experienced employees, which you're not going to
12 get out of FastStart, I have increased our pay
13 significantly above what these guys are paying. Yeah,
14 I'm rolling the dice, but by doing this, it's going to
15 cost us -- well, helpfully it's going to pay because
16 these guys are going to really produce and do the type
17 of work we need, and so far, it's working. We've pulled
18 in a few good, wholesome employees from other companies.
19 And, you know, the whole deal is, you know, these guys
20 go around and around, they're going to find the best
21 job, and so we've set ourselves up to be about the best
22 place if you're a welder, fitter, fabricator, to work at
23 in Central Louisiana. Baton Rouge, it's hard to pull
24 from Baton Rouge or Lafayette and these places, or even
25 further south because it's a fight for these employees.



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1 Everyone -- and it's not just Louisiana. It's
2 nation-wide.

3 MR. ANDRE:

4 Right.

5 MR. HAYES:

6 And I thought we'd get more people from
7 some of the places in the country that have such a high
8 employment rate, but it's just not happening. I don't
9 know. It seems like these people either don't want to
10 work or they're so used to making significantly more
11 money in some of these other northern states, which is
12 why companies are coming up here to begin with to go to
13 work.

14 So to answer your question, FastStart is
15 going to be training some of these folks, and, yes,
16 they're not going to have the quality skills when they
17 leave FastStart, but we have our own training program
18 ourselves. We train our folks that come in. When they
19 come in from FastStart, we will take them under our wing
20 and we will train them. It's the only way. That's
21 what companies are doing right now, training them
22 ourselves.

23 MR. ANDRE:

24 That's what we're doing.

25 MR. HAYES:



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1 Matter of fact, when I first talked to
2 Janile about this, we were hoping to get 75 in one
3 year, and I'm like, "Whoa, let's cut this in half." Can
4 I use 75 employees this year? I can use 75 employees
5 right now in that building to put them in, which we're
6 building right now because we have the work to do that.
7 But you hit the nail on the head. The biggest job's
8 going to be to finding them. It's not to get the work.
9 It's to find the employees.

10 MR. ANDRE:

11 Finding them and keeping them, but
12 apparently you're doing a good job with your salary, so
13 you should be able to keep them.

14 MR. HAYES:

15 That's right. That's what we hope to do
16 is to attract those people.

17 MR. ANDRE:

18 Mr. Chairman, I move for approval.

19 MR. ROY:

20 Motion for approval as presented.

21 MR. MESSER:

22 Second.

23 MR. ROY:

24 Second. Any other discussion?

25 Just a few quick questions. Are the



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1 companies that are associated with the oil industry that
2 you're doing business with, do they have anything to do
3 with the fracking in Louisiana?

4 MR. HAYES:

5 No.

6 MR. ROY:

7 Okay.

8 MR. HAYES:

9 OneSubsea is basically -- it was formed
10 by Schlumberger and Cameron because they didn't have a
11 division that did subsea work and they were getting
12 their butts kicked by some of their competitors and so
13 they formed this company and it's a global company.
14 We're getting calls from all over the world now that are
15 on their vendor list to do the work. We just cant
16 handle it all. So in order to be on this list, you
17 basically have to be a world-class company. We felt
18 honored that they put us in that category right now.
19 We've been working to get in this position for a year
20 right now, and we're there right now. So I don't know
21 what's going to be become of fracking, but we're not
22 part of that.

23 MR. ROY:

24 I see. One other question. We assisted
25 the department -- I guess, in particular, I think LEDC



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1 had offered some assistance as well to Union Tank Car.
2 In your estimation, how successful is that? Obviously
3 70 percent of your income comes from them, so you have
4 relatively good things to say about it, but what else
5 can you comment on regarding Union Tank Car?

6 MR. HAYES:

7 Well, it's the best thing that ever
8 happened to our company. The minute they came in and
9 saw our company, it was -- when they saw our company and
10 what we could do for them, it kind of -- I think at that
11 time, they had settled on Louisiana, but they didn't
12 know where exactly they wanted to put their building,
13 whether it was in Alexandria or Baton Rouge or
14 Shreveport. They settled on Central Louisiana, but it's
15 been great. They have probably the most sophisticated
16 state-of-the-art tank car manufacturing plant in the
17 world. They're spitting out right now -- this one plant
18 is putting out 70 to 80 railroad tank cars a week, and
19 our company not only makes a lot of parts for their tank
20 cars, but we also make these same parts for their
21 Houston plant. So we've pulled into Central
22 Louisiana -- basically Louisiana a lot of work from
23 Chicago and Texas because of landing this company.

24 I think LED did fantastic bringing in
25 Union Tank Car. A very big success story for the State.



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1 Good job.

2 MR. ROY:

3 Very good.

4 Any comments from the public?

5 (No response.)

6 MR. ROY:

7 Any other discussion from the Board?

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 Please keep us posted. I'm right south of you, and I
18 commend you for your efforts and commend staff for
19 trying to give Central Louisiana a little help. We wish
20 you the best.

21 MR. HAYES:

22 Thank you. We appreciate it. You won't
23 be sorry.

24 MR. ROY:

25 Thank you.



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1 All right. Next order of business is
2 under Louisiana Seed Capital Program, New Orleans
3 Startup Fund, Ms. Bigner.

4 MS. BIGNER:

5 Yes, sir. I've got Leslie Jacobs coming
6 up and one of her -- Allen Square, also, is here to
7 answer any questions that may come up.

8 As you may know, previously, LEDC, the
9 Board, approved a million dollars of the SSBCI funds to
10 be invested into the Louisiana New Orleans Startup
11 Fund -- I'm sorry. Just New Orleans Startup Fund.
12 They've done really well. They've asked for \$450,000 of
13 the million dollars and, of that, they have spent
14 250,000 and against that 250,000, they have had matches
15 of 2.7-million in private funding, which results in a
16 10.8 to 1. With the SSBCI, I'm not sure if you
17 remember, but we were aiming for a 10-to-1 match for
18 private, and they've been able to the that.

19 They've come back today to request for a
20 second million dollars. Previously, we extended the
21 rules to allow the venture capitals to go from a
22 \$1-million max to a \$2-million max, and with that
23 \$2-million max, they still have to meet with private
24 leverage of 1.5-to-1. New Orleans Startup Fund has
25 committed of a little bit over 3-million, so they do hit



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1 that spot. Leslie has sent me information that
2 they're -- Michael Hecht with Greater New Orleans along
3 with New Orleans Startup Fund is going to start a new
4 program, and the new program going to be called M-Power.
5 It's going to be based around the Essence Festival, and
6 what they're going to do is they're going to have forums
7 and they're going to choose a couple of companies from
8 the forum and they're going to kind of like do an
9 internship for a year, follow them, do investments with
10 them and help them to continue to grow. With the
11 M-Power and the regular business that New Orleans
12 Startup Fund has been currently doing, they're expecting
13 that they will be able to do twice as much funding as
14 what they're currently doing now.

15 There has been a little bit change in
16 the management team. Previously Jeremy Honeywell was
17 part of the management team. He's no longer with them.
18 As you can see, it's Leslie, Jimmy Roussel, and
19 September Hargrove is going to be the new Executive
20 Director for M-Power. I've listed their Board of
21 Directors. As you can tell, Allen Square is one of
22 those, and he is here to answer any questions that you
23 may have.

24 This is an Evergreen fund. They're
25 seeking to be at least a \$7-million fund, but since it's



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1 an Evergreen, any of the returns that get back to the
2 fund will continue to help other companies to allow them
3 to invest into future companies.

4 One of wonderful examples of New Orleans
5 Startup Fund helping is a company called Bioceptive.
6 Bioceptive has not only gotten investments from the New
7 Orleans Startup Fund, but they've also been noticed by
8 private investors. They also have an investment with
9 Louisiana Fund --

10 MS. JACOBS:

11 II.

12 MS. BIGNER:

13 -- II. Remember, we previously just did
14 an approval so that any of the funds from Louisiana Fund
15 could be recycled over into Louisiana Fund II. So this
16 company has not only been recognized by New Orleans
17 Startup Fund, but they've been recognized by other
18 investors across the State. So I can say New Orleans
19 Startup Fund has really done a wonderful job of picking
20 those companies in the New Orleans area and surrounding
21 areas and helping to grow to the stage where they are
22 recognized by other investors in the industry and then
23 taken to completely succeed it.

24 This went to the Internal Investment
25 Committee, and they are making a recommendation for the



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1 additional match of \$1-million with the following
2 contingencies: The fund will be subject to the rules,
3 regulations and guidelines of the State Small Business
4 Credit Initiative created under the Small Business Job
5 Act of 2010 as defined by the Allocation Agreement
6 between the US Department of Treasury and the State of
7 Louisiana. The investment funds are contingent upon
8 availability of SSBCI funds from Treasury. New Orleans
9 Startup Fund will have 60 days from the date of LEDC
10 Board approval to sign an amendment agreement with LEDC
11 or LEDC may withdraw the commitment. Verification of
12 additional commitment, subscription agreements, must be
13 presented prior to any funding from LEDC.

14 I do have copies of -- since these
15 investments into New Orleans Startup Fund are considered
16 contributions and not private investments, and I have --

17 MS. JACOBS:

18 They're charitable contributions.

19 MS. BIGNER:

20 Yes, they're charitable contributions,
21 and I have received proof of the funds they have
22 collected so far today.

23 The first million must still be called
24 within three years of the subscription date, which will
25 be June 14th of 2014. The second million must be called



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1 within three years of the amended subscription agreement
2 or the end of the SSBCI program, whichever occurs first.
3 The allocation agreement expires on March 31st of 2017.
4 New Orleans Startup Fund must provide proof of how the
5 funds were allocated to receive subsequent draws. The
6 request cannot be drawn -- this request cannot be drawn
7 until after the first million has been committed or
8 obligated. So what we're making sure is they can't pull
9 on both of the approvals at the same time. They have to
10 commit the full million dollars or 80 percent of the
11 first million before they could start pulling on the
12 second million dollars.

13 SSBCI funds cannot be used for a
14 follow-up investment from a prior fund and can only be
15 invested in seed to early-stage investments. If New
16 Orleans Startup Fund invests with another fund that has
17 SSBCI funds, only one fund can report the company's
18 demographics, et cetera, on quarterly reports. The fund
19 shall provide LEDC annually with audited financial
20 statements to be prepared by an independent certified
21 public accountant, which include, but shall not be
22 limited to a balance sheet, profit and loss statement
23 and changes in financial condition and a current annual
24 reconciliation of the fund's net worth.

25 We have received the 2012 audit, and as



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1 soon as the 2013 audit is completed, we will get a copy
2 of that.

3 The fund shall provide to LEDC, as when
4 reasonably requested by LEDC, the data in its possession
5 related to the LEDC investment which is needed in order
6 to submit LED and SSBCI quarterly and annual reports to
7 the US Department of Treasury and to the State of
8 Louisiana.

9 Additional structuring may be necessary
10 in keeping with all of the applicable laws and industry
11 standards.

12 I really have to commend Leslie and her
13 staff, Candace. They have done above and beyond helping
14 us to make sure that we receive the information that we
15 need in a format that fits to what we need for our
16 reporting. I put in the write-up they've done some
17 investments. They've done five rounds of investments
18 into three companies. They've got the match. Eighty
19 percent of the first draw, which the first draw was 450,
20 will be 360, so they're fairly close to making that
21 additional on the first draw of a million dollars.

22 I'm really excited to see this M-Power.
23 This is going to be really good for the New Orleans
24 area. Like I said, it's not just New Orleans. It's the
25 surrounding area as well, and I'm going to turn it over



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1 now to Leslie and Mr. Square so they can give you some
2 additional information.

3 MS. JACOBS:

4 Thank you very much. First I'd like to
5 introduce Allen Square. He's the Chief Technology
6 Officer for the City of New Orleans, a former bank
7 consultant. I'm not going to know his full details.
8 Wharton MBA, Tulane Electrical Engineering -- I think I
9 got that right -- and a terrific human being. But he's
10 part of our board, has been part of our board since
11 inception.

12 We've come back and asked for an
13 increase in funding really because we think we could
14 utilize and utilize it well, and there's really three
15 reasons: One is the underlying deal flow in New Orleans
16 is getting better. So while we've spent 250, we have
17 another 300,000 where we've approved investments and
18 we're helping these companies reach their goal and that
19 would be SSBCI funding. They will not all succeed, but
20 I think at least half of them will, so we're going to go
21 through that first half a million tranche. That will be
22 fully spent if not by T1, definitely early T2. Two is,
23 we went ahead and did some strategic planning and
24 realized there were two areas of opportunity, we feel,
25 for New Orleans. And the first is what we're calling



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1 EdStart NOLA. You may be aware that New Orleans is K-12
2 education space. We are 91 percent charter. Charter
3 schools are earlier adopters of change, and so what's
4 happening is we've created a very good, what we call a
5 sand box, a way for entrepreneurs to try out a product
6 and innovate in education. So one of the investments
7 here is Tutti, which is actually an Ed-Tech company.
8 It's an online platform teaching music, and it's getting
9 some real traction. We may end up getting Jim Coulter
10 of TPG investing along side of us. But I don't know if
11 you've heard of MOOCs, which is Massive Open Online
12 Courses, which is this whole transformation going on in
13 adult education, well, they have a platform that's
14 getting a lot of interest. And so I expect Tutti, by
15 our second quarter. By the end of this quarter report,
16 we'll have another add-on investment round from what
17 we've just done.

18 So we're having a lot of interest in the
19 EdStart space. We have a lot of expertise in that area
20 where we can talk to people. I'll be doing the South by
21 Southwest EDU. There's a whole panel from New Orleans
22 talking about why New Orleans is a great place to do an
23 Ed-Tech startup.

24 The other area of opportunity is M-Power
25 NOLA. That name might change. We just hired a branding



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1 firm. But in our research, there's no city in the
2 country positioned as for minority high-growth startups,
3 and so we approached Essence Festival and said, "Would
4 you partner with us?" They said, "Yes," so we have a
5 promotional partnership with Essence, which I think is a
6 pretty big deal. If any of you know South by Southwest,
7 it began as a music festival that morphed into really a
8 tech platform, and so we're hoping to use this new
9 leverage that we become the South by Southwest minority
10 of partnership. And part of that, not using SSBCI
11 money, but through other funds, we are going to do a
12 fellowship where we're going to invest in some early
13 stage -- much earlier than the startup funds we
14 typically invest in, and it's called proof of concept
15 where they have no revenue, they're very early and have
16 a much higher rate of failure, but we're going to be
17 investing in those startups. Some of them are going to
18 make it, and then they'll be ready for SSBCI funding.
19 We're going out, quite honestly, we're now into business
20 development, but we're nationally recruiting. Allen's
21 been to Chicago, New York -- I mean, Atlanta, New York.
22 Another team went to Chicago. We're going out to the
23 Bay area. We're going to go Austin, but we're out
24 identifying all of these highly talented minorities and
25 saying, "Don't you want to consider New Orleans? And,



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1 by the way, this is what we can offer you." So we think
2 this is going to get momentum. We're bringing investors
3 in to judge the panels during the Essence and have a VIP
4 event for the investors.

5 We're pretty confident that we will
6 spend this money in the next three years because we can
7 see the pace of deal flow coming in and leveraging SSBCI
8 to raise more money. It's already helped that we're
9 telling people that we need a 2-to-1 match, not a 1.5,
10 so we plan on using this 2-million to raise 4-million,
11 which gives us our runway.

12 I'm happy to -- Allen, do you want to
13 add anything to what I've said?

14 MR. SQUARE:

15 I want to add just a couple quick
16 comments. In my travels around the United States, I
17 couldn't be more excited to see the deal flow of young,
18 talented entrepreneurs across the country and then just
19 to see them get excited because this is the first
20 opportunity for them to get access to real money with
21 potentially no strings attached. And when I say, "Would
22 you come to New Orleans," they'll jump up and down and
23 they say yes.

24 The second piece that gets me really
25 excited is as we look for people to be mentors, people



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1 to be advisors, people to be judges, they get super
2 excited about this idea. And growing up in New Orleans,
3 having to go away and come back and think about
4 opportunities, this is just another way that we can open
5 our young people's eyes to opportunities, and so I
6 couldn't be more excited about this program.

7 MS. BIGNER:

8 Questions or comments?

9 MR. ANDRE:

10 Question.

11 MR. ROY:

12 Yes, sir.

13 MR. ANDRE:

14 I got lost; okay, so help me. The first
15 thing we approved when?

16 MS. BIGNER:

17 February 17th of 2012.

18 MR. ANDRE:

19 Of '04?

20 MS. BIGNER:

21 2012. For one million, yes, sir.

22 MR. ANDRE:

23 And they've drawn down...

24 MS. BIGNER:

25 They've drawn down 450,000, and of that,



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1 they've spent 250.

2 MR. ANDRE:

3 So why are we asking for the second
4 before we finish the first?

5 MS. BIGNER:

6 Well, we're trying to -- first off, you
7 know, we dedicated \$5-million of the SSBCI funds for
8 investment. We are not having the interest that we
9 thought we would have from other funds. New Orleans
10 Startup Fund is expanding. They're performing well. We
11 approved rules -- well, the Board approved rules to
12 expand the max from 1-million to 2-million, and so we
13 are allowing New Orleans Startup Fund to come back and
14 request a second million. The reason that they're
15 requesting it is because they're going to expand their
16 programs and do further marketing, and they believe that
17 they're deal flows, the projects that they're going to
18 look at and everything are going to more than double,
19 which means they're going to not only go through the
20 million dollars, but are going to need additional funds.
21 And they have plenty of companies that match them.

22 MS. JACOBS:

23 You mean from the donations?

24 MS. BIGNER:

25 Yes, from the donations.



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MS. JACOBS:

Yes. So Chevron is committed. Entergy is committed. We have been going to successful, self-made entrepreneurs who want to pay it forward, so to say, that are all committing \$100,000 toward this match. So we're using -- part of the reason we're asking for the 2-million is, one, so we have it and because what we're learning is it takes time to build up the inventory of quality deal flow. So, as I said, in the first six months, we probably did nothing. We've now done 250, and we have another 300,000 that we've approved that we hope to close. So we want to know we have it so we have the runway to engage our efforts. Two, we're leveraging it to raise more money. We are a 501(c)(3) charitable, and so we're telling people it's a 2-to-1, not a 1.5-to-1, so we're using this to raise the money, so by saying we've got to get this money in so we can access it, it gives us time to raise those funds.

MR. ANDRE:

A follow-up question, please. On this drawdown, how many projects did that entail and are they all successful or have you had some failures?

MS. JACOBS:

I'm happy to say, knock on wood, some people dub us the "no-start fund" because we are very



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1 picky. We are very particular in how we invest. I use
2 this thing where, "If this was my money, would I invest
3 my personal money in this?" We have six portfolio
4 companies, all, knock on wood, are still in business,
5 which is incredibly good for a seed fund because you
6 expect to have some failures. Three of those have SSBCI
7 money. All three are still in business. One of them is
8 going to do extremely well, and that's Bioceptive, which
9 not only has gotten local match, but has been written up
10 in the Wall Street Journal, has won a USAID Saving Lives
11 \$250,000 grant. It is an IUD insertion device. One of
12 them, Tutti, I have a lot of confidence in. It's
13 starting to get its traction, and the other one, Golden
14 Leaf Energy, that one's limping. I'm not certain it's
15 going to hit the high-gross standard. I don't think
16 it's going to go out of business. It's just kind of
17 limping right now, so we're working with them. All
18 three are still in business.

19 We have approved one, two, three,
20 four -- five companies that if they get their round
21 done, they will be funded out of the SSBCI fund. We
22 will fund no one more than \$75,000 in the first round,
23 so our first round is 50 to \$75,000, and then if we're
24 happy where they're going, we'll participate in an
25 up-round. But we're early stage. We will probably just



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1 do one up-round and then save our money for another
2 investment.

3 Our goal as a 501(c)(3) is to increase
4 the amount with capital that is willing to invest in
5 early-stage companies. And, again, the traction, so a
6 gentleman named Mike Eckert, who is one of the key
7 executives in creating the Weather Channel move to New
8 Orleans, and so we're giving him space and he's creating
9 an angel network leveraging off of some of the work that
10 the startup fund is doing. That's our mission. So we
11 don't invest a lot in any one contract because, one, we
12 want them to be able to pass a market test that others
13 are willing to invest; two, we want to increase
14 leverage. That's how we measure ourselves, and bring
15 angels into that risk capital space.

16 MR. ANDRE:

17 Thank you.

18 MR. REINE:

19 The private capital you say that you've
20 raised, how much of that's considered contributions?

21 MS. JACOBS:

22 One-hundred percent of those are
23 contributions. So what we measure in the startup fund,
24 we are a 501(c)(3), you write a check, you get a
25 deduction off of your IRS returns, and if our



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1 investments make money, they're reinvested back into the
2 startup fund to invest in another operation. When we
3 measure the leverage, as in the add-on capital, so we've
4 invested 250 and there's been 2.75 on investments,
5 that's all for profit money. That's not our money.
6 That's a venture fund or other angels or seed fund that
7 has invested alongside.

8 MR. REINE:

9 The financials say that contributions
10 are recognized when the donor makes a promise.

11 MS. JACOBS:

12 No. They're recognized, I believe --
13 and I could be wrong. One, they're absolutely
14 recognized when they're received, and I think they're
15 recognize when we send a bill and they're due. So what
16 we've brought to people are three-year pledges. So if
17 you commit \$100,000, you agree to pay 33,000 in '14, '15
18 and '16. When we send the bill out for 2014, that's
19 recognized as revenue then, and if it's not paid, it
20 would be a very bad debt and then deducted. We've had
21 no bad debt. Everybody so far has made their pledges.
22 So we've received over \$3-million. Hold on. I have an
23 update right here that I got before we came. I just
24 have to find it in my paperwork. So we have received of
25 the 3-million, 1.86-million in cash has been received,



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1 and the remainder is outstanding pledges that are due in
2 '14, '15 and '16, because we've begun raising another
3 round of money.

4 MR. REINE:

5 Okay. And because this is your
6 statement through -- by the end of 2012, y'all had done
7 how many dollars?

8 MS. JACOBS:

9 Deals?

10 MR. REINE:

11 Yes. The amount at the end of 2012.

12 MS. JACOBS:

13 We're in 2013.

14 MR. REINE:

15 Yes, but your official statements end in
16 2012, so that's what I'm looking at.

17 MS. JACOBS:

18 Okay. For the startup fund, what I've
19 done in SSBCI and what we've done with the startup fund,
20 in 2012, we've done Drop the Chalk, we've done AdverCar,
21 Zlien, which y'all are not invested in. Then what you
22 are invested in is GLE, which was done in 2012,
23 Bioceptive, I believe was done in 2012, the first round.
24 The second round was done either December or January --
25 December of 2013, I think, and then Tutti was done in



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1 2013.

2 MR. REINE:

3 Where does the money come from to cover
4 the administrative costs?

5 MS. JACOBS:

6 We fundraise all of that.

7 MR. REINE:

8 None of that comes out --

9 MS. JACOBS:

10 Not a penny of that comes out of it.

11 MS. BIGNER:

12 That's one of the requirements is that
13 none of the SSBCI funds can be used for administration.
14 When they started off, they had an EDA grant to cover
15 the administrative expenses.

16 MS. JACOBS:

17 And when we applied, we knew that the
18 funds wouldn't, so that's why we did an EDA Grant, but
19 that doesn't count as a match.

20 MS. BIGNER:

21 No.

22 MS. JACOBS:

23 The match has to be private funds, so
24 any governmental funds we get is not included in here.
25 In addition to this, we have gotten governmental funds.



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1 MS. VILLA:

2 I believe on Page 9 is a listing of the
3 investments as of 12/31 financial statements of 2012.
4 It's in the notes.

5 MR. REINE:

6 I'm not concerned with the \$300,000 in
7 administrative costs, but if it's coming from someplace
8 else, I guess it's...

9 MR. ROY:

10 Any other questions or comments?

11 MR. KAMATH:

12 I've got a quick question.

13 MR. ROY:

14 Yes, sir.

15 MR. KAMATH:

16 Out of all of the companies you've
17 funded, what portion are you seeing is
18 technology-related companies?

19 MS. JACOBS:

20 A lot. So Drop the Chalk is an Ed-Tech
21 company. Zlien is an online contractors lien company.
22 I really wanted to do that with SSBCI money, but we had
23 some investors signed up who is related to a board
24 member, so we couldn't do that, but they're going to be
25 a really nice success story. Tutti is an online -- is



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1 an Ed-Tech company. GLE and Bioceptive is not.
2 Bioceptive is a medical device. Who am I forgetting?
3 Trusea (sic) -- no, Trusea hasn't been invested yet.
4 That's pending. I'm sorry. Drop the Chalk, Zlien,
5 Bioceptive, GLE -- AdverCar. AdverCar, I don't know
6 what to say. Technology is a part of them, but they
7 actually do advertisements on the side of cars tied into
8 a platform that can take the route of the car and see
9 how many eyes have viewed that ad that goes with how
10 they charge for that product. So it's a combination.

11 MR. KAMATH:

12 So do they receive SBIR-type of funding?

13 MS. JACOBS:

14 Do they receive -- I'm sorry.

15 MR. KAMATH:

16 SBIR, which is another funding source,
17 if you will.

18 MS. JACOBS:

19 No. I don't think any of them are SBIR.

20 MR. KAMATH:

21 So you basically fund 100 percent --

22 MS. JACOBS:

23 We're not funding -- the round is
24 funding 100 percent. We're participating usually in the
25 angel round. Most of the rounds we're participating in



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1 are usually around 500,000 to a million, and most of
2 them we may start with 250 and normally will help them
3 raise a second tranche of that first round to get to the
4 500.

5 MR. KAMATH:

6 Thank you.

7 MR. ROY:

8 Any other question or comments?

9 MS. THAM:

10 I really don't know the criteria, I'm
11 afraid, for SSBCI. For the startup people or the ones
12 where you're talking about that are very new, at what
13 point would they have met criteria for --

14 MS. JACOBS:

15 They probably would meet the SSBCI
16 criteria, but I don't want you calling me up here and
17 asking "Why is so much of the money we put in failed?"
18 So that's our judgment. It would meet your criteria,
19 but I'd prefer to have a better hit ratio, so we
20 won't -- I mean, I don't think there is a criteria other
21 than we measure jobs created, we measure leverage. We
22 just, when we submitted our proposal to you, we said
23 what part of the startup continue to work, and,
24 generally speaking, I'm oversimplifying. I've come to
25 accept that nobody agrees upon the terminology in the



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1 space. They all call it slightly different things, but
2 typically you start with an idea. Maybe you enter that
3 accelerator or an idea and help build out that idea.
4 Once you have that idea, you need to raise -- typically
5 it's called a friends and family round or -- but you
6 need to raise between, you know, a dollar and \$250,000
7 for proof of concept. You need to build a platform.
8 The startup fund typically comes in after that proof of
9 concept and we come in in what's really considered the
10 real annual round, are you bringing in people to invest
11 that don't know you, and that's generally what we would
12 call customer validation. So when we invest, a lot of
13 those companies, we say, "Show me you have a dollar of
14 revenue so I can see what your product or service is."
15 When we go into the M-Power fellowship, we're going to
16 be investing in the proof of concept, that friends and
17 family round, where we really take them -- they've built
18 their idea, now they have to build that platform and
19 show they they're able to do it. And that's a much more
20 riskier stage and you're going to have more failure.
21 This is all risk, but you're going to have much more
22 failure in that stage than you are once they've gotten
23 through that and they have at least a product of service
24 you can evaluate and it's not just words on a sheet of
25 paper.

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1 MS. THAM:

2 But that program wouldn't be the total
3 focus; right?

4 MS. JACOBS:

5 Not at all. Not at all. It's a sliver.
6 It's a sliver. Now, we're really -- and part of the
7 reason is our admin costs will go up because we're
8 really going to be -- the startup fund is going to keep
9 doing very clearly what it's doing, investing at that
10 stage company. Think of M-Power almost as a deal flow
11 source into the startup fund. For the ones that make it
12 through that, we then refer them to the startup fund for
13 investment. Same with EdStart NOLA, like we're
14 investing \$25,000 as another Ed-Tech. This one is
15 helping midsized museums come up with technology that
16 you can walk and around and learn about the exhibit.
17 Where only the big museums have the sophistication of
18 choosing iPhone or ap technology, we're investing in a
19 proof of consult round. SSBCI would come in in the next
20 round if it works out.

21 MS. THAM:

22 Thank you.

23 MR. ROY:

24 Anyone else?

25 (No response.)



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1 MR. ROY:

2 One question. When do you anticipate
3 drawing down the first million in its entirety?

4 MS. JACOBS:

5 Drawdown is different than spending. I
6 anticipate we will have spent at least a half a million
7 dollars of SSBCI funding, which means we're in the
8 second drawdown, by the end of the second quarter of
9 this year. Again, we have much more deal flow in the
10 pipeline. How much of it closes and when is always hard
11 to say, but we've got some good deals. So I would
12 expect by the end of 2014, we've budgeted -- we feel
13 we'll close another half a million dollars of SSBCI
14 funding this year. So we've closed 250. We think by
15 the end of this year, we probably will have spent --
16 we'll have drawn down a full million and have spent 750
17 of it. Now, that may not happen. I don't have a
18 crystal ball, but that's what we put in our budget.

19 MS. BIGNER:

20 And, remember, they have to obligate 80
21 percent before they can pull down that second draw,
22 before they can pull down another draw, and they have
23 until June of 2015 to pull down the first million --
24 pull down all of the first million.

25 MS. JACOBS:



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1 We'll have spent the first million
2 before that.

3 MR. ROY:

4 So the obligation that will be necessary
5 is not -- on this second million is not likely to occur
6 until 2015; right?

7 MS. JACOBS:

8 He's correct.

9 MS. BIGNER:

10 Yes, probably early 2015. If they
11 really hit something strong, it may be the end of 2014,
12 but I would say probably more than likely it's going to
13 be sometime before June of 2015.

14 MS. JACOBS:

15 I agree with that.

16 MR. ROY:

17 Anyone else?

18 (No response.)

19 MR. ROY:

20 Hearing none, what is the pleasure of
21 the Board?

22 MR. MESSER:

23 Mr. Chairman, I move to approve the
24 staff go forward with staff's recommendation.

25 MR. ROY:



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1 Motion by Mr. Messer.
2 MS. THAM:
3 I second.
4 MR. ROY:
5 Second. Any other discussion?
6 (No response.)
7 MR. ROY:
8 Hearing none, all in favor, "aye".
9 (Several members respond "aye".)
10 MR. ROY:
11 All opposed, "nay".
12 (No response.)
13 MR. ROY:
14 Without objection. Congratulations,
15 Ms. Jacobs.
16 MS. JACOBS:
17 Thank you.
18 MR. ROY:
19 Keep us posted, and we wish you the
20 best.
21 MS. JACOBS:
22 If you are in town for Essence, let us
23 know.
24 MR. ROY:
25 Any comments from the public?



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1 (No response.)

2 MR. ROY:

3 Having been on the BESE board, you
4 probably appreciate the meetings are as active.

5 MS. JACOBS:

6 You know, as I told Allen when we came
7 in, having been on BESE, it's likely it could go really
8 fast or it could go really slow.

9 Thank y'all.

10 MR. ROY:

11 Thank you.

12 All right. Next order of business is
13 the Finance Committee Report by Ms. Villa.

14 MS. VILLA:

15 Good morning. Prior to the Executive
16 Board Meeting of LEDC, the Finance Committee met this
17 morning and accepted the audit of the LEDC financial
18 statements as of June 30th, 2013 as presented by Aaron
19 Cooper, which was an unqualified opinion. In addition
20 to that, we had evaluations of our LEDC investments.
21 That was presented by Chaffe & Associates and was also
22 accepted by the Finance Committee. And then we had our
23 audit of our SSBCI program that was just recently
24 released by the Inspector General's Office. That was
25 also presented -- by the US Inspector General's Office.



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1 That was presented to the Finance Committee and that was
2 also accepted. As well as we had some write-offs of
3 some investments. That was just more of a technicality,
4 I would say, because they've already been fully reserved
5 on LEDC's books. It's just a matter of getting them
6 taken off of the balance sheet, the revenue for that.
7 So all of these were presented to the Finance Committee
8 and accepted by us unanimously, so now we want to
9 present those to the Board, of which I believe you have
10 copies.

11 MR. ROY:

12 Any questions or comments for Ms. Villa?

13 MR. REINE:

14 What were the write-offs? Did they list
15 them?

16 MS. VILLA:

17 There is a list.

18 MR. ROY:

19 Yes, they are there, and there are a few
20 of them.

21 MS. VILLA:

22 They're in your brown book.

23 MS. GUESS:

24 Tab 3.

25 MS. VILLA:



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1 Yes, in your brown handout on Tab 3.

2 MR. REINE:

3 I don't have a brown handout.

4 MR. ROY:

5 It's -- who's going to help out?

6 Air2lan, Certia, The Football Network.

7 MS. VILLA:

8 Yes. Sellitis, TravelByUs, WhiteFence.

9 Again, these were fully already reserved
10 on the books, so LEDC is just more administratively
11 presenting these to the Board so that we can actually
12 kind of do the inventory of the investments and reverse
13 the impact on the financial statements.

14 MR. ROY:

15 Do we normally wait for the auditor's
16 report to make such a charge-off?

17 MS. VILLA:

18 Errol? We normally do it as we deem it
19 necessary to be charged off. We reserve for it, but as
20 far as presenting it to the Board for approval...

21 MR. SMITH:

22 Yes. That really should occur as it
23 happens, however, this was found during the audit. We
24 were just doing some cleanup work and Aaron and I
25 noticed that they were still on the books, fully



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1 reserved, fully written down. We just needed to go
2 through the process of getting the Board to approve the
3 write-offs.

4 MS. VILLA:

5 But in prior years have been previously
6 reserved?

7 MR. SMITH:

8 I'm sure historically they have.

9 MR. ROY:

10 Any other questions or comments for
11 Ms. Villa?

12 MR. REINE:

13 I move that we accept the committee's
14 report, whatever committee it is.

15 MR. MESSER:

16 Second.

17 MR. ROY:

18 Motion to accept the committee's report,
19 and, particularly, I think we probably need to
20 specifically say it to make these charge-offs, I would
21 say.

22 Is there a second?

23 MR. ANDRE:

24 Second.

25 MR. ROY:



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1 Any discussion?
2 (No response.)
3 MR. ROY:
4 Hearing none, all in favor, "aye".
5 (Several members respond "aye".)
6 MR. ROY:
7 All opposed, "nay".
8 (No response.)
9 MR. ROY:
10 Any comments from the public?
11 (No response.)
12 MR. ROY:
13 Hearing none, it passes.
14 One side note, Chaffe was engaged --
15 primary charge was to value the companies that we
16 invested in. I think staff, combined with Chaffe,
17 perhaps, will be presenting some information to us on
18 what our actual return on investment is, sort of giving
19 the function of what might be the actual fair market
20 value today, but, also, certainly have to consider any
21 dividend, if you will, or income that we've earned from
22 those funds. Because when you just glance at the change
23 in value of the fund, they don't look so hot, but we
24 think that after we look at them, what was actually
25 returned to us, the picture gets a little sweeter.



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1 MS. VILLA:

2 All right. So on the Chaffe report, it
3 just lists the value and just the point in time of the
4 year and any increase or decrease in that market value
5 of the funds. So what we've asked them to do for future
6 reports next year is to list the initial investments so
7 you, the Board, can see what the initial investment was,
8 but, in the meantime, this is something that staff has
9 readily available, so we'll be able to present that to
10 the Board so that you'll have that information for
11 current investments.

12 MR. ROY:

13 Okay.

14 MR. REINE:

15 Mr. Chairman -- and this is not about
16 Mr. Hayes but is there some document -- because I'm
17 still uncomfortable with the deal today that you get
18 more from the State than the total deal, and if there is
19 a formula and some justification of return on
20 investments, can we see that included when we make a
21 decision in the future? Because if I go build a
22 building for 2-million and you're going to give me two
23 and a half to build it, I want to get off the Board and
24 sign up for some money. I'm sure there's a process in
25 which y'all can demonstrate that over a period of time,



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1 you have to do this to get that, but I would like to see
2 it when we vote on it. So if that could be included in
3 future packages, I would appreciate it.

4 MR. ROY:

5 Okay. We will do that. Staff will do
6 that.

7 Next order of business, Ms. Villa, the
8 Treasurer's Report.

9 MS. VILLA:

10 Okay. So the Treasurer's Report --
11 Secretary Treasurer's Report as of January 17th, 2014,
12 I've -- going to Page 2 because it's kind of easier to
13 read. The Financial Assistance Program has a budget of
14 \$40,000. We currently have no pending proposals out
15 there, so we expect to have a yearend balance of
16 \$40,000.

17 Our State Small Business Credit
18 Initiative for the year has a budget of 3,293,087, which
19 does not include the third tranche. We aren't able to
20 request that third tranche until we're 80 percent of our
21 second tranche. We currently have approved and pending
22 \$602,626, and then we had the million dollars, which was
23 just approved by the Board for New Orleans Startup Fund,
24 so we expect to have a balance of \$1,690,461. We
25 currently have a project under review of by staff of



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1 \$375,000, which would mean a projected yearend balance
2 of \$1,275,461.

3 Detailed below is all of the Loan
4 Assistance programs that we --

5 MR. ROY:

6 How many tranches are there?

7 MS. VILLA:

8 Three.

9 MR. ROY:

10 We cannot apply for any more at that
11 point?

12 MS. VILLA:

13 No. When the State received a
14 certain -- it was \$13.1-million, of which 5-million went
15 into VC and 8.1 went into the Small Business Loan
16 Guarantee Program. What the Federal Government has done
17 is it has extended the time period from which you can
18 request that third tranche, which has to be completed by
19 '15 now, and then the duration of the program is 2017.

20 MR. ROY:

21 Do we anticipate any problem with
22 applying and receiving the third tranche by 2015?

23 MS. VILLA:

24 No. I mean, we don't expect any
25 problems. What we brought to the Board to change the



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1 Loan Guarantee Program, the recent rules that we made
2 last time we met, we believe that will allow us to
3 continue to market and be more competitive with our
4 programs. Since it has extended the term, it can go up
5 to -- for different categories, we can go up to five and
6 seven now, where we didn't have that in our rules. So
7 we feel as though we'll be able to market that.

8 MR. ROY:

9 Is that word getting around? Because it
10 is an attractive program.

11 MS. GUESS:

12 I'm going to chime in just a second. I
13 think next month, we are going to be presenting to the
14 Board the activities that will help us to achieve those
15 goals. We have been assigned two consultants that have
16 been contracted through the US Treasury for states that
17 need a little assistance with their marketing program,
18 and we've gotten some very aggressive things that will
19 start probably at the beginning or middle of February
20 that we will report to you next month.

21 MR. ROY:

22 Okay. I didn't mean to interrupt you.

23 MS. VILLA:

24 That's okay.

25 So to continue, there's a detailed



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1 listing of the projects that are making up the \$602,620
2 that we have that's been approved by the Board. And
3 then we have the one that's under review, that Bayou
4 State Lumber Company that's under review currently that
5 we will presented to the Board in the next few meetings.

6 If you go on to Page 3, our Capital
7 Outlay Appropriation, we have a current budget of
8 \$17,161,895, and, as you can see, there's a couple of
9 notes at the bottom of the page. There's \$5-million
10 which was still in Priority 2 that has not -- it's not
11 been presented to the bond commission yet, and then the
12 non-cash line of credit was approved at the October Bond
13 Commission Meeting of \$5-million. So we currently have
14 the \$500,000 that was just approved for Hayes
15 Manufacturing Company, and then we have \$8,807,500 worth
16 of projects that are currently under review by staff.

17 And, Susan, if you want, maybe you can
18 give a brief update because I think that we've had some
19 of these that have been under review for a while. And
20 Susan and I, in the past 30 days, have really gotten
21 with the teams to kind of assess where we were with
22 those projects because we're constantly making sure
23 that --

24 MS. BIGNER:

25 Okay. I'm expecting at least two



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1 applications before the end of this month for announced
2 projects, and then possibly another two or three next
3 month to be reviewed for presentation, so it's picking
4 up. There is one or two that is in this list of
5 projects that have been announced that have been on
6 there for a while. We've spoken with Mr. Grissom about
7 them, and they are ones that are still in that go place,
8 but it's just going to be a little bit longer before
9 they come to the Board for approval of their
10 applications.

11 MS. VILLA:

12 So that would leave our projected ending
13 balance of \$7,854,395. And then for our Capital Outlay
14 Appropriation for the Economic Development Site
15 Readiness Program, the EDRED Program, we have a budget
16 of \$1,354,614. We have approved \$439,500, and this has
17 a balance of \$915,114. And as you recall, the Board
18 approved the funding of the EDRED Program. We thought
19 it would be, you know, up to maybe a couple of years to
20 pick up. It's been almost -- it's been right at a year
21 that we put the program in place, a little over a year
22 that we put the program in place for the site readiness.

23 If you go to the next page --

24 MR. REINE:

25 Let me ask you before you move out of



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1 Capital Outlay Appropriations for Economic Development,
2 we give them the loans and they have certain conditions,
3 and if they meet those conditions, they don't have to
4 make the payments?

5 MS. VILLA:

6 Correct.

7 MR. REINE:

8 Okay.

9 MS. VILLA:

10 Page 4, we have our LEDC projections for
11 fiscal year 13-14, and Column X is the actuals for
12 fiscal year 12-13. We are expecting a total revenue
13 of -- or total fund balance of \$17,978,625. And then I
14 won't go through all of the details, but you have there
15 in front of you all of the expected expenditures, which
16 would leave us a balance of \$78,384.

17 MR. REINE:

18 What did y'all do with the money in the
19 Vender's Compensation Fund?

20 MS. VILLA:

21 Vender's Compensation Fund is
22 9.6-million, so that's our source of funds, and then we
23 have the expected expenditures below --

24 MR. REINE:

25 What do you spend the money on? What is



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1 eligible expenses for Vendor's Compensation? Anything?

2 MS. VILLA:

3 I believe to fund LEDC. To fund big LED
4 and LEDC, which these costs are listed, which are
5 advertising, marketing, FastStart Initiative, SEC. So
6 that would give us a balance of \$78,384. I'm not sure
7 if there's specific restrictions. I can look into that
8 to see, but I'm not aware of any. If anyone on staff
9 knows the answer to that --

10 MR. REINE:

11 At one time it used to be used for
12 training programs and such.

13 MS. VILLA:

14 Are there any limitations as to what the
15 Vendor's Comp could be used? I don't believe so.

16 MS. GUESS:

17 None that I'm aware of.

18 MR. REINE:

19 Okay.

20 MR. ROY:

21 To Mr. Reine's question, generally it
22 can be spent by LED?

23 MS. VILLA:

24 The department.

25 MR. ROY:



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By the department. Okay.

MS. VILLA:

If there are no other questions, I'll
turn it over to Errol for the Accountant's Report.

MR. ROY:

Motion to accept the Secretary
Treasurer's Report.

MS. THAM:

So moved.

MR. MESSER:

Second.

MR. ROY:

Who just -- I'll let you make it.
Motion and a second.

MR. REINE:

I'll second.

MR. ROY:

Second. All in favor, "aye".
(Several members respond "aye".)

MR. ROY:

Any opposed, "nay".
(No response.)

MR. ROY:

Without objection.

MR. MESSER:



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1 I was so excited. It's very exciting.

2 MR. SMITH:

3 Okay. LEDC Status Report as of November
4 30th, 2013: Total Participation Loans is \$338,570. At
5 the end of this presentation, I'm going to ask Seth to
6 give us an update of what's going on. I'm happy to say
7 that's the only past due amount that we have and have
8 had for some time.

9 Total Direct Loans, we have a total
10 balance as of 11/30, 163,442, which they're all paying
11 as agreed.

12 The total EDLOP and EDAP loans, we have
13 a current balance of 1,396,867. As you'll see, Accent
14 is still on there and Trusouth Oil. Those both came off
15 in the month of November.

16 If you go to the next page, we have our
17 Total Guaranteed Loans, and this is what's interesting,
18 we have, I guess since probably the last time we met, we
19 had like seven of the those loans expire. The
20 guarantees have expired on those particular loans, so
21 the total as of 11/30 -- and I think we have maybe two
22 more that's going to expire probably the second quarter
23 of this year. So we have a balance now for Guaranteed
24 Loans of 2,501,299, of which they're all current.

25 The next page we have the Allowance for



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1 Participation and Direct Loans. We have a total balance
2 of 502,013. As of the end of November 30th, allowance
3 for EDLOP, also, we have a loan balance of 1,396,867.
4 Guaranteed, we have a total reserve of 635,631.

5 As I stated earlier, all of our loans
6 are performing, and there are no issues with any of them
7 other than MW Realty, which we've known about for some
8 time.

9 The next page, we have SSBCI status as
10 of November 30th. We have currently 16 loans for
11 2,616,330, and as of the end of November, they are all
12 performing as stated, so we have done very well. The
13 staff has done very well with these particular loans.

14 Seth, would you give us an update on MW
15 Realty, what's going on with?

16 MR. BROWN:

17 Sure. Just to remind you, MW Realty is
18 the only participation that we've got on the books. In
19 other words, to explain it, what we did was we cut a
20 check for 40 percent of the loan. We let Hope --
21 Enterprise Corporation with Delta, they were the lead in
22 this, so the traditional participation is sent. This
23 took place somewhere in the early 2000s. In reporting
24 this, I've spoken with the gentleman that's in charge of
25 dealing with this loan here, and he's stated that



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1 they're looking for a buyer for the dealership.
2 Mr. Carter, who is the principal on this loan, is in a
3 very delicate situation. They don't want -- they want
4 to -- they have recourse to go ahead on and file, you
5 know, suit to send him into default, but if they send
6 him into default, the dealership, which is Honda, will
7 reject it. They've got a criteria, he's telling us,
8 where if he's insolvent, they can reject the title.
9 They can reject the flag. And so they're not trying to
10 kills a goose with a golden egg. What they're trying to
11 do is work with him and try to find someone to purchase
12 this dealership itself, and the proceeds from that, they
13 hope will cover the payoff of this particular
14 participation. The upside is this money has already
15 been spent on this. LED don't have to cut a check.

16 So that's it. Any questions?

17 MR. ROY:

18 Any questions?

19 (No response.)

20 MR. ROY:

21 All right. Are you finished?

22 MR. SMITH:

23 Yes.

24 MR. ROY:

25 Motion to accept the Treasurer's Report.



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MR. MESSER:

So moved to accept the Treasurer's
Report.

MR. ROY:

Second?

MR. REINE:

Second.

MR. ROY:

All in favor, "aye".

(Several members respond "aye".)

MR. ROY:

All opposed, "nay".

(No response.)

MR. ROY:

Without objection. Thank you.

Next order of business, Mr. Messer, the
President's Report.

MR. MESSER:

I'll just be very brief, one or two
things. First of all, I want to thank the members of
the Board for their continued engagement and sacrificing
their time. We really appreciate it as a department.
Secondly, I want to thank our staff. I think that the
fact that you don't have any loans that are in default,
that are high-performing speaks to the quality of staff



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1 and the amount of attention to detail they've spent in
2 their efforts.

3 The last thing I do want to mention, a
4 couple of just items. As you know, the Secretary and
5 the Governor will be returning from Asia tomorrow.
6 Highly successful trip. I think that you will see over
7 the next three to five years significant activity to
8 companies like Hayes and others throughout the State for
9 the purpose of that effort.

10 The other thing that I want to do, and I
11 think to Mr. Andre's point earlier about his questions
12 to the Hayes company about quality staff, I want to
13 mention that the copy of the Louisiana Economic
14 Quarterly that I gave to each of you is really focused
15 in that entire issue on workforce training. You've
16 heard references to FastStart. Our team is really
17 doing -- beyond just FastStart, the agency is really
18 working very well with both two and four-year colleges
19 to really think through cross agencies to collaborate
20 relationships that will make sure that Louisiana has the
21 type of workforce that can truly allow business to
22 capitalize on what is nothing short of an industrial
23 renaissance throughout the State.

24 So I just wanted to flag that. And,
25 again, thank you for your participation as well as staff



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1 for their continued hard work.

2 MR. ROY:

3 Thank you.

4 Any other business?

5 (No response.)

6 MR. ROY:

7 Ormet Primary Aluminum Corporation, Ms.
8 Bigner.

9 MS. BIGNER:

10 Good morning again. In May of 2010,
11 there was an -- EDLOP approved for Ormet Primary
12 Aluminum Corporation, and it was to purchase capital
13 equipment for the restart of the Burnside facility. We
14 did take collateral of land at that time. Since then,
15 the collateral was swapped for other collateral, so it's
16 fully collateralized. All of the funds were disbursed.
17 Back in September of 2011, there was a warn notice. The
18 business has kind of cut down a little bit and they lost
19 one of their customers. When I called regarding the
20 warn notice -- what a warn notice is is it's telling us
21 that there are going to be possible layoffs. It has to
22 be done within 90 days before there's a major layoff. I
23 believe the warn notice was done as a precaution. They
24 never did let any of the employees go. It continued to
25 operate. The facility is even operating now. The



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1 company went into bankruptcy in February of 2013, and
2 then in November, the company requested a signed consent
3 from LED for the assignment of the contract to Almatris,
4 Inc., and a purchase agreement has been entered into.
5 Anne signed the consent to assign, and that is attached
6 to the memo that was presented to you, and it's subject
7 to the approval of the amended contract by Louisiana
8 Economic Development Corporation.

9 I've been in touch -- I also gave you a
10 copy of the original term sheet for which the project
11 was approved. Although the company has gone through
12 bankruptcy, the sale is proceeding. I have been in
13 contact with Almatris. I got an e-mail this morning.
14 They're going to continue -- they're going to do a
15 little bit of change so that it's not the primary
16 aluminum. They're going to go to a different aluminum
17 that is in higher demand. They expect to hit all of the
18 requirements of the contract. They will continue to
19 operate. The collateral will stay in place. We're not
20 just in a position to move the contract over because the
21 sale is not complete, but I would like for the Board to
22 approve the letter that -- the Consent to Assign that
23 Anne signed, and we will probably have the amended
24 contract -- the presentation for the amended contract
25 next month.



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1 MR. REINE:
2 I so move.
3 MR. ROY:
4 Motion to adopt staff's recommendation.
5 Is there a second?
6 MR. SIMPSON:
7 Second.
8 MR. ROY:
9 Any discussion?
10 (No response.)
11 MR. ROY:
12 Hearing none, all in favor, "aye".
13 (Several members respond "aye".)
14 MR. ROY:
15 All opposed, "nay".
16 MR. ANDRE:
17 Mr. Chairman, I need to abstain.
18 They're a customer of ours.
19 MR. ROY:
20 Okay. Let the record show that
21 Mr. Andre abstains.
22 All opposed, "nay".
23 (No response.)
24 MR. ROY:
25 Without objection. Thank you.



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1 One other request. I spoke with staff,
2 we spoke earlier, about the evaluation and to look at
3 the return on investments. I've always thought the best
4 way to craft a policy is look in reverse if you have any
5 history and see what you've done, but we have these
6 charge-offs of these that we realized today. Can we
7 include some analysis of that? You know, we charged off
8 a fair amount. It would be good to look at the
9 investments that we have on the books now, but also
10 these companies that have been charged off to try to
11 learn from that draft policy going forward. The venture
12 capital world is risky, as we know.

13 MR. REINE:

14 Mr. Chairman, you're bringing up an
15 interesting point. We've talked about we project that
16 projects we will do over some period of time. Do we
17 have a mechanism where we can go back after the fact and
18 look and see did we generate the return on investments
19 to the State and jobs and salaries and tax revenue?
20 After we projected, we do the deal, do we go back at
21 some point in time and say we were right or wrong or...

22 MS. GUESS:

23 The majority of the projects that we
24 perform an analysis on are our EDAPs and EDLOPs
25 basically, and before we even get to a point where they



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1 might even be presented for a charge-off, we have gone
2 through various workout situations which might encompass
3 several --

4 MR. REINE:

5 I'm not even addressing the write-offs.
6 I was told earlier in the meeting that there is a
7 projection of benefits to the State when we do a project
8 about tax returns on income tax and sales tax and jobs
9 created and all of those things.

10 MS. THAM:

11 Is that somewhat mathematical that you
12 meet the payroll that was part of the criteria? If
13 they're staying with the payroll, the rest of it follows
14 just mathematically? Because, I mean, you're not going
15 to go look at each person's income tax returns
16 individually, but it should follow. I mean, I would
17 think -- and I would love to see a list of everything
18 that was --

19 MR. REINE:

20 I don't know how they do it, so I don't
21 know how we judge. My question is, at some point, do we
22 go back and say we generated the returns outside the
23 investment income or something like that that these
24 projects are supposed to promote through the State? And
25 it's all -- I'd like to see how we do it, but if we



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1 never go back and check and see is that formula
2 accurate, do we produce the jobs, the salaries, the tax
3 revenues that we projected, do we ever go back to see if
4 we're on target or not?

5 MS. GUESS:

6 Part of what you're asking in that
7 question, the answer is yes because we do keep track of
8 the activity of the company to make certain that they do
9 the projected jobs and the associated payroll with those
10 jobs for our internal purposes, as part of our ongoing
11 compliance and looking at each of those contracts.

12 The second part that, which I would say
13 is a no, is, from our area, we do not go back and do a
14 compilation of all of that report. That could be
15 something that we could look at going forward.

16 MR. REINE:

17 I'd appreciate it. Like I said, if
18 we're to give opportunities or whatever you want to call
19 them and we project that they're going to produce
20 certain benefits, at some point in time, it's just a
21 formula that predicts it, we ought to have some method
22 of the formula that says it's doing what we think it's
23 going to do or it's not. You said history is a good
24 teacher about projecting these returns on investments to
25 the State. Well, at some point, we do need to see if



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1 we're getting those returns. If not, then maybe we need
2 to adjust the formula that we're predicting that with.

3 MS. VILLA:

4 I think a good recommendation to the
5 Board, Bob and I were just discussing, is perhaps the
6 return on investment analysis that you all would like to
7 see for the deal is perhaps we go through that with you
8 in details as to how the department does that. I mean,
9 because if you want to review it, then obviously the
10 person on staff that does it should probably present to
11 the Board that analysis that's done and what criteria
12 goes into that.

13 MR. ROY:

14 I think we're hearing a few things. One
15 of them is a return on investment in totality, including
16 the losses on the deals we invest in. Though
17 Mr. Reine's is a much bigger question, I think, that may
18 even be beyond the department. It may involve other
19 departments, the Department of Labor, I don't know. But
20 when the State projects these total benefits to the
21 State may involve the Department of Labor. I don't
22 know, but I think that's what he's asking for.

23 MS. VILLA:

24 Okay. Like an economic impact analysis;
25 is that what you're telling me?



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1 MR. ROY:

2 I mean, as I appreciate it, the formula
3 that's used to project involves taxes, involves a whole
4 myriad of projections going forward, and it's not just
5 job creation, which we track and I think staff said or
6 pointed out that it's mathematical.

7 MR. BROUSSARD:

8 Each EDAP application or EDLOP
9 application, which I think is what we've talked about,
10 has an impact analysis. We can include that in the
11 packages going forward. It was included previously, but
12 for some reason it hasn't been done in the last few
13 years. That's really what we base the approval of these
14 applications on. That could be provided.

15 In terms of venture capital investments,
16 venture capital is the riskiest form of investment you
17 can make, and the returns -- when this Board approves
18 those applications, the returns are always like
19 Ms. Jacobs said. Sometime there are no indications of
20 what's going to happen because these companies are
21 startups. They're brand new, and you don't know if
22 you'll get the money back, quite frankly. So what you
23 can do is look at the proforma, which is
24 pie-in-the-sky stuff. So in terms of the investments,
25 it's hard to quantify that. Now, the LEDC accountant



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1 does have an Excel spread that will indicate when you
2 approved, how much you approved, how much was funded,
3 how much was returned, how much was lost on the
4 investment side. That's really what you're asking for
5 here. I think we have that. But, again --

6 MR. REINE:

7 That's not what I'm asking for.

8 MR. BROUSSARD:

9 -- looking at the positive aspects of
10 investments is really difficult because of the risky
11 nature of the business we're in. There are no promises
12 up front or anything. There's no collateral, no
13 securities. The investment is a risk, and a lot of
14 times, more often than not, it doesn't work out, and
15 that's just the fact of the matter.

16 MR. ANDREW:

17 It does or does not?

18 MS. VILLA:

19 For venture capital.

20 MR. BROUSSARD:

21 It does not.

22 MR. REINE:

23 My comments weren't so much about
24 venture capital as it was -- we do an economic impact
25 study, we expect it's going to do certain things. Do we



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1 look at a mechanism to go back and check and see how
2 accurate we were? If we're producing more and better --
3 look, if we're producing high-paying jobs and people are
4 going to work, I'm the happiest camper you can see; but
5 at what point, if we project all of these things are
6 going to happen, do we look at back and see how accurate
7 we were in our predictions? If we're hitting the ball
8 out of the park every time, that's good news. But if we
9 don't go back and check, we don't know, and if we're
10 falling short, then maybe we need to look at predicting
11 it a different way. But we need to be able to look at
12 some information that goes back and says this is what we
13 thought would happen, this is what happened. If y'all
14 can figure out a way to suggest we look at that, I would
15 appreciate it.

16 MR. BROUSSARD:

17 As a practical matter, when the contract
18 is terminated is when we look back because the deal is
19 done, so to speak. We look at what was offered, what
20 was achieved and what the result was. That would be at
21 the termination of the contract. They're all different.

22 MR. REINE:

23 I just haven't seen us do that in the
24 process. We require certain payrolls, we require
25 certain jobs, but it's obvious to me that there are many



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1 more things going into an economic impact projection of
2 what those are going to produce. At what point do we
3 see if we were right? You know, I hate to go back, but
4 if you've got \$4-million worth of tax breaks on a
5 \$4-million job and they're telling me there was an
6 economic impact study that over a period of time the
7 State is going to come of that deal good. At what point
8 do we go, "Hoorah, it worked," or did we fall short? If
9 there's no mechanism to go back and check, we'll never
10 know if we did or didn't and we'll just be doing the
11 same thing --

12 MR. BROUSSARD:

13 As I said before and reiterated,
14 typically at the end of the contract, that's when we
15 look back and see what happened. We look at the history
16 of the contract, typically.

17 MR. ROY:

18 I think you're talking about beyond the
19 contract.

20 MR. REINE:

21 I don't get to see that.

22 MR. ROY:

23 You're talking about the tax impact,
24 which would not be anything that we track, I don't
25 think, and whatever other analysis goes into that big



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1 projection, which in the Hayes company incident, was
2 whatever, four-point-something million.

3 MR. REINE:

4 It had nothing to do with Mr. Hayes. I
5 just want to make that real clear. It's not him. It's
6 the process.

7 MS. THAM:

8 Well, I think you can really argue one
9 way or another whether certain things go in. You know,
10 are we just including the property tax we're going to
11 get going forward or are we just including the
12 additional State unemployment tax, the State income tax,
13 are we also including like the money we'll get because
14 there's a contract to build a new building. So it would
15 be interesting to see what is and isn't included.

16 MR. ROY:

17 And I suspect -- and I'll ask the staff
18 to weigh in -- it seems like someone of this goes beyond
19 DOD. It might be other -- Department of Revenue,
20 perhaps, Department of Labor. We're talking about other
21 departments as well, but I think Mr. Reine's point is --

22 MR. BROUSSARD:

23 A.J., you're exactly right. A lot of
24 the programs that we have in house, the applications
25 come into LED, we process them, we approve them and we



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1 issue contracts. The Department of Revenue is really
2 the agency that collects that data. They received the
3 rebates request, the tax credits and that sort of thing,
4 and there's no reporting mechanism with revenue and LED
5 to know that. Most administration can do is say, "Well,
6 you approved this much through the application process
7 with these programs that we administrated." What
8 happened on the back end, we don't know. We don't have
9 that kind of communication. We never did. It would be
10 nice if we did.

11 MR. BROWN:

12 Can I make a suggestion moving forward?
13 The gentleman that does that for us in house, the return
14 on investments, he kind of educated everyone in LED how
15 we do that. Just like when we brought Buergin (sic)
16 here to do a presentation, why don't we --

17 MS. VILLA:

18 That's what I recommended to the Board
19 earlier that we --

20 MR. BROWN:

21 I'm sorry. I might have been asleep
22 through that. Thank you.

23 MS. VILLA:

24 That's okay. At least we're thinking
25 alike.



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1 MR. ROY:

2 All right. I think we all understand
3 what we we'd like to see, and that's a good point.

4 Any other business before the Board?

5 MR. KAMATH:

6 Mr. Chairman, I have a question for
7 Brenda.

8 Brenda, I have a quick question for you
9 and the staff in general. Of all of items that come in
10 front of this committee, how many of those does LED
11 actively seek out or how many of those entities seek
12 LED? In other words, I want to see is there an outreach
13 program that y'all do or is that just folks that come in
14 and say, "Hey, look, we want to develop this business
15 and we're looking for help"? And just not specific, but
16 you know, as a general rule.

17 MS. GUESS:

18 I would have to say, when you look at
19 it, we can dissect the Secretary Treasurer's Report and
20 look at those projects that are under the EDLOP and
21 EDAP, all of those are -- 100-percent of those projects
22 are where LED has -- well, the mechanism is probably a
23 combination. I'm certain that there are certain
24 companies and industries that contact LED about our
25 involvement and participation in some form or fashion in



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1 one of our inceptive programs. In our venture, I'd say
2 that, you know, not all of those are, after being
3 evaluated, have been determined that they have the
4 merits that the department is looking for in order to
5 make those offers for them to take advantage of those
6 programs. So of those that you see, I would say 100
7 percent of those are actually done by another section
8 within LED, but as far as if you look at a loan -- well,
9 not even the loan program, because even now, we've got
10 the marketing that's taking place, not only in the LEDC
11 side of the building, but also in our business
12 development, if there's an opportunity for a company
13 like, say, Hayes. Hayes was brought to us by Office of
14 Business Development or BRM, our business retention and
15 modernization. They have to identify a business that
16 might be identified as an EDAP, but they're also looking
17 at the other needs of the company. And we've done one
18 in the past. I can't recall the name of the company
19 right now, but they also came to us for a loan
20 guarantee. So there is a coordination between all of
21 LED to make all of those clients, the companies that
22 come to us, aware of all of the opportunities that we
23 have. So it's really kind of hard for me to give you
24 that percentage.

25

MR. KAMATH:



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1 The reason for my question was -- to
2 work out certain assets and things like that and, also,
3 they spoke -- the gentlemen, the folks out here. I'm
4 just curious to see how many of them were
5 technology-related types of things, because the City of
6 Baton Rouge has IBM coming in and there are other
7 resources that are coming in, and one of things that I
8 asked her was about SBIR. Now, SBIR is a program where
9 some of the innovation centers, that's \$100,000 given to
10 a company for a novel idea, and there are hundreds of
11 companies that submit on that. One wins. If you win
12 phase one, you're guaranteed \$750,000 for phase two, and
13 they're covered in some way, shape or form, you know,
14 with patents and things like that. If you're working
15 for agencies like DOD or DARPA, they may have something
16 out there. Well, we want to look at best laser
17 technology and it might be a small company that's out of
18 a garage that's coming up with these ideas, and I think,
19 you know, it may behoove us if we could roach out to
20 some of these agencies. I know the incubation center at
21 LSU, the technology center, they have a good program,
22 and there are firms that have won some of these 100,000
23 or 750,000 type of awards, it may be well in our
24 interest as an agency and as LED to go out there and
25 say, "Give us your top three people who have applied

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1 from the last three times," and, you know, have one way,
2 shape or form to reach out and say, "Hey, you've got
3 something that we want to see," because our success
4 ratio of succeeding with some of these -- you know, you
5 said it correctly that venture capitalism is a hit or
6 miss, but I think we would have a larger chance of hits
7 if we went with some proven ground out there with some
8 of those entities, you know.

9 MR. MESSER:

10 Well, I think that we're actually,
11 within LED, we're doing that. Brenda alluded to it and
12 Anne alluded to it. We have a business development
13 team, and in that business development team, we have a
14 group of folks that particularly focused on emerging
15 technology sectors. So we actually have one guy, a
16 colleague of ours, who is focused on enterprise software
17 particularly and cyber security who's actually looking
18 at and actively engaged with SBIR recipients Statewide.
19 We also have someone who is doing that similarly in
20 aerospace and sort of the materials science areas. And,
21 literally, I would say, last night, there was a dialog
22 among BRAC, LED and LA Tech about those types exactly
23 what you just alluded to. So that type of ongoing
24 conversation is a regular part of what we do at the
25 agency.



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1 MR. KAMATH:

2 That's great. Thank you.

3 MS. VILLA:

4 But in regards to the SSBCI program, I
5 think Brenda can address that we have actually gone out
6 and met with the tech --

7 MS. GUESS:

8 Oh, absolutely, the technology. And we
9 work very closely with Charlie D'Agostino down at LSU
10 and his technology center. We are making ourselves
11 available, making them aware of not only LEDC's program,
12 but LED programs and the incentives that they may not be
13 aware of. So we're currently developing new
14 relationships with other providers and continuously
15 cultivating and/or strengthening the other ones that we
16 have had in the past. In fact, we even used to have a
17 SBIR -- LEDC had a SBIR program back in the '90s where
18 we actually funded -- I think the minimum award was
19 \$25,000 at that time, and we awarded companies that
20 was -- I can't think of the name of the company, but it
21 was Dr. -- it was a very active participant and user of
22 our SBIR program, but as our dollars became more scarce,
23 that was one of the programs that we shelved and put
24 someplace else. But we still are trying to get those
25 early stage, those companies, and make them aware of it



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1 and working with the centers.

2 MR. KAMATH:

3 Thank you.

4 MR. REINE:

5 We finished, Mr. Chairman?

6 MR. ROY:

7 Yes, sir.

8 MR. REINE:

9 Move to adjourn.

10 MR. ROY:

11 Motion to adjourn, and not debatable.

12 MR. KAMATH:

13 Second.

14 MR. ROY:

15 Meeting adjourned.

16 (Meeting concludes at 11:45 a.m.)

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1 REPORTER'S CERTIFICATE:
2

3 I, ELICIA H. WOODWORTH, Certified Court
4 Reporter in and for the State of Louisiana, as the
5 officer before whom this meeting for the Board of
6 Directors of the Louisiana Economic Development
7 Corporation, do hereby certify that this meeting was
8 reported by me in the stenotype reporting method, was
9 prepared and transcribed by me or under my personal
10 direction and supervision, and is a true and correct
11 transcript to the best of my ability and understanding;

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

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

21
22 Dated this 3rd day of February, 2014.

23 _____
24 ELICIA H. WOODWORTH, CCR
25 CERTIFIED COURT REPORTER



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