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FINANCE COMMITTEE MEETING OF THE LOUISIANA
ECONOMIC DEVELOPMENT CORPORATION TAKEN AT THE
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
BUILDING, FOURTH FLOOR BOARDROOM, 8401 UNITED
PLAZA BOULEVARD, BATON ROUGE, LOUISIANA,
ON THE 21ST DAY OF MARCH, 2016,
COMMENCING AT 1:28 P.M.



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1 **Appearances of Board Members Present:**

2

3 A.J. Roy III

4 Alden Andre

5 Mandi Mitchell on Behalf of Steven Grissom

6 Susan Tham

7 Nitin Kamath

8 Louis Reine

9

10 **Appearances of Staff Members Present:**

11

12 Melissa Sorrell

13 Brenda Guess

14 Steve Baham

15 Errol Smith

16 Frank Avalero

17 Sherri McConnell

18 Don Pierson

19 Christian Pennington

20 Robert Wydcoff

21 Anne Villa

22 Bob Cangelosi

23 Susan Bigner

24 Shamelda Pete

25



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1 MS. THAM:
2 It's 1:30, so if we could go
3 ahead and do roll call, we'll start the
4 Finance Committee meeting.

5 MR. SORRELL:
6 Susan Tham.

7 MS. THAM:
8 Here.

9 MR. SORRELL:
10 Ann Villa.

11 MS. VILLA:
12 Here.

13 MR. SORRELL:
14 Alden Andre.

15 MR. ANDRE:
16 Here.

17 MR. SORRELL:
18 Nitin Kamath.

19 MR. KAMATH:
20 Here.

21 MR. SORRELL:
22 We have a quorum.

23 MS. THAM:
24 All right. Starting off, we
25 have a welcome message from LEDC



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LEDC FINANCE

1 secretary. Oh, that's the other -- I'm
2 looking -- well, I apologize. I have a
3 computer problem today, and so my
4 documents are a little hard to
5 manipulate.

6 All right. So we're going
7 to start out with the audit reports, the
8 financial statements as of June 30,
9 2015. Erin Sindelar, CPA, Louisiana
10 Legislative Auditor.

11 MR. DAIGLE:

12 Good afternoon. My name is
13 Aaron Daigle. Erin Sindelar is the
14 auditor. She couldn't be here today.
15 Thank you. I'm the senior legislative
16 auditor assigned to LEDC.

17 So we issued an audit report
18 in December, and this is a full scope
19 financial statement audit for fiscal
20 year end '15, and what this means is
21 that we opined on the financials as
22 whole as well as the no disclosures. We
23 issued an unmodified opinion on the
24 financial statements, and that is a
25 clean opinion. I'm sure everyone's had



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1 a chance to review the reports, so I
2 just wanted to briefly summarize what
3 was in that report. We included full
4 setup financial statements, LEDC's
5 financial statements. In addition, we
6 also included the minutes to the
7 financial statements as well.

8 One additional supplemental
9 piece of information that we included
10 was schedule 1, which is on page 23, and
11 what that does is it basically breaks
12 out the cost hearing value and fair
13 value of the investments that LEDC has.

14 Another thing I wanted to
15 point out included a report on internal
16 controls over financial reporting and
17 compliance. This is required
18 information by the government auditing
19 standards, and we did not identify any
20 deficiencies in internal controls that
21 we would consider material weaknesses,
22 and we did not identify any deficiencies
23 that we consider material amount of
24 employments. So that's a summary of our
25 report. And I'd be happy to answer any



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1 questions.

2 MS. THAM:

3 Thank you. And
4 congratulations to the accounting staff
5 for having a clean report.

6 MR. DAIGLE:

7 Yeah. Thank you.

8 MS. THAM:

9 Are there highlights that
10 you'd like to point out on this
11 financial statement for us, what you
12 consider to be the most important
13 aspects for the board to know?

14 MR. DAIGLE:

15 I guess there's nothing
16 really that I needed to touch on
17 specifically. Year to year, the net
18 position period can decrease 10 million
19 or so. I mean, there's nothing
20 significant from year to year that's
21 changed that I would need to highlight
22 or note.

23 MS. THAM:

24 Let me ask you one question
25 I have. You know, all the state



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1 agencies, one of the big things that's
2 showing up on the financial statements
3 that's worrying people is we're really
4 highlighting for the first time
5 postretirement benefits, and the
6 underfunded pension balances, and that's
7 not done as that because LEDC doesn't
8 really have employees we share, so we're
9 allocating that cost.

10 MR. DAIGLE:

11 Correct. And it's my
12 understanding that everything goes
13 through LED, so that would appear in the
14 LEDC financials.

15 MS. THAM:

16 Makes sense. Gentlemen,
17 does anybody have any questions about
18 the reports? I know one of the most
19 important aspects of these reports and
20 one of the ones that, you know, affect
21 decisions the most are the valuations,
22 and Chaffe has come to give us a little
23 information on that. That's always one
24 of the most important aspects here of
25 what we're looking at, and I guess also



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1 one of the hardest things to come up
2 with. So if we could hear from Chaffe.
3 We have our representatives from Chaffe.
4 Is there anything else you folks want to
5 tell us, any concerns?

6 MR. DAIGLE:

7 No. Nothing other than we
8 had a really good experience doing our
9 audit. This team was our first year
10 with this team. I know last year the
11 legislative auditor was in there. We
12 switched teams, but I can tell you going
13 forward, our other team will be
14 consistent, and I think that that will
15 help with moving the audit along
16 efficiently. Everyone, you know, knows
17 everyone, so I think that will...

18 MS. THAM:

19 I think we're going to need
20 a little more detail of the numbers when
21 we actually get into the board meeting;
22 is that right?

23 Are you going to give a
24 report today?

25 MS. VILLA:



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1 I'll give a report as to the
2 current financial statements, but not
3 specific to --

4 MS. THAM:

5 Not one that are audited. I
6 guess the important fact here is that
7 those number all seem reasonable, so
8 we're assuming, going forward, that we
9 have good numbers to look at. So if no
10 one has any questions for the
11 Legislative Auditor's Office, I'd like
12 to hear from the folks at Chaffe about
13 their evaluation of the LEDC
14 investments.

15 Can I get a motion to accept
16 the audit report as presented?

17 MR. ANDRE:

18 So moved.

19 MS. THAM:

20 A second?

21 MR. KAMATH:

22 (Indicating.)

23 MS. THAM:

24 Then shall we take a vote to
25 accept? Say "aye" or "nay."



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1 (Several members respond
2 "aye.")

3 MS. THAM:

4 It is passed. We appreciate
5 it, and we accept the audit report as
6 given.

7 MR. DAIGLE:

8 Okay. Thank you.

9 MS. THAM:

10 Let's see. The valuations
11 of the LEDC investments as of the fiscal
12 year end. Marc Katsanis. Is that
13 right?

14 MR. KATSANIS:

15 Pretty good. Marc Katsanis.
16 I'll introduce myself.

17 MS. THAM:

18 Right. And so you go
19 through and you do the valuations of
20 these investments, and I know that
21 generally you have the three categories.
22 You have the -- I don't have my --
23 unfortunately, my computer is not
24 working, but you have cost basis,
25 carrying value, and fair market value;



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1 is that right?

2 MR. KATSANIS:

3 I guess our report is really
4 focusing on the fair market value. I
5 believe the other two bases would
6 probably be in the audit report.

7 MS. THAM:

8 Right. And so we have
9 Exhibit 1 from your report -- is that
10 right? -- that you can go over with us
11 and let us know a little bit about the
12 investments and where they stand now as
13 opposed to the original bases?

14 MR. KATSANIS:

15 Yes. And just going through
16 Exhibit 1, the way that it's organized
17 is each investment -- the first column
18 of numbers was the fair value as of June
19 2014. This is really just a summary of
20 everything that happened over the year,
21 and that column will show if there's any
22 additional capital calls from LEDC, in
23 which case, in 2015 there wasn't any.
24 That next column of numbers just shows
25 any return capital to LEDC from any of



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1 these funds, in which case it looks like
2 there were three of the investments that
3 returned some capital. The next column
4 is simply a change in the market value
5 of the investment from 2014 to '15, and
6 the remainder of the columns sort of
7 shows a summary of the overall return on
8 investment gain and loss. So we start
9 off the next column after the 2015 value
10 is cumulative. Basically that's
11 everything that LEDC got back so far
12 plus any market appreciation or
13 depreciation, or -- I take that back.
14 This column next to the 2015 is simply
15 return capital. The column to the right
16 adds in any fair market value
17 appreciation or depreciation. The
18 second-to-last column is how much money
19 LEDC invested, and the final column is
20 the total gain or loss to date on the
21 investment.

22 MS. THAM:

23 I don't see totals on this.
24 Is there anywhere where the totals for
25 all of these -- for instance, the gain



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1 and loss column is added together to
2 see -- I know we have it -- the carrying
3 value versus the cost on the financial
4 statement, but does -- is there --

5 MR. KATSANIS:

6 I guess we didn't have it
7 included in this schedule.

8 MS. THAM:

9 Okay. But for the
10 individual items, we can see which ones
11 have done well and which ones have
12 floundered.

13 Gentlemen, have you seen
14 Exhibit 1, and do you have any questions
15 on any of these particular funds? Can I
16 ask why the New Orleans Startup Fund is
17 on here. We haven't made an investment
18 yet, but it's -- or currently, but
19 there's a fair market value listed for
20 it?

21 MR. KATSANIS:

22 Well, New Orleans Startup
23 Fund is a bit of a unique instrument.
24 There has been money that was invested,
25 although it is -- it's a nonprofit fund,



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1 so basically unlike some of these other
2 funds, LEDC would carry equity interest.
3 New Orleans Startup, since it is a
4 nonprofit organization, the capital
5 invested can -- it would just sort of
6 turn over once it's returned to be
7 reinvested in other things, so we've
8 included this in the analysis for the
9 purpose of the audit. I believe it
10 needs to be put in a disclosure, so
11 because in case this fund were ever to
12 liquidate, then LEDC would be, along
13 with, I guess, other contributors to the
14 fund, would we be able to get some sort
15 of liquidated history.

16 MS. THAM:

17 But it doesn't show any
18 investment by LEDC here.

19 MR. KATSANIS:

20 Not in 2015.

21 MS. THAM:

22 But there is one going that
23 has come forward?

24 MR. KATSANIS:

25 I guess prior to 2015, there



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1 would have been a number in that column.

2 Let's see.

3 MS. THAM:

4 Anyone have any other
5 questions about the exhibit?

6 MR. ANDRE:

7 I do. End Game. Could you
8 help refresh my memory what is End Game
9 about and why is it so negative? We've
10 invested 5 million and we've lost right
11 at 4.

12 MR. KATSANIS:

13 End Game is a film
14 production company. It's a film, motion
15 picture production company. I guess
16 they're, you know, that's just sort of
17 an accurate depiction of -- they haven't
18 really had any blockbuster films at this
19 point.

20 MS. THAM:

21 Does your report include a
22 description of each of these, Susan?

23 MS. VILLA:

24 I'm going to ask Susan
25 Bigner to come and comment more on End



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1 Game for the board.

2 MS. THAM:

3 Right. Thank you. Susan.

4 MS. BIGNER:

5 End Game was an investment
6 that we made. It was a 5 million dollar
7 investment that we made in the early
8 2000s. At that time, it was a fund.
9 They did, I think, Tommy the Truck, and
10 they decided to take it and make it into
11 an operating company. Our investment at
12 that time was over -- the value of it
13 was more than 5 million. At that time,
14 we asked them to bring it back down to 5
15 million and invest that back into the
16 operating company. So we have a 5
17 million dollar investment in there.
18 They do films, like the Looper film was
19 one of them. I'm trying to think of
20 some of the other ones that are off the
21 top of my head. I be can you a run-down
22 of the films when I get back to the
23 office and do a memo up on it if you'd
24 like.

25 MR. KATSANIS:



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1 In my report, there's a list
2 of their films.

3 MS. THAM:

4 Thank you.

5 MR. KATSANIS:

6 It's Exhibit 15, page 1.

7 MS. THAM:

8 Do we have anything to track
9 or look at how many jobs have been
10 created by this?

11 MS. BIGNER:

12 None of these are ever
13 tracked with jobs. We track the jobs in
14 the fund itself, but not in the
15 investment on the non-LEDC. I mean, the
16 non-SSBCI. In SSBCI, we do, but these
17 were investments that were -- the
18 majority of them were made 2003, 2004,
19 maybe as late as 2005 or '6, and these
20 were all made with LEDC funds except
21 for, of course, New Orleans Startup Fund
22 and Themelios. And you asked already
23 about New Orleans Startup Fund. New
24 Orleans Startup Fund has about \$150,000
25 unfunded of their 2 million dollars. So



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1 they're using their funds, and they're
2 getting them out there, some really good
3 companies. The Lafayette General -- I
4 don't know if that one's on there,
5 because that one -- okay.

6 MR. KATSANIS:

7 No, they hadn't made any
8 investments.

9 MS. BIGNER:

10 They have since made a
11 capital call of, I believe, a little
12 over \$450,000 and they're putting it
13 into a company that is very-well
14 recognized. I think we've got a list of
15 the investments and everything. If
16 you'd like, we'll give you a rundown of
17 them if that's what you want, but --

18 MS. THAM:

19 Most of these, is there an
20 exit strategy for them? They have a
21 planned end date? I know some of the
22 venture capital investments do.

23 MS. BIGNER:

24 On the nonprofit, no. On
25 the for-profit, they are supposed to



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1 have an exit. A couple of these, the
2 majority of these are -- the non-SSBCI
3 are hitting close to their tenure.
4 Usually it's ten-year fund with two-one
5 year extensions, so we're looking to
6 pretty much have an exit within the next
7 five years of all of them.

8 MS. THAM:

9 And what does it require for
10 an extension on these?

11 MS. BIGNER:

12 Sometimes it's the general
13 partner states that's they're going to
14 go ahead and do the extension, to go
15 ahead and liquidate the rest of the
16 portfolio. Sometimes it's all limited.
17 Partners have to vote on it. Those
18 basically are the two factors.

19 MS. THAM:

20 Gentlemen, do you have any
21 questions about these, any of these in
22 particular or the group as a whole and
23 how they're valued?

24 MR. REINE:

25 Since I'm late -- I didn't



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1 know I was on the Finance Committee.
2 When you say investment, can you explain
3 that, please?

4 MS. BIGNER:

5 What we do is we do a fund
6 to fund. We take our money and put it
7 into a fund with other partners. From
8 that point, they look at small
9 businesses or existing businesses,
10 preferably in Louisiana, and they do due
11 diligence to make sure that it looks
12 like it's viable, how high is the risk,
13 what stage is it in, what's the market
14 look like. They go through all of that,
15 and then they go back and they take it
16 to a committee, to an investment
17 committee, and it's approved by an
18 investment committee, and then they
19 decide to fund it. Later, they may come
20 back and do a follow-on investment to
21 keep the investment going, and sometimes
22 they do and sometimes they don't.
23 You're lucky if you get one out of a
24 fund that really hits it big. Esponse
25 [phonetic] is involved in a couple of



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1 our funds. I don't know if you've heard
2 of Esponse.

3 MR. REINE:

4 When you say our money,
5 you're talking about LEDC, Department of
6 Economic Development's money, taxpayers'
7 money? And the purpose of this is to.

8 MS. BIGNER:

9 Promote capital investment
10 across the state.

11 MR. REINE:

12 And this End Game is located
13 in West Hollywood, California.

14 MS. BIGNER:

15 They have to have -- at the
16 time that they're investing, they have
17 to have a site office here in Louisiana.

18 MR. REINE:

19 So they just to have to have
20 an office; they don't have to do
21 projects here, or --

22 MS. BIGNER:

23 There are requirements that
24 they have to give preference to
25 Louisiana companies. In these older



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1 investments, that was the preference
2 then. We had people that had, like I
3 said, they had offices here if they were
4 not formed here, and their job was to
5 look at companies and projects that were
6 going on in the state of Louisiana and
7 get those through to the investment
8 process. The new SSBCI, all SSBCI funds
9 have to be in Louisiana.

10 MR. REINE:

11 I don't know what that
12 means.

13 MS. BIGNER:

14 I'm sorry?

15 MR. REINE:

16 I said there you go with
17 those initials that I have no idea what
18 you're talking about.

19 MS. BIGNER:

20 That's the State Small
21 Business Credit Initiative. We
22 allocated 5 million dollars. New
23 Orleans Startup Fund, Themelios. New
24 Orleans Startup Fund was allocated 2
25 million. Themelios was given a million.



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1 Lafayette General, the foundation was
2 given a million, and then we have a
3 million here in Baton Rouge with the
4 Catalyst Fund.

5 MR. REINE:

6 So this totals, like, about
7 40 million dollars?

8 MS. BIGNER:

9 That includes some
10 investments that were made back in 2003,
11 2004 that are in their liquidation
12 stages. So you have a mixture of just
13 LEDC dollars and SSBCI on this startup.

14 MR. REINE:

15 And we're still doing this?

16 MS. BIGNER:

17 At this time, the program --
18 there's not any funding to do it.

19 MS. THAM:

20 The only funding that we're
21 doing with this is coming from the State
22 Small Business Credit Initiative
23 currently.

24 MR. REINE:

25 Okay.



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1 MS. VILLA:
2 That program that we've had
3 in place since late 2011.

4 MS. BIGNER:
5 Yeah. Around 2010, I think,
6 we put a moratorium on Venture Capital
7 Program.

8 MR. ROY:
9 You said they're supposed to
10 have an exit strategy. Do they, in
11 fact, have that.

12 MS. BIGNER:
13 We've been through the
14 files, and I believe all of them --
15 yeah, all of them do have exit
16 strategies.

17 MR. BAHAM:
18 I can say a little bit more
19 on that. The only ones on this list
20 that don't have any type of exit
21 strategy are going to be the three
22 operating companies at the end, because
23 there are growing concerns. End Game
24 originally started out with the fund and
25 transferred into an operating entity



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1 after our investments were already made
2 years later. The funds -- the
3 investment companies listed at the top,
4 the only one on this list that does not
5 have an exit date or time stamp would be
6 the New Orleans Startup Fund just
7 because that is an evergreen nonprofit
8 that could go on indefinitely.

9 MR. REINE:

10 When you say an exit
11 strategy, that means the date they're
12 going to sell this, pay it back?

13 MS. BIGNER:

14 Each fund usually has a life
15 of ten years. There's an early stage
16 where you're doing your investments, and
17 then you're growing your investments,
18 and your goal is to exit out of that
19 investment either by an IPO or someone
20 buys you out within that ten-year
21 period. If not, then they go into the
22 extensions to try to liquidate. That's
23 where, like I said, somebody comes in
24 and either buys them out or it goes
25 public.



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1 MR. REINE:

2 And then so then LEDC gets
3 the money back?

4 MS. BIGNER:

5 Correct.

6 MR. REINE:

7 And then what --

8 MS. BIGNER:

9 We get our portion of the
10 returns back.

11 MR. REINE:

12 We when you get the money
13 back, what you do with it then?

14 MS. VILLA:

15 Well, the money that we've
16 gotten back, I'd have to go back and see
17 what we did with those funds.

18 MR. REINE:

19 Do you reinvest it? Move it
20 to something else? Do you give it back
21 to the --

22 MS. VILLA:

23 The only funding that we're
24 doing right now is with -- whenever we
25 look at the current financial



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1 statements, you'll see cash from
2 investments as a source of funds for the
3 LED fund. So cash from investments
4 would be these type of returns, so every
5 year when we're budgeting, we have a
6 line item that that says cash and
7 investments. So that's where the cash
8 would come from. For specifically
9 returns that we have, I'd have to go
10 back and see when those returns came,
11 where the money actually went to, but
12 the LED fund that we have that funds all
13 of LED has a line item that says cash
14 from investments as well as we get
15 funding from Scott Debt [phonetic] for
16 the LED fund. Currently, we have just
17 the State Small Business Credit
18 Initiative, which are federal dollars,
19 are the dollars that we're using to
20 invest in venture capital. That's the
21 only funds that we currently have.

22 MR. REINE:

23 So it just stays in that.

24 MS. VILLA:

25 It stays in the -- it goes



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1 into the LED fund.

2 MR. REINE:

3 Okay.

4 MS. THAM:

5 I think it's a little hard
6 to evaluate what benefit the state gets
7 from the venture capital programs. I
8 don't think it's just what you see here
9 is the return on the investment, and I
10 guess that's something I'd like to see
11 more of, but I think we can go and look
12 at individual statements and see what
13 they've done and if they've fostered or
14 started any new work, because, you know,
15 I don't think just the dollar amounts
16 here tell us all the benefit that would
17 accrue in the state from having these
18 kind of funds available.

19 Does anyone else have
20 anymore questions of Chaffe about the
21 investments and the valuations on the
22 investments? Okay. Would anyone like
23 to move to accept the Chaffe investment
24 report.

25 MR. KAMATH.



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1 Move.

2 MS. THAM:

3 A second?

4 MR. ANDRE:

5 Second.

6 MS. THAM:

7 Shall we vote? All for, say

8 "aye."

9 (Several members respond

10 "aye.")

11 MS. THAM:

12 And against, "nay."

13 (No response.)

14 It passes. We appreciate

15 it. I think it might be good to be

16 looking at how well these did and are

17 continuing to do with the returns from

18 these. I do have a couple of questions

19 on the balance sheet. You know, I

20 always wonder about exactly the

21 different categories that we have of

22 equity. You know, the balance sheet as

23 of June 30th, now that I've gotten my

24 commuter back to almost working,

25 separates out the restricted assets and



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1 the unrestricted assets. The
2 restrictions, are they all the SSBCI
3 loans, are they all the ones -- the
4 money that's used for the loans? What
5 are our restrictions? I apologize for
6 pulling you back up here, but I could
7 not get my computer to work earlier so I
8 could so see the financial statements,
9 but on the balance sheet, you know, of
10 the equity --

11 MS. VILLA:

12 Page 5, correct?

13 MS. THAM:

14 Page 5. Right. It says we
15 have restricted for specific purposes.
16 You know, I know we have different
17 funds, and don't think that is
18 restricted, but I don't think that's
19 necessarily the same definition here.
20 So are these restricted for the credit
21 loan program for loans guarantees?

22 MR. DAIGLE:

23 Yeah. They're restricted
24 for the State -- the SSBCI.

25 MR. SMITH:



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1 Yeah. The restrictions is
2 for the entire program, which is all of
3 the investments into venture capital and
4 all of the loans. That's what that 10
5 million represents to date.

6 MS. THAM:

7 You know, I look at the
8 unrestricted equity and I always think
9 that the different funds we have on our
10 financials statements, the restriction
11 is set by law. The restriction -- I'm
12 not sure --

13 MR. SMITH:

14 What they made us do last
15 time when the legislative auditor came
16 in and did their audit, they made us
17 separate it into two programs. So the
18 50 million you see is from the regular
19 LEDC program that's been around. The 10
20 is the influx of SSBCI activity.

21 MS. THAM:

22 Okay. So that's why it's
23 different.

24 MR. SMITH:

25 Correct.



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1 MS. THAM:

2 Okay. Thank you. I didn't
3 quite understand why. I know we have
4 certain funds we're supposed to keep
5 certain balances in, but why it's not
6 more of that was restricted in some way
7 was confusing.

8 MR SMITH:

9 Right. Separate the two
10 programs.

11 MS. THAM:

12 If everyone had a chance to
13 see the balance sheet income statement,
14 were there any questions on that? We
15 did have, I guess, what those of us who
16 were not in government would call a net
17 loss. In other words, we spent more
18 than we made -- but that may be part of
19 our mission here -- by about 10 million.
20 Does anybody have any questions about
21 any of the categories of expenses or
22 where our revenues come from? I guess
23 that's always a condition here. On the
24 revenues that we've been getting, sort
25 of as a bringing us up to date, are



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1 there any changes that have come in or
2 revenue or vendors compensation or
3 anything that's going to make a large
4 impact on us based on these last fiscal
5 extensions? Nothing was apparent to me,
6 but I'm not sure I know all of the ins
7 and outs on how we get our vendor
8 compensation, and so none of that's
9 expect to affect our appropriation,
10 or --

11 MS. VILLA:

12 No. There's a straight
13 calculation. Mandi, correct me if I'm
14 wrong, but a couple of years ago there's
15 a straight calculation that is done on
16 the sales tax collection, so basically
17 we were in a position to be affected
18 whenever changes occurred to vendors
19 comp, but because of that change in the
20 law a couple of years ago, we now just
21 have a straight calculation of sales tax
22 collections. So yes, 04 percent yeah.
23 That was a straight calculation, so that
24 means we will no longer be affected if
25 there's any change to business comp so



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1 that we can continue to have that fund
2 into the LED fund.

3 MS. THAM:

4 Will the increase in the
5 sales tax, state sales tax affect the
6 calculations? Would there be more
7 business compensation perhaps?

8 MS. VILLA:

9 We would expect it to. I
10 haven't -- I mean, I don't think it's
11 going to be large dollar amounts. We
12 only collect about 11.2, if memory
13 serves me without looking.

14 MS. THAM:

15 Right. Ten and a half for
16 last fiscal year.

17 MS. VILLA:

18 So about 11.2 is what we're
19 estimating, so not significant changes.

20 MS. THAM:

21 Thank you. You know, I look
22 at all the bills from the tax
23 perspective, and I know that sometimes
24 there are things happening behind the
25 scenes that you don't understand and are



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1 not necessarily intended or well-known
2 result of some of these laws. I'm glad
3 to hear it's not affecting the income.

4 Does anyone else have any
5 questions on the financial statement?
6 No? Are there any questions from the
7 public?

8 All right. Our next item on
9 the agenda is a loan participation
10 charge-off request, and this has been
11 brought by Errol Smith of the Christian
12 Pennington Program -- oh, no, Christian
13 Pennington; program administrator/loans
14 and investments. There we go. It
15 sounds like a very official name,
16 though.

17 MR. SMITH:

18 Errol Smith. Christian is
19 here. He can answer any questions that
20 may come up about this, but this
21 particular loan, MW Realty, has been on
22 our books for sometime. I'm sure all of
23 you up there are aware of it. It was a
24 dealership located in Monroe, Louisiana,
25 and at this point, Christian probably



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1 can expound a little more, but there is
2 no collateral to collect. The property
3 has been sold. I think it was a couple
4 years ago, maybe three years ago, the
5 property was sold. Of that particular
6 sale, we have gotten our portion of the
7 proceeds from that. This particular
8 loan was with, I think, Hope Credit
9 Union and LED who participated in that,
10 so at this point, there's nothing else
11 to go after. We're just holding this
12 number on our books. We're never going
13 to get anything for it, so staff is
14 recommending that we write this off at
15 this time. So if you have any
16 questions, you can ask Christian who
17 might have more of a historical
18 knowledge than I do.

19 MS. THAM:

20 Does that show on our
21 financial statements as a complete
22 specific right now or allowance for this
23 time?

24 MR. SMITH:

25 Yes. We have an allowance



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1 for each particular type loan that we
2 have.

3 MS THAM:

4 And where was collateral?

5 MR. SMITH:

6 It was at 100 percent.

7 MR. PENNINGTON:

8 There was some land up in
9 North Louisiana. It was sold basically
10 when the business closed -- basically
11 when the business shut down in 2013, the
12 land was sold off, and we received
13 distribution according to our
14 participation amount. Hope Credit Union
15 didn't call the actual note until June
16 of 2015. They're allowed -- the
17 business owner may put into term if you
18 paid off or something like that. What
19 has happened is the guarantor -- we had
20 a guarantor on it. Essentially, he's no
21 longer living in Louisiana. He's not
22 even living in the country anymore, and
23 actually Hope Credit Union is still in
24 litigation trying to get something from
25 him, but he lives in Canada, and it



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1 could take a quite sometime if we get
2 anything, and I think Errol and I both
3 were kind of the opinion that we're not
4 going to get made whole in this 100
5 percent.

6 MS. THAM:

7 And I assume that if they do
8 collect something later on down the
9 road, even if we've written this off, we
10 would get our percentage and just add it
11 back as income?

12 MS. SMITH:

13 Correct.

14 MS. THAM:

15 What were the final numbers?
16 How much did we invest and what did we
17 get back?

18 MR. PENNINGTON:

19 I have -- the first one was
20 done in 2001, and let me see.

21 MR. SMITH:

22 Our portion was 774,000.

23 MR. PENNINGTON:

24 Yeah, at the top. Our
25 portion was 774,000 of the initial loan,



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1 and what happened was that business went
2 bad on the first loan, and then we
3 helped another owner of the current
4 guarantor come in and buy the business.
5 Now, what happened was no money changed
6 hands on it for our part. Basically, we
7 just rolled that debt into the new
8 business, the new entity, because if we
9 hadn't done that, we wouldn't have lost
10 essentially what was up to that point
11 and even pay down some of what was owed,
12 pay a couple hundred thousands dollars
13 down, because at that point when it went
14 bad in 2009, he still owed \$500,000 on
15 it, and as of today, I want to say it's
16 \$301,000.

17 MR. SMITH:

18 338.

19 MR. PENNINGTON:

20 Yeah, 338 is what is the
21 remainder on all balances, and that's
22 debt and guarantors. So it's kind of a
23 convoluted process, but so essentially
24 we -- they paid back 400,000 to us over
25 the two different loans over the 15-year



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1 period.

2 MS. THAM:

3 Who sold the land? Did the
4 owners sell the land? Did the bank sell
5 the land?

6 MR. PENNINGTON:

7 The bank sold the land. The
8 bank sold the land at auction. It's
9 part of a workout they had, you know, to
10 try to collect on it. That was done in
11 2013, in June of 2013.

12 MS. THAM:

13 Does anyone have any
14 questions regarding the loan? So what
15 you're requesting today is that we go
16 ahead and take it off the books. It's
17 already being shown in that zero on the
18 financial statement. It doesn't affect
19 our ability or our legal right to
20 collect anything if we do in the future.

21 MR. PENNINGTON:

22 I'll ask Mr. Bob, but I
23 don't think so.

24 MR. CANGELOSI:

25 No, it does not. The bank



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1 has the obligation to continue to pursue
2 the indebtedness if they have anything
3 to recover. If they recover anything,
4 we'll get our portion of the share of
5 that recovery, and it will be income on
6 our balance sheet.

7 MR. ROY:

8 We're taking a total
9 charge-off at this time so it's not a
10 partial, right?

11 MR. CANGELOSI:

12 Right. It's a partial
13 because it's only what's remaining on
14 the indebtedness. Originally, it was a
15 seven --

16 MR. PENNINGTON:

17 700,000.

18 MR. CANGELOSI:

19 700,000. It's only 300,000
20 something now. We recovered more than
21 half, but we're still owed.

22 MR. ROY:

23 Total of what's on the
24 books?

25 MR. CANGELOSI:



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1 Correct. Right.

2 MR. REINE:

3 What's our share? What's
4 our percent in the deal?

5 MR. PENNINGTON:

6 Let me see.

7 MR. CANGELOSI:

8 37.62 percent.

9 MR. PENNINGTON:

10 Yeah, I thought it was about
11 40 percent, but I didn't know exactly
12 what it was.

13 MS. THAM:

14 Does anyone else have any
15 questions? Any comments? I think this
16 is mostly a financial statement
17 presentation at this point. It sounds
18 like management thinks there is
19 absolutely no chance we'll get anything
20 back, but, of course, I don't know if we
21 can prove that. So their request, I
22 assume, is to go ahead and write this
23 off the books?

24 MR. PENNINGTON:

25 Yes, ma'am.



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1 MS. THAM:
2 Would anyone like to move to
3 do that?

4 MR. ANDRE:
5 Move.

6 MR. ROY:
7 Second.

8 MS. THAM:
9 We'll take a vote. All in
10 favor, say "aye."

11 (Several members respond
12 "aye.")

13 MS. THAM:
14 All opposed, say "nay."
15 (No response.)

16 MS. THAM:
17 And it passes. We can go
18 ahead and write that off the books.
19 Thank you, gentlemen. At this time, is
20 there any business for the Finance
21 Committee? No? All right, then. I
22 guess we'll adjourn this meeting and
23 start our board meeting. Thank you very
24 much.

25 (The meeting adjourned at 2:09 p.m.)



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