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MEETING OF THE BOARD OF DIRECTORS OF THE  
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION TAKEN  
AT THE LASALLE BUILDING, LABELLE BOARD ROOM, 1ST  
FLOOR, 617 NORTH 3RD STREET, BATON ROUGE,  
LOUISIANA 70802 ON MARCH 24, 2017 COMMENCING AT  
9:30 A.M.

REPORTED BY:

RACHEL TORRES-REGIS, CCR, RPR  
CERTIFIED COURT REPORTER



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1 APPEARANCES OF BOARD MEMBERS:

2

3 A.J. ROY, III, CHAIRMAN

4 MANDI MITCHELL

5 CAL SIMPSON

6 LOUIS REINE

7 KIMBERLY S. JOHNSON

8 SUSAN THAM

9

10

11

12 STAFF MEMBERS PRESENT:

13 BRENDA GUESS

14 MELISSA SORRELL

15 STANLEY BIENEMY

16 MARISSA DOIN

17 SUSAN BIGNER

18 ERROLL SMITH

19 STEVE BAHAM

20 ANNE VILLA

21 SHEMELDA PETE

22

23

24

25



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LEDC MEETING

1 MR. ROY:  
2 Good morning. Call to order  
3 the Board of Directors of the  
4 Louisiana Economic Development  
5 Corporation. Roll call, please.

6 MS. SORRELL:  
7 A.J. Roy.

8 MR. ROY:  
9 Here.

10 MS. SORRELL:  
11 Alden Andre. Louis Reine.  
12 Susan Tham.

13 MS. THAM:  
14 Here.

15 MS. SORRELL:  
16 Mandi Mitchell.

17 MS. MITCHELL:  
18 Here.

19 MS. SORRELL:  
20 Cal Simpson.

21 MR. SIMPSON:  
22 Here.

23 MS. SORRELL:  
24 Niitin Kamath. Will  
25 Campbell. Kimberly Johnson.



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LEDC MEETING

1 MS. JOHNSON:

2 Here.

3 MS. SORRELL:

4 We have a quorum.

5 MR. ROY:

6 Very good. Welcome. The  
7 last thing, please silence your  
8 electronic device. The first  
9 order of business is the approval  
10 of the minutes of the LEDC  
11 Finance Committee meeting of  
12 February 24th.

13 MS. MITCHELL:

14 I move for approval.

15 MR. ROY:

16 Motion for approval as  
17 presented.

18 MS. THAM:

19 Second.

20 MR. ROY:

21 Second. Any discussion?  
22 Hearing none, all in favor, aye.

23 ALL BOARD MEMBERS:

24 Aye.

25 MR. ROY:



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LEDC MEETING

1 All oppose nay. Without  
2 objection.

3 And the next order of  
4 business is the minutes for the  
5 LEDC meeting of February 24,  
6 2017.

7 MS. THAM:

8 I move to approve the  
9 minutes.

10 MR. ROY:

11 Motion for approval as  
12 presented.

13 MR. SIMPSON:

14 Second.

15 MR. ROY:

16 Second. Any discussion?  
17 Hearing none, all in favor, aye.

18 ALL BOARD MEMBERS:

19 Aye.

20 MR. ROY:

21 All opposed? Without  
22 objection.

23 It is my pleasure to  
24 introduce Ms. Kimberly Johnson.

25 Ms. Kimberly is the deputy



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1 director of the New Orleans  
2 Sewerage and Water Board. I  
3 think I'm correct in that. And  
4 if you would like to say  
5 anything, we would love to hear  
6 from you.

7 MS. JOHNSON:

8 Thank you very much for this  
9 opportunity. As Mr. Roy said  
10 that I am the Deputy Director at  
11 the Sewerage and water Board in  
12 New Orleans. I spent the  
13 majority of my career in high  
14 tech but also at NASA, and this  
15 is a good opportunity, so I'm  
16 glad to be here.

17 MR. ROY:

18 Very good. Look forward to  
19 working with you.

20 We have two inhouse approvals  
21 that the staff can update us on.  
22 First is under the SSBCI program,  
23 Louisiana Agriculture Services,  
24 LLC.

25 MS. PETE:



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1           Good morning. The loan from  
2 Louisiana Agriculture Services  
3 was presented to us by Citizens  
4 Bank of Ville Platte. Louisiana  
5 Agriculture Services is an  
6 applicator, a service for the  
7 agriculture industry. The  
8 company sprays chemical  
9 herbicides, pesticides and  
10 fertilizers for various crops.  
11 The loan is for an acquisition.  
12 The existing manager was  
13 purchasing the business from its  
14 owners. LEDC participated in the  
15 loan related to the equipment for  
16 \$179,900. Six percent and seven  
17 years secured by the equipment  
18 and the revolving line of credit  
19 for 125,000 secured by  
20 receivables less than 90 days  
21 past due. The company gave me  
22 equity collateral for in cash  
23 requirements. The company is  
24 showing continuous growth and has  
25 a potential for the future years,



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LEDC MEETING

1 which is why staff recommended  
2 approval.

3 MR. ROY:

4 Any questions or comments for  
5 staff? I see that's already been  
6 approved but just by way of  
7 verification for the Board.  
8 Comments? Questions? Nope.  
9 Okay.

10 And the next one was KSK  
11 Plumbing and Mechanical.

12 MS. PETE:

13 Yes. This was a working  
14 capital loan provided to us by  
15 True Fund Financial Services.  
16 KSK Plumbing and Mechanical is a  
17 full service construction company  
18 specializing in plumbing,  
19 backflow prevention, medical gas,  
20 HVAC, and it's owned by Mr. Carey  
21 Vincent, Sr., who has over 20  
22 years of industry experience.  
23 The funds was a \$9,000 line of  
24 credit to fund the payroll for  
25 upcoming projects and continuous



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1 projects. The loan is going to be  
2 secured by receivables. 80  
3 percent of the receivable balance  
4 less than 90 days past due. The  
5 loan did meet the equity and  
6 collateral and debt service ratio  
7 requirements. And currently the  
8 company was showing extreme  
9 growth, so it was definitely  
10 worth of capital and staff  
11 recommended approval.

12 MR. ROY:

13 This one you did not approve?

14 MS. PETE:

15 No. We did approve. I'm  
16 sorry.

17 MR. ROY:

18 All right. Any questions or  
19 comments for staff? Thank you  
20 very much.

21 Take things out of order in  
22 the agenda. The primary item, if  
23 you will, in the agenda, the Port  
24 of New Orleans, some of the  
25 officials cannot be here until



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1 perhaps a little bit after 10, so  
2 if it's okay, I will enter a  
3 motion to take things out of  
4 order in the agenda. Yes, ma'am.

5 MS. BIGNER:

6 They are not even sure they  
7 are going to be here by 10, so if  
8 we can proceed without them. We  
9 do have a letter saying they did  
10 receive a letter from the Port in  
11 support, and we have a consultant  
12 here that is working with the  
13 Port in the company in case you  
14 have any questions about the Port  
15 that you might be able to answer.

16 MR. ROY:

17 Okay. I understand. I stand  
18 corrected.

19 MS. BIGNER:

20 That's okay. That is the  
21 latest information.

22 MR. ROY:

23 We will move on as presented.  
24 Triton Stone Group New Orleans,  
25 the Port of New Orleans.



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1 MR. REINE:

2 Mr. Chairman, they may be  
3 here later?

4 MR. ROY:

5 It sounds like they may not.

6 MR. REINE:

7 They are not coming or we  
8 don't know?

9 MR. ROY:

10 Susan, you want to stand up  
11 and tell us why. I know they had  
12 another appoint down the street.

13 MS. THAM:

14 They are meeting with DOTD  
15 and they are not sure exactly  
16 when that meeting will be over.

17 MR. REINE:

18 Just to suggest if we can do  
19 them last. If they get here,  
20 they are here. If not -- I mean,  
21 I have an opportunity to talk  
22 about the project if they show up  
23 30 minutes from now.

24 MR. ROY:

25 That's --



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1 MR. REINE:  
2 If it was my project I would  
3 rather be here.

4 MR. ROY:  
5 Can someone send them a  
6 message that we will wait.

7 MS. BIGNER:  
8 Yes, sir. They are sending  
9 it.

10 MR. ROY:  
11 Very good. All right. So a  
12 motion to take things out of  
13 order. Mr. Reine. Motion.  
14 Second. All in favor, aye.

15 ALL BOARD MEMBERS:  
16 Aye.

17 MR. ROY:  
18 All oppose, nay. All right.  
19 We will move on to the SSBCI  
20 proposed rule changes.

21 MR. BAHAM:  
22 As you-all may remember back  
23 in the January Board meeting of  
24 this year staff presented a  
25 request to entertain the idea of



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LEDC MEETING

1 changing some of our rules  
2 pertaining to the Small Business  
3 Loan Guarantee Program. The main  
4 point of that rule change was to  
5 address the one to one collateral  
6 requirements. The program holds  
7 whenever a bank sends in an  
8 application most of our  
9 borrowers, especially our small  
10 businesses, are having a very  
11 difficult time of meeting a one  
12 to one collateral requirement.  
13 After a lot of discussion at that  
14 meeting, it was decided by the  
15 Board that we would do some more  
16 number crunching, a little more  
17 in-depth research, and for the  
18 last two months that's exactly  
19 what we've done. What you have  
20 in your packet is a synopsis,  
21 summary condensed as much as I  
22 possibly could condense it down  
23 to some of the main points and  
24 questions and issues that the  
25 Board wanted to address.



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LEDC MEETING

1 Beginning with the first issue  
2 that was presented was what is an  
3 acceptable default rate  
4 experienced by programs like the  
5 guarantee program that we have.  
6 That information is extremely  
7 difficult to come by. Not  
8 everyone likes to share it,  
9 especially competing states, but  
10 we did have a couple that were  
11 able to go verbally on record but  
12 we couldn't put it in writing,  
13 but the main comparison that we  
14 looked at first is obviously with  
15 the federally run SBA 7A  
16 guarantee. They have many  
17 different versions of the 7A  
18 program on the federal level, but  
19 for the most part their flagship  
20 program is the 7A guarantee,  
21 which our program essentially was  
22 modeled after back in the  
23 mid-80s. After doing some  
24 research into numerous, numerous  
25 documents the SBA has, we



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1 gathered some information and  
2 combined from 2011 through 2016  
3 we found the total number of  
4 guaranteed loans issued by or  
5 guaranteed by the federal  
6 government, which is listed on  
7 the first page, balanced out with  
8 the number of loans that were  
9 conducted in those respective  
10 years and the amount charged off  
11 in those same respective years to  
12 come up with an annual default  
13 rate for each individual year.

14 If you look at the numbers  
15 from 2011 to 2016, on average for  
16 the most part an acceptable  
17 default rate, according to the  
18 federal government or what they  
19 experience on a regular basis, is  
20 somewhere in the neighborhood of  
21 five to six percent.

22 Before 2011 with our small  
23 business loan guarantee program,  
24 our overall historical default  
25 rate -- and the reason I say



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LEDC MEETING

1 before 2011, since 2011 we have  
2 had a zero percent default rate,  
3 but prior to 2011 our default  
4 rate hovered around five to six  
5 percent historically over the  
6 life of the program since the  
7 mid-'80s.

8 Another concern that the  
9 Board expressed was what is our  
10 capacity. If we were to lower  
11 the default, the collateral  
12 requirements in any way, shape or  
13 form, we would have the funding  
14 to support the program moving  
15 forward because obviously the  
16 drive volume is up. That is our  
17 expectation, anyway, and as well  
18 as driving the volume up and  
19 taking on some more of these  
20 riskier deals it's reasonable to  
21 expect that we would have an  
22 increased default rate obviously  
23 higher than a zero percent, so we  
24 did some historical crunching  
25 with the money that we have taken



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1 in since 2011 that's associated  
2 with the SSBCI federal program,  
3 which on the second page you have  
4 the loan activity from 2011 with  
5 the projection at the end of that  
6 chart for 2018. We also added in  
7 the second chart below that an  
8 expected default rate, so we did  
9 some projections, and, again,  
10 this is a summary. I can provide  
11 the Board with a spreadsheet  
12 about a mile long with all of the  
13 numbers behind it, but looking a  
14 the it on an annual basis taking  
15 into consideration the money that  
16 we have brought in through the  
17 SSBCI program that is already  
18 committed and is still  
19 outstanding throughout our active  
20 loans the money that's been  
21 recycled and including a  
22 projection for increased volume  
23 at the second half of 2017  
24 through 2018. We didn't want to  
25 go any further than the calendar



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1 year 2018 because the projections  
2 get a little skewed especially  
3 the further out that you get, but  
4 we reasonably justified that 2018  
5 would be an increase in volume as  
6 well as the dollar amounts spent  
7 and an increase in active  
8 guaranteed loans from 2017 to  
9 2018 out through 2023 with a  
10 default rate of six percent,  
11 which represented by the  
12 potential charge off amount  
13 starting in 2019. Most loans are  
14 going to be default a year --  
15 usually default within the first  
16 two to three years especially  
17 with a start-up in a small two to  
18 three person shop.

19 All of that put together  
20 we're looking at by 2023 with the  
21 default rate of six percent just  
22 through loans produced through  
23 2018 with the reduction and  
24 collateral requirements, we're  
25 looking at close to four to five



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LEDC MEETING

1 million dollars to continue  
2 recycle that would be coming back  
3 to us. The anticipation also is  
4 that as this monies come back in  
5 we would still have enough to  
6 justify and fund the program to  
7 continue to do additional loans.  
8 You got to keep in mind as well  
9 the average loan amount that  
10 we're trying to tackle here is  
11 below a guarantee amount of five  
12 hundred thousand, and the reason  
13 for that is most of these small  
14 start-up businesses, the vast  
15 majority of them, they are  
16 looking at loans anywhere from  
17 100 to 200,000 for working  
18 capital, additional equipment or  
19 just to have cash to be able to  
20 float them for another project.  
21 This also opens us up to  
22 industries that we were -- have  
23 not been able to really tap into  
24 for the most part. Industries  
25 like back in the '80s, as far as



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LEDC MEETING

1 Louisiana is concerned, the  
2 industries like professional  
3 services that have grown  
4 tremendously particularly in the  
5 medical field but also service  
6 based industries that do not have  
7 a whole lot of hard assets to  
8 borrow against. Technology  
9 company, software companies, web  
10 based developers, those type of  
11 industries we have not been able  
12 to touch. Contractors as well  
13 who work from a job to job or  
14 contract to contract basis, they  
15 are really strapped for cash.  
16 This would also allow us to  
17 participate in our sister  
18 department within the LED, the  
19 small and business development  
20 group they have a bonding program  
21 which we have been asked to try  
22 and find a way to use the  
23 guarantee for those small  
24 contractors to help them get the  
25 working capital that they need to



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1 go out and get these bonds and do  
2 these jobs. This one also opens  
3 up to that arena as well to be  
4 better able to assist them.

5 On the third page, we did an  
6 additional comparison with the  
7 SBA and we compared our program  
8 to that of the SBA. Now, again,  
9 the SBA flasher program is the 7A  
10 guarantee. Within the 7A  
11 guarantee, they have whittled it  
12 down to different tiers or  
13 categories; one for small loans  
14 and one for the SBA express,  
15 which is an even more watered  
16 down version. I call it the  
17 online version. It's basically a  
18 computer algorithm based off of  
19 credit scores that allow us to a  
20 50 percent guarantee.

21 As you may or may not be  
22 aware, our guarantee will go up  
23 to 75 percent. The SBA, under the  
24 federal government, can go up to  
25 85 percent or 75 percent on loans



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1 greater than 150,000 up to 3.75  
2 million. Our is maxed at a  
3 million and a half guaranteed.  
4 Obviously being the federal  
5 government they can go a lot  
6 longer than we can. 25 years on  
7 a referred asset such as real  
8 estate, or five to ten years on  
9 lines of credit on equipment.  
10 We're maxed at 7 years on  
11 essentially a term loan  
12 regardless of real estate or  
13 equipment. We have the capacity  
14 to go up to five years on the  
15 line of credit, which is given  
16 granted to us in the rule but we  
17 max it out at three years because  
18 we feel that those first three  
19 years, as I mentioned before,  
20 that's the highest default rate  
21 potential for any business that  
22 especially with a young startup  
23 business, those first three years  
24 are critical.

25 The biggest comparison, as



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1 you can see, in the collateral  
2 limits, and, again, our program  
3 was modeled directly after the  
4 SBA 7A program, so while we have  
5 one collateral requirement, the  
6 feds have a, again, a tiered  
7 system where loans under \$25,000  
8 there is no collateral required  
9 whatsoever. It's basically a  
10 signature loan or collateralized  
11 loan. Same paperwork applies but  
12 it's uncollateralized. For  
13 anything from \$25,001 up to  
14 \$350,000 they take all best  
15 available collateral, which means  
16 all business assets and if the  
17 lender feels that they need  
18 additional collateral then they  
19 will take personal assets as well  
20 for things outside of business.  
21 For any role greater than 350,000  
22 they basically want the kitchen  
23 sink and everything else that  
24 goes along with it. So they want  
25 it fully collateralized to the



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LEDC MEETING

1 extent as possible.

2 Now, they do say in their  
3 regs, which is close to 450 pages  
4 long that they will not deny a  
5 guarantee if the loan is not  
6 fully collateralized. That even  
7 goes for loans that are 350,000  
8 as long as the credit worthiness  
9 is there and as long as the cash  
10 flow is there, so they put an  
11 emphasis on business operations  
12 as well being able to pay back  
13 the debt and consume the debt and  
14 continue to grow and make those  
15 payments.

16 On the 4th page, which I feel  
17 is a more distinguished and  
18 representative comparison of our  
19 program to other programs that  
20 are state run, as y'all know, we  
21 have been part of the SSBCI  
22 program through the U.S. Treasury  
23 now since 2011. We made a lot of  
24 contacts with other program  
25 managers around the country. Not



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LEDC MEETING

1 every state chose to do a  
2 guarantee program with their  
3 money, but several of them did,  
4 and we picked three distinct  
5 states, and I will explain why we  
6 picked those three in a second,  
7 but we felt that comparing our  
8 programs to other state run  
9 programs would be more of an  
10 apples to apples type of  
11 comparison to give a better idea  
12 of not only how our guarantee  
13 terms and structure and rules  
14 match compared to our competing  
15 states, but also how the  
16 utilization of those funds that  
17 we received, that we all received  
18 from the federal government  
19 through the SSBCI program how  
20 they have been deployed and how  
21 successful we have been versus  
22 how they have been. We chose to  
23 compare Louisiana to Alabama,  
24 Mississippi and the State of  
25 Oregon. Now, Alabama and



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1 Mississippi are probably, you  
2 know, not head scratchers, that's  
3 why we compare ourselves to them.  
4 Mississippi being and Alabama  
5 being geographically located in  
6 the Southeastern portion of the  
7 United States, obviously being in  
8 economic development we compete  
9 with the same projects on a daily  
10 basis. Geographically it makes  
11 sense. Economically it makes  
12 sense. Their economy is very  
13 similar to Louisiana in many  
14 respects. But Oregon -- you may  
15 be asking why we compared to  
16 Oregon. The main reason that we  
17 compared to Oregon; one, their  
18 program is also created through  
19 state law, so their legislation  
20 created their program back in the  
21 early '90s. At the same time or  
22 shortly after Louisiana created  
23 its -- our current grant  
24 guaranteed program in the '80s,  
25 so the structure is there. It is



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1 almost identical to our structure  
2 with some minor tweaks, but it  
3 also has the longest history out  
4 of any other program that we've  
5 seen through our experience with  
6 the SSBCI program with any other  
7 state run guaranteed program, and  
8 it's a 20 plus year history  
9 compared to us who has about a 30  
10 plus year history, so it's very,  
11 very similar in structure, design  
12 and utilization aspects and  
13 features of it being that it's  
14 legislative created and it has a  
15 history to back it.

16 So with all of that being  
17 said, if you look at the first  
18 chart on that 4th page, the  
19 comparison of the guarantees, if  
20 you look at us just compared to  
21 Alabama, obviously Alabama, they  
22 will do a maximum of 50 percent  
23 of guarantee while we'll do a max  
24 of 75 percent guarantee no matter  
25 the time of the loan.



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1 Mississippi is the similar with  
2 respect to the guarantee  
3 percentage. They will do an 80  
4 percent guarantee compared to our  
5 75 percent, but they will max  
6 that 50 percent on lines of  
7 credit, but it's important to  
8 point out that they will do a  
9 maximum of \$500,000 guarantee.

10 We will go up to a million and a  
11 half dollar amount guarantee. In  
12 Oregon, as I said, it's extremely  
13 similar to our term loans. We  
14 have an 80 percent guarantee with  
15 a 75 percent max on a million and  
16 a half on the line of credit.

17 All of the guarantee terms  
18 are pretty much uniform except  
19 for Alabama which follows --  
20 their length will follow the  
21 length of the loan if the bank  
22 decides to ask for that on term.

23 Interest rates, we feel that  
24 our interest rate is capping at  
25 five points above prime to where



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1 the other three states decided  
2 that they will not have any  
3 restriction on what the bank can  
4 charge. We feel that our  
5 restriction on five points above  
6 prime is actually to the  
7 borrowers benefit. We don't want  
8 any small business in particular  
9 having to pay more than what it  
10 actually should be paying to get  
11 that loan. We don't want our  
12 borrowers to be exposed to being  
13 overpriced.

14 But the biggest difference --  
15 if you look at the last row in  
16 that first chart would be the  
17 collateral requirements. We're  
18 the only state in our comparison  
19 that had any type of collateral  
20 requirement of a one to one  
21 ratio. All three other states  
22 they have no mention of a minimum  
23 or a maximum. So based  
24 everything off of the quality of  
25 the borrower with respect to the



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1 business operations and its  
2 ability to pay through cash flow.

3 The second chart at the  
4 bottom of that page gives you an  
5 idea. As I mentioned earlier,  
6 all of us received funds through  
7 the SSBCI program. I took their  
8 application agreements or  
9 information provided to us by  
10 treasury and we compared it to  
11 one another which respect to how  
12 much money was used for each  
13 respective guarantee program.  
14 All of these states expect --  
15 well, actually only Oregon was  
16 the only other state like us that  
17 took a portion and put it into  
18 the guarantee program and took  
19 another portion and put it into  
20 other programs like DC. Alabama  
21 and Mississippi, they took their  
22 entire allocation essentially and  
23 put it into the guarantee  
24 program.

25 Looking at that chart, the



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1    only category in which we were  
2    able to basically outperform or  
3    perform at the top was in the  
4    average guarantee amount at which  
5    we have done. We've done 36  
6    loans, and this data is as of the  
7    end of 2015. Obviously we've  
8    done more loans since then, but  
9    this was the only information --  
10   that was the most current  
11   information that I had on the  
12   other three states, so I had to  
13   go with that data.

14        Also comparing us with the  
15   other states, we got the smallest  
16   allocation amount compared to all  
17   three other states as far as for  
18   the guarantee program goes. We  
19   are the only one that has been  
20   unable to come close to recycling  
21   those funds or completing the  
22   original funding amount from the  
23   federal government. Mississippi  
24   has not completed all of their  
25   funds yet but they are very



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LEDC MEETING

1 close.

2 And the very last page.

3 After crunching all of that

4 information -- by the way, I have

5 backup data for all of this if

6 anyone would like it. I can send

7 it to you. Probably be better to

8 send it to you electronically.

9 Just that one document is over

10 400 pages. I have numerous

11 amount of information. If you

12 would like to see the backup

13 documentation, I can provide

14 that.

15 After reviewing all of this

16 data, staff, we determine that

17 our original request of reducing

18 the collateral requirements of a

19 one to one requirement down to a

20 50 percent may be a little steep,

21 but comparing us to the other

22 states, in particular, that we

23 compete against on a regular

24 basis, we felt that we did need

25 to make some adjustments, and



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1 after the recommendations from  
2 the Board, we went back and we  
3 looked at it and using all of  
4 that data and we came up with  
5 three potential solutions that we  
6 wanted to present to you for  
7 possibly further consideration or  
8 elimination from consideration as  
9 it may be.

10 The first one being that we  
11 reduce the percentage of the  
12 amount of the guarantee -- the  
13 collateral requirements or dollar  
14 amounts shall be limited to no  
15 less than the amount of the  
16 guarantee. In essence, if we  
17 have a 75 percent guarantee on a  
18 loan and the value of the  
19 collateral must be at least 75  
20 percent of the loan. Whereas our  
21 rules right now read that the  
22 value of the collateral must  
23 match the value of the loan  
24 amount. Whereas, if we are only  
25 guaranteed 75 percent of \$100,000



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LEDC MEETING

1 loan than we need \$100,000 worth  
2 of collateral, so we're over  
3 collateralized on our guarantee  
4 side.

5 The nice thing about reducing  
6 the value of the collateral to  
7 meet the amount of the guarantee,  
8 it would open up the door for  
9 some additional activity but not  
10 quite meet all of the full  
11 requirements that we were looking  
12 for, but it would add some  
13 flexibility. The second option  
14 that we're looking at or that  
15 we've come -- we narrowed it down  
16 to was more of a tiered base  
17 system, but not tier based off of  
18 industry or anything along those  
19 lines, strictly based off of the  
20 ability of the business to pay  
21 the debt. So smaller businesses  
22 would get a lower amount of  
23 guarantee depending on their  
24 historical representation of  
25 being able to pay or the cash



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1 flow. Use operations to pay for  
2 -- to cover all of their debt,  
3 and, honestly, it would be a tier  
4 based system would go up. We  
5 haven't distinguished levels at  
6 this point. The only other  
7 tiered based system that we were  
8 able to compare to was the SBA  
9 program, which obviously they  
10 have a lot of capacity than what  
11 we do given that they can, you  
12 know, just ask congress for more  
13 money if they need it, and they  
14 have the ability to assume a lot  
15 more risk than what we would be  
16 able to given the amount of funds  
17 compared to the federal  
18 government.

19 The other drawback to this  
20 tiered system is that it still  
21 doesn't really establish an  
22 opening point for startup  
23 businesses. If a startup  
24 business typically does not have  
25 enough collateral, for the most



1 part, unless they are buying real  
2 estate and equipment, that is all  
3 that is covered. It's the cash  
4 that first startup businesses the  
5 most vital and most important  
6 aspect of getting that business  
7 off the ground. You can have all  
8 the money you need to put the  
9 building together and stock  
10 shelves but if you can't make  
11 change for a \$5 purchase then you  
12 are out of business.

13 The third option that we  
14 presented would be to match our  
15 program to meet that of our  
16 rivaling states where there is no  
17 collateral requirement, it is all  
18 based solely off of the ability  
19 of the business to consume the  
20 debt, pay the cash -- use cash  
21 operations to pay their -- their  
22 obligations. This would open the  
23 door for a lot of other  
24 opportunity, obviously for  
25 startup businesses would be a lot



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LEDC MEETING

1 easier, and to this day we still  
2 -- it's been in operation since  
3 the beginning of our program.  
4 It's not a written rule but a  
5 policy that we have always  
6 followed is we do our  
7 underwriting based off of cash  
8 flow. The packet that you guys  
9 receive is a -- obviously there's  
10 a synopsis in there and also a  
11 financial analysis from the bank  
12 and also from our staff whenever  
13 we present a loan, but there is,  
14 you know, a lot more that goes  
15 into that. We underwrite the  
16 business, and when we look at the  
17 loan we look at the business  
18 operation. Most businesses today  
19 are looking at a global debt  
20 service where they are taking the  
21 business cash. They are also  
22 taking the borrowers personal  
23 debt income into consideration  
24 and doing a global debt service  
25 coverage. We look strictly at



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LEDC MEETING

1 the business debt service, and  
2 the reason for that is we don't  
3 want to pull credit. We don't  
4 feel that there is the need to  
5 pull credit. That would be an  
6 added expense that we would have  
7 and if we need the credit, we'd  
8 get it from the bank as well, and  
9 we don't feel that needing a  
10 borrowers credit scores a second  
11 time when they are probably  
12 already shopping loan two to  
13 three places would be a good  
14 idea, so we look at a debt  
15 service coverage from strictly  
16 the operations side of things,  
17 not from the global side of  
18 things, so with our typical --  
19 our standard cash flow coverage  
20 or debt service coverage ratio  
21 that we look at is 1.25 to 1,  
22 which means for every dollar debt  
23 that they have and if not, a 1.25  
24 if they are able to cover that  
25 debt, so they have some capacity



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1     there, they have some  
2     flexibility, and I believe that  
3     we've gotten handouts. If you  
4     want to see a copy of the last  
5     two loans that were presented  
6     with the inhouse that we just  
7     recently approved you can see how  
8     we do the cash flow calculation,  
9     and that's basically what we've  
10    always hung our hat on when we do  
11    our underwriting.

12         So I guess the purpose of  
13    this presentation was, one, to  
14    provide you with some of the  
15    backup documentation, the  
16    research and the data that was  
17    requested at the January meeting  
18    and answer some of those  
19    questions to the best of our  
20    ability, but also to present to  
21    you how we recognize that this is  
22    a very important decision. These  
23    rules have never been changed.  
24    They have been the same as we  
25    acknowledge back in January since



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LEDC MEETING

1 the 1980s, which was a different  
2 time, a different lending  
3 environment than it is today.  
4 But we believe that the Board  
5 also feels that it is necessary  
6 to not only make some adjustments  
7 and to be more flexible to meet  
8 the needs of the particular small  
9 businesses and micro businesses  
10 today, but to do it in a very  
11 prudent manner and responsible  
12 manner because I think Mr. Roy  
13 pointed out, if we are going to  
14 do this we need to do it right  
15 one time instead of coming back  
16 to the drawing board multiple  
17 times.

18 So this is the research that  
19 we have. These are the three  
20 options that we've kind of  
21 narrowed it down to. We wanted  
22 to present that to you, and I  
23 guess just open it up for  
24 discussion if we're off base or  
25 on base or close or got a full



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LEDC MEETING

1 count.

2 MR. ROY:

3 Before we start, can you  
4 summarize for all of us exactly  
5 where we are and what your  
6 proposal is if you can. You went  
7 through a bunch of things.

8 MR. BAHAM:

9 Sure. In a nutshell where we  
10 are at, we have currently a  
11 requirement on every single small  
12 business loan guarantee request  
13 for a hundred percent collateral  
14 requirement compared to a loan  
15 amount being requested, which  
16 means that given that our  
17 guarantee requires one hundred  
18 percent collateral for a loan,  
19 there's really no risk involved  
20 or need for a guarantee at that  
21 point. It's fully  
22 collateralized, in some cases  
23 overcollateralized so if the bank  
24 ever had to use our guarantee, we  
25 would be made whole, the bank



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1 would be made whole for all  
2 intent purposes minus any  
3 expenses that it would cost to go  
4 and collect that collateral. The  
5 point of all of that is that we  
6 are missing out on --

7 MR. REINE:

8 I have a question.

9 MR. ROY:

10 We have a question. Excuse  
11 me.

12 MR. REINE:

13 You said in previous years we  
14 had a default rate.

15 MR. BAHAM:

16 We did. Back before my time.

17 MR. REINE:

18 If you have one hundred  
19 percent guarantee and you said we  
20 are not at risk. How do we have  
21 a default rate?

22 MS. GUESS:

23 Well, that's because the  
24 default rate is based on the  
25 number of loans that is not



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1 performing, not the -- that  
2 pertain to anything else. For  
3 example, if we had a -- right now  
4 the default right is zero. None  
5 of loans that we have approved  
6 since 2011 have stopped  
7 performing. They all have either  
8 paid out or they are still on the  
9 books and still are actually  
10 performing with the banks that we  
11 are providing the guarantee to.

12 MR. REINE:

13 Trying to clear up in my head  
14 that if we had one hundred  
15 percent collateral, you said that  
16 we were at no risk. Does the  
17 default mean that they quit  
18 paying and we went and got the  
19 collateral and we actually lost  
20 the money in the history of the  
21 program.

22 MS. GUESS:

23 If we weren't able to make  
24 ourselves whole. If a loan  
25 defaults -- we pay the bank the



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1 percentage of the guarantee that  
2 we have negotiated going into the  
3 project, into the transaction.  
4 The bank paid 75 percent of the  
5 balance of the loan. The bank  
6 then takes the collateral that is  
7 being held for that loan against  
8 that loan and the bank liquidates  
9 that collateral equipment,  
10 whatever, and they apply that for  
11 the shortfall of what they are  
12 experiencing and then they are on  
13 a pro rata basis, they provide us  
14 with the same amount to make  
15 themselves whole and to make  
16 ourselves whole.

17 MR. ROY:

18 Just to clarify. I want to  
19 make sure that we are all on the  
20 same page. We are just talking  
21 about SSBCI?

22 MS. GUESS:

23 That's correct.

24 MR. ROY:

25 We are not talking about the



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LEDC MEETING

1 mainstream guarantee program  
2 necessary.

3 MS. GUESS:

4 No. Because right now we are  
5 only functioning off of SSBCI  
6 document.

7 MR. REINE:

8 I heard you say with a  
9 hundred percent collateral that  
10 there was no risk, they had  
11 enough collateral to pay it, so I  
12 don't -- does the default mean  
13 they quit paying and we went and  
14 got our money and we are made  
15 whole or has there been passed  
16 times which we didn't recover our  
17 money?

18 MR. BAHAM:

19 There could have been  
20 probably in the past and this is  
21 pre -- definitely pre my time,  
22 '80s, '90s, where there may have  
23 been a handful of loans that went  
24 into default, the guaranteed was  
25 paid out that was due at that



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1 time and not enough collateral  
2 was collected or recouped by the  
3 bank and liquidated and shared  
4 pro rata with us to be able to  
5 recoup every dollar that was paid  
6 back. The one that I am aware of  
7 in that scenario, the business  
8 owners skipped town. Didn't just  
9 skip down, they skipped the  
10 country. The bank is actually  
11 still trying to recoup that money  
12 that was out. And that was all  
13 pre probably 2000, I believe.

14 MS. GUESS:

15 Probably 2000.

16 MR. ROY:

17 Today you are talking about  
18 the program since inception of  
19 the SSBCI.

20 MS. GUESS:

21 Since 2011.

22 MR. ROY:

23 And all of your figures that  
24 you are giving just have to do  
25 with those losses, correct?



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LEDC MEETING

1 MR. BAHAM:

2 Right. These figures -- and  
3 the reason we took 2011 is  
4 because it was the easiest  
5 benchmark that we had to compare  
6 in a decent timeline. We are  
7 talking about six years here of  
8 information. We could go back  
9 further, but getting some of that  
10 data is going to be difficult.

11 MS. THAM:

12 And I assume when we say one  
13 hundred percent loan it's a ratio  
14 of collateral, but when you talk  
15 about a piece of equipment  
16 collateral, it's one hundred  
17 thousand dollars on a one hundred  
18 thousand dollars loan, two years  
19 later you may not be able -- I  
20 mean, it's going to go down in  
21 value.

22 MS. GUESS:

23 That's correct.

24 MS. THAM:

25 Things depreciate the minute



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1 they go into service, so one  
2 hundred percent is a relative  
3 term.

4 MR. BAHAM:

5 Right.

6 MS. JOHNSON:

7 In terms of you gave three  
8 options for a change in this  
9 program, well, we live in a  
10 pretty heterogeneous society in  
11 terms of industry. They talk  
12 about startups. They have low  
13 bearing of entry versus  
14 construction company for medium  
15 size equipment, so perhaps you  
16 should tier it based on what type  
17 of company or what type of  
18 industry you are talking about.  
19 If you are talking about someone  
20 that builds -- basically most of  
21 your cost is people, it's not  
22 necessarily infrastructure.

23 MR. BAHAM:

24 That was our first thought  
25 was basing everything off the



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1 industry type, and as you pointed  
2 out, certain industry is going to  
3 have different requirements and  
4 certain struggles from different  
5 areas as far as cash or equipment  
6 or whatever the case be based off  
7 of that industry.

8 When we started breaking it  
9 out by industry types, the  
10 biggest thing that pointed out to  
11 us was that whether it's a  
12 manufacturer, a software company  
13 or a boutique on the corner, if  
14 it's a startup they are going to  
15 have the same level of barrier to  
16 injury. It's going to be hot. If  
17 they are going to go out and get  
18 a loan, doesn't matter you take  
19 all of the equipment out of the  
20 equation still boils down to the  
21 cash at the end of the day  
22 whether they have nothing but  
23 soft cost or all equipment. Even  
24 if all of the equipment is  
25 covered, and as I mentioned, they



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1 still need cash on the back end  
2 and able to make that -- make the  
3 entity run, keep the operations  
4 going. The other problem that we  
5 saw potentially with that was  
6 basing things strictly off of  
7 industry type.

8 MS. JOHNSON:

9 Not -- not completely.

10 MR. BAHAM:

11 Not completely, but it may be  
12 part of the criteria. There are  
13 industries that are operating in  
14 Louisiana today that weren't  
15 operating ten or 15 years ago.  
16 Namely like software companies  
17 and things of that nature back in  
18 the '90s we didn't really have a  
19 whole lot of those. Even the  
20 movie industry is another prime  
21 example that might be a hot  
22 button issue, but it's another  
23 one of those industries that  
24 require a lot of cash and not  
25 necessarily can borrow a lot of



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1 money because they don't have a  
2 lot of the hard assets or the  
3 collateral to actually back it.  
4 Most banks like a lot -- if they  
5 are going to base things off of  
6 collateral, which Mr. Roy might  
7 be able to speak to this better,  
8 but most lenders aren't going to  
9 make a decision strictly off of  
10 just a collateral that they have.  
11 That's just one small piece of  
12 the puzzle. They are going to be  
13 looking at namely the borrowers  
14 character, their credit for one,  
15 for two, and then for three,  
16 their cash, their ability to pay  
17 that debt, which is what we base  
18 a lot of our underwriting off of  
19 right now is on the operations.  
20 Doesn't make sense, you know,  
21 that's the -- that's what it  
22 boils down to the most. So  
23 collateral is just one piece of  
24 it, but what we've seen is when  
25 we have an applicant or



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1 applicants that meet all of the  
2 other criteria, have decent  
3 credit or okay credit, they've  
4 got the experience, they've got  
5 the startup idea. They know how  
6 to do this because they have been  
7 doing this for, you know, making  
8 widgets for 20 plus years and now  
9 they are going out on their own.  
10 They meet all of this criteria  
11 here and given as a startup, the  
12 bank wants a little extra  
13 insurance and they want a  
14 guarantee but they don't  
15 necessarily have all of the  
16 collateral to back it, which they  
17 can go to the SBA and they are  
18 going to take everything that  
19 they have available plus their  
20 home and that's another  
21 difference between us that I  
22 forgot to point out talking about  
23 us and the SBA. SBA will take  
24 personal assets. We do not take  
25 personal assets. We do not take



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1 primary residence because we  
2 don't want to open paper one day  
3 and read the state take house  
4 from the old lady. We don't like  
5 to take personal residence. The  
6 only thing personal that we will  
7 take is a piece of real estate  
8 that is not their primary  
9 residence, investment property,  
10 second home, things of that  
11 nature, but most people who are  
12 starting up a business or  
13 operating a small business for  
14 the most part they don't have  
15 anything beyond either their  
16 business assets or their primary  
17 residence is typically the most  
18 valuable asset that they have.  
19 So we are kind of limited to just  
20 strictly the business assets.

21 MR. ROY:

22 Okay.

23 MR. REINE:

24 Another question. In the  
25 first proposal you talk about



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1 lowering the requirement to 75  
2 percent, but you still use some  
3 of the criteria in the second one  
4 of age, experience and business,  
5 ability to pay.

6 MR. BAHAM:

7 Yes.

8 MR. REINE:

9 No matter what the collateral  
10 rate is.

11 MR. BAHAM:

12 Correct. We do that now.

13 MR. REINE:

14 If you have one hundred  
15 percent collateral you don't  
16 determine you have the ability to  
17 repay with the guarantee of the  
18 loan.

19 MR. BAHAM:

20 I am not sure I'm following  
21 you on that one.

22 MR. REINE:

23 No matter what the collateral  
24 rate was, you are going to look  
25 at some other criteria;



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1 experience and ability to pay  
2 even if somebody had one hundred  
3 percent collateral and you didn't  
4 determine that they had the  
5 ability to repay it, you wouldn't  
6 guarantee the loan currently on  
7 collateral by itself.

8 MS. GUESS:

9 In fact, what we do now as  
10 part of our underwriting  
11 internally is that if the company  
12 does not make the minimum of a  
13 1.25 to one cash flow for that  
14 service then they could -- we've  
15 had instances just like where  
16 they had an abundance of  
17 collateral and the bank has even  
18 consented to us and occasionally  
19 to get one that is not cash flow  
20 and we don't see internally, we  
21 don't see it here on the Board  
22 because it's still something that  
23 -- there are some inherent risks  
24 that we feel that our guarantee  
25 is made to help the bank to



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1 mitigate.

2 MR. REINE:

3 A highlight an understanding  
4 that those provisions -- really a  
5 provision one as well, they are  
6 just done inhouse.

7 MS. GUESS:

8 Yes.

9 MR. REINE:

10 Thank you.

11 MR. ROY:

12 Your recommendation is for 75  
13 percent?

14 MR. BAHAM:

15 That's one of our  
16 recommendations. On the last  
17 page we had three  
18 recommendations. One to have the  
19 value of the collateral be no  
20 less than the value of both the  
21 guarantee, so if it -- simplistic  
22 terms, 75 percent guarantee,  
23 \$100,000 project, we have -- and  
24 most banks require 20 percent  
25 equity, so we are looking at an



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1     \$80,000 loan, 75 percent  
2     guarantee would be a \$60,000  
3     guarantee, so we would need  
4     collateral to not match the value  
5     of the loan, which would be  
6     \$80,000 but to match, at minimum,  
7     the value of the guarantee, which  
8     would be 60,000. In a nutshell  
9     on our dollars would be getting  
10    one to one collateral  
11    requirement, but on the loan as a  
12    whole, the bank is still at risk  
13    for that additional 25 percent of  
14    the loan of that 20,000 but that  
15    leaves some options available for  
16    them to be able to use that  
17    collateral to collateralize  
18    another piece or not additional  
19    funding, usually for working  
20    capital in most cases.

21           MR. REINE:

22           Somewhere in there I lost the  
23    dollar amount that's available to  
24    loan.

25           MR. BAHAM:



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1           The dollar amount that we  
2   have total available to loan?  
3   Currently we have, in SSBCI  
4   dollars we have unspent as of  
5   today is roughly 1.3 million.  
6   I'm trying to remember if that  
7   includes -- that does include the  
8   two loans that were done inhouse,  
9   but going forward we expect by  
10  the end of 2017 to have returned  
11  nearly 600,000, which is recycled  
12  of money. So that's federal  
13  money that's going out on the  
14  loans matured or have been paid  
15  off early, they are coming back,  
16  so by the end of this year we  
17  expect to have 2.-- almost 2.4  
18  million with recycled dollars,  
19  outstanding -- that's just  
20  recycled dollars. That's not the  
21  outstanding SSBCI dollars, which  
22  would be almost five hundred  
23  thousand at the end of this year.  
24  Now, all of the loans that we've  
25  done obviously since 2011 maybe



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1 they paid off earlier or have  
2 different maturity rates, and  
3 that's what I try to represent in  
4 this chart here on an annual  
5 basis. When you break it out  
6 quarterly it becomes a lot  
7 clearer, but here on an annual  
8 basis if you --

9 MR. REINE:

10 So roughly there's three  
11 million dollars available.

12 MR. BAHAM:

13 Close to it.

14 MR. REINE:

15 And a loan can be up to a  
16 million and a half.

17 MR. BAHAM:

18 Well, the loan can be  
19 whatever it needs to be. It can  
20 be ten million and the guarantee  
21 would be a million and a half,  
22 and we set aside 25 percent of  
23 the guaranteed amount for  
24 leverage purposes, so these  
25 numbers that are on here, these



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LEDC MEETING

1 numbers -- that number doesn't  
2 reflect the full guarantee  
3 amount, that's reflects 25  
4 percent of the guarantee amount  
5 so that SSBCI requires us to try  
6 to attempt to get a leverage  
7 ratio between all of our programs  
8 of ten to one.

9 MR. REINE:

10 Here was my question. If the  
11 assets available to do the loan  
12 guarantees are limited, would  
13 there be a priority to the ones  
14 with the higher collateral rate  
15 or would we lower the rate,  
16 increase the activity and then  
17 somebody comes along with the one  
18 to one and we are out of money.

19 MR. BAHAM:

20 So you are saying put in a  
21 provision that if we have a  
22 limited number of dollars, we are  
23 at crunch time and we've got  
24 multiple loans, the one with the  
25 higher collateral value would



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1 take precedence over the others  
2 as far as --

3 MR. REINE:

4 I guess that's my question.  
5 If I was loaning money, I would  
6 rather -- and I could only add so  
7 much money to the loan, I would  
8 want the best collateralized  
9 field first and then move down  
10 the list.

11 MR. BAHAM:

12 That would be an option.  
13 That would be an option, but what  
14 we do currently is essentially  
15 whoever is in the door what we  
16 have at that point in time and  
17 we've seen it to where we made  
18 multiple approvals and not every  
19 single loan that we give approval  
20 to actually wind up closing. For  
21 whatever reason they just don't  
22 happen.

23 MR. REINE:

24 Would we be putting our self  
25 in a position that we took less



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1 collateralized loans and later on  
2 didn't have the ability or the  
3 resources to do better deals. If  
4 we lowered the collateral rate.

5 MS. GUESS:

6 I don't think so. What you  
7 are describing is where we hope  
8 we would be in a situation where  
9 we come before you and say we  
10 wish we had more money to make  
11 more loans, but we're not going  
12 to -- I guess because if we were  
13 doing direct loans that might be  
14 something that we have some type  
15 of control over, but because  
16 we're basically guaranteeing  
17 loans to the banking community,  
18 we will see where we will not,  
19 you know, have to be that far. I  
20 think if we set a lowering of the  
21 collateral and make a new rule  
22 for us to operate, I don't think  
23 we should bear from that. That's  
24 just, you know, the way the  
25 program --



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LEDC MEETING

1 MR. REINE:

2 Am I correct -- it is my  
3 assumption, which is always  
4 dangerous, that the first step  
5 would be the most cautious step  
6 out of the three in that we can  
7 see what activity that generated  
8 than if the activity didn't  
9 increase we could consider some  
10 of the other options of two or  
11 three. Is the No. 1 the most  
12 cautious path, I guess?

13 MS. GUESS:

14 I guess No. 1 is most  
15 cautious. I think of the things  
16 that has happened is that we have  
17 talking to bankers as we've been  
18 marketing in anticipation of  
19 there being some type of movement  
20 from -- away from the dollar for  
21 dollar collateral, and the  
22 excitement with the bankers would  
23 be -- I know that Shemelda and  
24 Marissa went out last week and  
25 early this week in marketing to



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1 various banks around the state,  
2 and the overall thing from them  
3 is that they will be talking to  
4 them about the possibility of us  
5 lowering our collateral  
6 requirement. They didn't go into  
7 any specifics but we just pointed  
8 out because the bankers have  
9 indicated throughout the years  
10 that they'd like to see us move  
11 away from the one to one because  
12 we would be able to do more deals  
13 with them, and I think the  
14 overwhelming response would be to  
15 -- is they are waiting for -- to  
16 see what comes out.

17 MR. ROY:

18 Tell the Board about the  
19 difference in fees. That's a  
20 real factor. I can also tell you  
21 with the SBA, the way we have  
22 experienced in the past, but the  
23 SBA could be very slow.

24 MS. GUESS:

25 Right. Absolutely.



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LEDC MEETING

1 MR. ROY:

2 Tell them about the fees.

3 MS. GUESS:

4 Right now there is no  
5 application fee for any applicant  
6 to apply for the loan guarantee  
7 program. In our rules we  
8 indicate that the -- we charge a  
9 guarantee fee up to --

10 MR. BAHAM:

11 We have the ability to go up  
12 to four percent. The highest we  
13 charge is two percent.

14 MS. GUESS:

15 And we basically charge the  
16 fee based on the risk that we're  
17 being asked to take. If a loan  
18 is 125 percent collateralized and  
19 there is not much risk then the  
20 -- we can be either no fee or a  
21 little fee. We are definitely in  
22 competition with -- being very  
23 competitive with SBA with our  
24 fees, and banks sees us as easier  
25 option and less cumbersome with



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1 our rules and regulations and not  
2 charging the customers the fees  
3 that passing them out, so we're  
4 definitely -- and that's one of  
5 the pluses for us is that there  
6 is minimal or no fees associated  
7 with the program.

8 MR. BAHAM:

9 And also with the SBA  
10 comparing us fee-wise, I know  
11 four percent could sound like a  
12 lot. The SBA charges a little  
13 over three percent on average for  
14 most of their fees, and then  
15 there's almost a .6 percent, so  
16 half of a percent, a little over  
17 half of a percent fee on an  
18 annual basis for every year that  
19 guarantee is still active, so we  
20 have a one time guarantee fee;  
21 whereas, the SBA, even if it was  
22 a little under three percent  
23 upfront there is also that half  
24 percent year after year, so I  
25 want to -- 7, 10, 15 year



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LEDC MEETING

1 guarantee, it could add up pretty  
2 quickly.

3 MS. THAM:

4 So when you talk to bankers  
5 do you know how much it would  
6 help to lower it down to the 75  
7 percent to match the guarantee,  
8 and any -- it's kind of by  
9 industries because we see a lot  
10 of things collateralized by  
11 equipment and excited to get new  
12 technology that -- professional  
13 intellectual products. Is it  
14 geared mostly toward that  
15 industry and you think that  
16 lowering it to 75 percent of that  
17 difference is really going to  
18 bring in a lot more projects?

19 MS. GUESS:

20 I think that it will because  
21 as far as being a recovering  
22 banker, I know that when I was  
23 banking no bank is going to make  
24 a loan where there is absolutely  
25 no collateral. That's for



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1 certain, and with what we would  
2 be able to take and backing from  
3 the dollar for dollar, I think  
4 that we -- we're hopeful that  
5 from what we've seen and talking  
6 with the bankers in various parts  
7 of the state, and not only with  
8 the banking community, you know,  
9 some of our economic development  
10 partners that we have been  
11 talking to in, say, north  
12 Louisiana, we are trying to work  
13 with the City of Minden to  
14 develop a relationship or  
15 partnership for smaller  
16 businesses that are coming out of  
17 there and seeing that I went to  
18 Minden a couple of weeks ago,  
19 hometown of Minden, we had the  
20 opportunity -- and part of the  
21 audience that we were talking to  
22 was one of the local bankers. He  
23 was really excited about hearing  
24 that not only about the  
25 possibility of a lowering of the



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1 collateral but hearing about the  
2 program, so now it's matter of  
3 educating. So we're hopeful from  
4 all of the cases, not just in the  
5 last couple of months, but the  
6 last few years we've been hearing  
7 about the loans that bankers  
8 weren't able to do because the  
9 companies that they were trying  
10 to help -- the startups,  
11 especially, and also by industry,  
12 the software companies where the  
13 one to one collateral or the  
14 availability of collateral just  
15 isn't there. Now, that is where  
16 one of the other options came in  
17 and thinking about those  
18 companies, as Steve mentioned,  
19 we'll just have to -- it all  
20 depends on if we're involved in a  
21 term loan or a line of credit.  
22 Depends on the type of the  
23 credit. Line of credits, we do  
24 those and that's our -- we love  
25 to do those, and if a company --



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1 they have to realize if they're  
2 contracting with an entity and  
3 they are billing terms into a  
4 receivable and that receivable is  
5 really their collateral, and so  
6 that's the -- I probably -- we  
7 probably will do more lines of  
8 credit. We do quite a bit now.  
9 We haven't analyzed a portfolio  
10 to see how much of hard asset and  
11 how much of lines of credit, but  
12 I think that we will definitely  
13 see an increase.

14 Now, when I say we will see  
15 them, we are not sure what you  
16 guys will see here at the Board  
17 level. Mr. Andre mentioned last  
18 meeting that, you know, we  
19 weren't seeing enough deals.  
20 Well, we can very well be giving  
21 you a list of, you know, items  
22 that we've seen inhouse that are  
23 below the five hundred dollar  
24 threshold, but, of course, the  
25 information that will be reported



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1 to you will show this is XYZ  
2 company, this is the debt service  
3 ratio. This was the amount of  
4 the collateral that was taken so  
5 it will require us to do some  
6 administrative changes internally  
7 to make certain that the  
8 reporting is still there. Even  
9 though SSBCI, as you --  
10 treasuries oversight of our  
11 dollars goes away this month, we  
12 are still -- we still have  
13 treasury money that still has to  
14 be recycled, so we're still going  
15 to be operating as though big  
16 brother and SSBCI still going to  
17 be coming and asking for  
18 reporting, so it's been a very,  
19 very thorough, very good  
20 experience for us.

21 MR. ROY:

22 Let me ask this to try to  
23 move things along. Not asking  
24 staff to make a motion, but if  
25 you were to suggest a motion,



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1 what would that be? We talked  
2 about a number of options. What  
3 would be your thought?

4 MR. BAHAM:

5 I think Brenda and I might  
6 have different opinions on that.  
7 I'm a little bit more of a risk  
8 taker, so my option --

9 MR. ROY:

10 We'll debate it.

11 MR. BAHAM:

12 My suggestion would be to  
13 eliminate all references to a  
14 minimal collateral and have --  
15 match the rest of the states  
16 success rate. By looking at  
17 their numbers they have been able  
18 to handle a lot higher volume  
19 than what we've been able to  
20 handle, and they are still  
21 operating. They've already  
22 recycled most of their money, if  
23 not all, and/or continuing to do  
24 more loans with that money that  
25 they received through the SSBCI



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1 program and they are growing it.  
2 Mississippi and Alabama didn't  
3 even have a program until SSBCI  
4 was created and they have been  
5 extremely successful. And our  
6 program has been around for over  
7 30 years now, and in the last  
8 six, seven years they have done  
9 more loans than we have, and we  
10 have the history and they didn't.  
11 And that's -- honestly that would  
12 be my opinion. We would still  
13 share pro rata on the collateral  
14 that is attached to the loan.  
15 It's been our experience that  
16 bankers here in Louisiana have  
17 been extremely conservative. As  
18 Brenda noted, they will never do  
19 a loan without any collateral. I  
20 strongly believe that just  
21 eliminating it totally and having  
22 it based off of the operations  
23 and cash flow of the business and  
24 what's a good loan. That would  
25 be my suggestion. Just eliminate



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1 it.

2 MS. GUESS:

3 My suggestion -- we don't  
4 disagree often, and we are not  
5 really disagreeing now, to add to  
6 what Steve said, I think that  
7 with -- as part of the motion, I  
8 think we would maybe combine the  
9 two and make certain that the  
10 value of the collateral would  
11 still be no less than the amount  
12 of the guarantee if there was a  
13 way we could combine the two.  
14 The mention of things have been  
15 the same since the beginning of  
16 time, and he keeps referring to  
17 the beginning of time is 30 years  
18 and that's about how long I have  
19 been here, so now that we may  
20 disagree on, but I think that the  
21 combination of -- that you  
22 mention but, you know, I think we  
23 also have to remember that even  
24 though we are operating off of  
25 federal money, I think we all



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1 have a fiduciary responsibility  
2 to make sure that the money is  
3 managed in a proper manner. We  
4 have to be mindful that we're  
5 always going to be scrutinized,  
6 you know, as for what we do in  
7 how we operate and how we spend  
8 money, so I would say a  
9 combination no less -- the value  
10 of the collateral no less than  
11 the amount of the guarantee,  
12 which stills gives it the  
13 flexibility to negotiate with  
14 lenders in the lowering of the  
15 amount of the guarantee depending  
16 if a particular credit can really  
17 sustain that lowering of that  
18 guarantee.

19 MR. ROY:

20 Okay.

21 MR. REINE:

22 Mr. Chairman -- Mandi, go  
23 ahead.

24 MS. MITCHELL:

25 I was just going to ask about



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1 the other items that we had in  
2 the recommendation to spur  
3 today's discussion regarding the  
4 residency requirements.

5 MR. BAHAM:

6 Yeah. That's one thing that  
7 we didn't focus on too much in  
8 this report, but in our original  
9 request, some of the other things  
10 that we felt which would also  
11 help with the program because  
12 over the last several years, the  
13 main one being residency  
14 requirement in the rules is  
15 required that obviously we want  
16 the business here in Louisiana,  
17 and it will be a Louisiana based  
18 business with the footprint here,  
19 but the rules do require that the  
20 business owners with 20 percent  
21 more or own more ownership be to  
22 have their primary residence here  
23 in Louisiana. We missed out on  
24 several deals, especially  
25 throughout our business



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1 development group, trying to  
2 attract businesses to move to  
3 Louisiana. They are all for  
4 moving the business here, but,  
5 you know, if they are born and  
6 raised in California they want to  
7 stay there. Just like if they  
8 are born and raised in Louisiana,  
9 I want to stay here, so that is  
10 one request that we would like to  
11 remove the primary residence  
12 requirement but maintain the  
13 business requirement. Obviously  
14 we want the business here.  
15 That's the whole intent of the  
16 program is to help the small  
17 business. And then also  
18 eliminate the -- not add to the  
19 rules, not eliminate but add to  
20 the rules. It's been a policy  
21 that we don't accept the primary  
22 residence but make it clear in  
23 our rules that we will take other  
24 real estate or other investment  
25 property but not the borrowers



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1 primary residence. We do not  
2 want to use that as additional  
3 collateral for the loan at all.

4 MR. ROY:

5 It's not to say the bank  
6 can't.

7 MR. BAHAM:

8 The bank still can and they  
9 still do, we just don't share in  
10 that. So if they ever have to  
11 collect that's not something  
12 we're going to collect. As I  
13 said before, we're not in it to  
14 take somebody's house away. We  
15 limit everything to the business  
16 assets unless they have other  
17 personal property or other  
18 personal investment that they are  
19 willing to use to meet the  
20 collateral requirement other than  
21 the primary residence.

22 MR. ROY:

23 Okay. Do we have any  
24 collective thoughts on a motion,  
25 perhaps?



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LEDC MEETING

1 MR. REINE:

2 My question is with the  
3 process on rule change. Mr.  
4 Attorney over there, a rule  
5 change, we don't simply make a  
6 motion and vote on it, correct?  
7 We have to go through the process  
8 of public --

9 MR. CANGELOSI:

10 When we decide -- when we  
11 decide what we want to do I will  
12 put it in a rule and present it  
13 to you for review and approval.  
14 After you approve it then we  
15 publish it and go through the  
16 rule process.

17 MR. REINE:

18 So the Board initiates the  
19 rule change?

20 MR. CANGELOSI:

21 Yes.

22 MR. REINE:

23 So what we need to do is  
24 determine a proposed rule change,  
25 adopt that and then go through



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1 the process that ends up back  
2 here for a final vote after  
3 public comments?

4 MR. CANGELOSI:

5 No. Once you approve it for  
6 publication it goes -- this Board  
7 has finalized it, but the rule  
8 has to go through the public  
9 process, and if there is a public  
10 meeting we'll have that and the  
11 rule will be finalized after  
12 that.

13 MR. REINE:

14 Where is it finalized?

15 MR. CANGELOSI:

16 Pardon?

17 MR. REINE:

18 Is it finalized here at the  
19 Board level or finalized at a  
20 joint committee meeting?

21 MR. CANGELOSI:

22 It's finalized at the  
23 departmental level with a public  
24 meeting if a public meeting is  
25 requested.



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1 MR. ROY:

2 I guess you could send us to  
3 that point the verbiage --

4 MR. CANGELOSI:

5 Yes, sir.

6 MR. ROY:

7 -- before it's.

8 MR. CANGELOSI:

9 Oh, yeah, we will do that. I  
10 will present it to you for  
11 approval before we publish it.

12 MR. ROY:

13 So we can vote today, if we  
14 so choose, and you would put a  
15 pencil to it and then send  
16 something back to us.

17 MR. CANGELOSI:

18 Absolutely. Yes, sir.

19 MR. REINE:

20 I would suggest that we  
21 probably need to vote on what we  
22 recommend and then have a  
23 document before us that is a  
24 detailed rule change and take a  
25 second vote that is the rule



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1 change we're proposing. We talked  
2 about various things and I don't  
3 know that we can -- I would be  
4 uncomfortable formally voting to  
5 adopt the rule change without  
6 having it detailed exactly what  
7 we're voting on.

8 MR. CANGELOSI:

9 We won't have that. We will  
10 have a actual rule change  
11 before --

12 MR. REINE:

13 So we can make a motion to  
14 instruct them to bring a document  
15 back to us and suggest to them  
16 what we want in that document,  
17 but before we take a final vote,  
18 we will see the document itself.

19 MR. CANGELOSI:

20 That's correct. That's  
21 correct.

22 MS. THAM:

23 I like a clarification on  
24 approach No. 2. That seems like  
25 the middle ground that you were



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1 talking about, but I don't see  
2 practical purposes of what it's  
3 going to say. How do you decide  
4 on a tiered --

5 MR. BAHAM:

6 That's where we were hung up  
7 as well. We recognize -- we came  
8 up with that one, looking at the  
9 SBA requirements as how they have  
10 200,000 or less, there's no  
11 collateral requirement. 25,001  
12 to 350,000. There is a  
13 collateral requirement, which is  
14 all available business assets  
15 plus the loan officer or the bank  
16 is required to try to make it  
17 collateralized, and then after  
18 the \$350,000 and higher is where  
19 they wanted fully collateralized  
20 to the maximum extent possible  
21 with the caveat that they won't  
22 deny it if it's not fully  
23 collateralized but they don't  
24 necessarily have to approve it  
25 the way it's structured.



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1           So we just couldn't come up  
2 with thresholds. We couldn't  
3 come up with -- we kicked around  
4 the idea of different industries  
5 and then we realized, well, if we  
6 went strictly with the industry  
7 suggestion it could pose problems  
8 down the line because we have  
9 industries that pop up all of the  
10 time that weren't here yesterday  
11 but they are here tomorrow, so we  
12 looked at, okay, well, we can  
13 base it off of a type of company  
14 and with respect to the history,  
15 the management experience, all of  
16 the other C's to doing a loan;  
17 character, credit, cash, other  
18 than collateral, make that the  
19 last requirement, but we did not  
20 go into very much detail on it  
21 because we were just -- it would  
22 like a little more time and take  
23 more analysis to see how -- what  
24 would be the best tier  
25 structured.



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LEDC MEETING

1 MS. THAM:

2 Basically going through that  
3 same process in the third  
4 approach, anyway, right? They  
5 are willing to see how far --

6 MR. BAHAM:

7 We looked at -- there is just  
8 no hard number because everything  
9 would be relative to that point,  
10 and what I mean with respect to  
11 that is if we took collateral out  
12 of the picture, if we had two  
13 borrowers with the same idea,  
14 same business premise, we are  
15 going to look more at the  
16 borrower themselves and their  
17 ability if one was a pure startup  
18 with no experience while the  
19 other had 20 plus years  
20 experience in an industry,  
21 obviously I am going to lean more  
22 -- be more comfortable with the  
23 person with experience versus the  
24 person who hasn't done it before.  
25 I mean, that's just more of a --



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1 any lender is going to look at  
2 that as well. They are going to  
3 feel more comfortable with that.  
4 The risk is going to be a lot  
5 less with this person than the  
6 one with experience and one  
7 without the experience.

8 So there's other criteria  
9 that are more important when it  
10 goes to making a loan decision as  
11 opposed to just collateral. If I  
12 had -- and Mr. Roy probably can  
13 attest to this. If he has a lot  
14 of his loan officers and the loan  
15 officer in the bank we can have  
16 anybody come in with, you know, I  
17 don't know, thousands of acres of  
18 properties, and that could be  
19 valued at whatever number you  
20 want it to be valued at, but if  
21 they had no experience and no  
22 credit and no idea, they just  
23 walked in and said, I want, you  
24 know, a million dollars to go  
25 start a restaurant and they been



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1 a plumber for the last 30 years,  
2 I don't think anybody is going to  
3 do that loan because it cost the  
4 bank more to go collect on that  
5 property than it does to have it  
6 pay off and pay their principle  
7 and interest over the term.

8 MS. THAM:

9 But nobody is suggesting that  
10 you do what the feds do as below  
11 20,000 --

12 MR. BAHAM:

13 No. No. No. We would never  
14 do that.

15 MS. THAM:

16 I don't see any point in No.  
17 2. If we can't come up with a  
18 hard number because you are still  
19 relying on the same experience  
20 and, you know, consideration that  
21 you are. I don't know that 2 is  
22 very useful to us.

23 MR. ROY:

24 Ms. Mitchell.

25 MS. MITCHELL:



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1 I was going to follow up on  
2 Steve's comments. Clarify for  
3 the benefits of the Board that  
4 staff has been under the hood and  
5 has done a lot of work but did  
6 not want to get ahead of the  
7 Board by going forward in  
8 establishing criteria. We didn't  
9 want to do a whole lot of work  
10 before we discuss the potential  
11 options before this Board and so  
12 that's why you don't see for  
13 example, No. 2, completely  
14 fleshed out. We didn't want to  
15 go all of the way down the path  
16 and then have to redirect, and so  
17 with that said and given the  
18 discussion, it does sounds like  
19 the Board fully understands the  
20 issue and would like the staff to  
21 come back with a proposed set of  
22 rules with details fleshed out  
23 fully for the Board to then  
24 discuss and deliberate upon and  
25 make a decision to move forward.



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1           At that point, as Mr.  
2 Cangelosi explained, we will go  
3 through a public APA approval  
4 process as LED does with any of  
5 the rules that we amend for any  
6 of our programs, and that does  
7 involve public hearings, public  
8 comments, potential oversight  
9 committee hearing and the  
10 legislature and whatnot, and so  
11 we'll be a fully fleshed out plan  
12 that we would like to bring back  
13 to the Board for consideration,  
14 and if I'm in order, I would like  
15 to make a motion, Mr. Chairman.  
16 I'm not sure if there are --  
17 there's more discussion.

18           MR. REINE:

19           We might have a lot of  
20 discussion.

21           MS. MITCHELL:

22           I move that the LEDC Board  
23 directs the LED staff to prepare  
24 proposed rule for changes to the  
25 loan guarantee program to enhance



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LEDC MEETING

1 and improve the utilization and  
2 efficiency of the program in line  
3 with best practices from other  
4 states and that the proposed  
5 rules be presented at the next  
6 LEDC Board meeting and then those  
7 proposed rules be submitted in  
8 advance of the Board meeting for  
9 review by the committee members.

10 MS. THAM:

11 Direct them to make it more  
12 like approach 1, approach 3.

13 MS. MITCHELL:

14 Sure. I can add to my motion  
15 that the Board directs the staff  
16 to base the rules, the proposed  
17 rules on option 1 presented in  
18 the report, which is that we  
19 would modify the loan guarantee  
20 to no less than the value of  
21 collateral required, essentially  
22 the highest level of collateral  
23 needed would be 75 percent. The  
24 other changes, proposed changes  
25 to be presented pertain to the



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LEDC MEETING

1 residency requirement for primary  
2 business owners and stockholders  
3 as well as adding to the rules a  
4 practice of the department to not  
5 accept personal primary residence  
6 as collateral for the loan, so  
7 those would be the three specific  
8 additions to my amendment -- I  
9 mean, to my motion. Sorry.

10 MR. REINE:

11 I would second that with a  
12 speech. I do second it. And I  
13 would say that I am much more  
14 comfortable with that approach  
15 that Ms. Brenda has pointed out  
16 would give us the collateral for  
17 the guaranteed part particularly  
18 in light of the fact that we're  
19 not going to take the residences  
20 collateral, but that -- I mean,  
21 the bank is and so their part is  
22 pretty much covered so much more  
23 comfortable with the one you were  
24 asking for. I do second the  
25 motion.



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LEDC MEETING

1 MR. ROY:

2 We have a motion and a  
3 second. Any discussion?

4 MR. REINE:

5 I would like highlight that  
6 Mandi and I agree on something.

7 MS. MITCHELL:

8 Very rare. Picture this  
9 moment.

10 MR. ROY:

11 I would like to add as a  
12 general amendment that we, as  
13 staff has pointed out, and I  
14 think I said back in January, we  
15 have not touched this in a long  
16 time, which is not necessarily a  
17 good thing but it's a fact, but  
18 the fact that we are moving  
19 towards changing things it seems  
20 to be very important that we  
21 formally state that we are going  
22 to review this perhaps in a year  
23 and see how things look like. We  
24 can say that informally, but I  
25 think it's important to say it



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1 formally that we review these  
2 changes in a year to see where we  
3 are because they -- there's going  
4 to be some ramifications good and  
5 bad, and certainly I think we  
6 need to memorialize it, if you  
7 are okay with that.

8 MS. MITCHELL:

9 Yes.

10 MR. REINE:

11 Mr. Chairman, I would suggest  
12 that that needs to be a separate  
13 issue. I don't think we can put  
14 that in the rules, and I think we  
15 have the ability at any time to  
16 review the rules and separate  
17 motion that puts it on a future  
18 agenda is fine, but I don't know  
19 that it should go into a proposed  
20 of a rule change because it's not  
21 going to be part of the rules.  
22 So I agree with you, but just  
23 think it needs to be a separate  
24 item that I think you, as the  
25 chairman, put it on the agenda



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1 any time you want or we could  
2 take it as a separate motion that  
3 is a statement of the Board but  
4 probably in a motion that says we  
5 are going to tell them what rules  
6 to change, we probably shouldn't  
7 be putting that in that motion.  
8 Just my thoughts on the subject.

9 MR. ROY:

10 I don't know what's formally  
11 done in these procedures, but I  
12 just think more to look at.

13 MR. REINE:

14 Make another motion.

15 MR. ROY:

16 Okay. We'll do that in a  
17 separate motion.

18 One other thought just as I  
19 appreciate it now, staff has  
20 discretion in terms of how to  
21 decide if something is currently  
22 one hundred percent  
23 collateralized, that it, it could  
24 be real estate, it could be  
25 movables; am I correct?



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LEDC MEETING

1 MR. BAHAM:

2 Correct.

3 MR. ROY:

4 And staff generally has that  
5 discretion to decide what makes  
6 this appropriate that is not  
7 articulated in the rules as to  
8 what percentage might need to be  
9 hard collateral, real estate,  
10 etc., as opposed to movables, and  
11 that same rule, I assume that  
12 same thought is in the 75 percent  
13 idea, and I would just simply ask  
14 that we give some thought as to  
15 whether or not that is what we  
16 want to continue to do  
17 considering the fact that we're  
18 dropping from one hundred to 75  
19 percent because all of us know  
20 that 75 percent of computer  
21 equipment is not the same as 75  
22 percent of real estate.

23 So I don't know what the  
24 answer is but I know in the  
25 financial world it's a big



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LEDC MEETING

1 difference and I think maybe you  
2 can give some thought to that for  
3 the next meeting. Do we have a  
4 motion to second?

5 MR. REINE:

6 Now a quick question. In the  
7 second one where they talked  
8 about consideration of age,  
9 experience and business ability  
10 to repay and you say that is part  
11 of the process, if the rules says  
12 that if you have X percent are  
13 they still allowed under the  
14 rules to take these other things  
15 into consideration or should that  
16 be part of the rules that there  
17 is no guarantee that if you don't  
18 meet those criteria -- my concern  
19 is I come up and I say, all  
20 right, I've got what your rules  
21 say I have to have, and they say,  
22 yeah, but we're not comfortable  
23 with your ability to repay but  
24 the rules don't have anything in  
25 there about that, is that



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LEDC MEETING

1     problematic that somebody could  
2     be rejected and should it be part  
3     of the rule as well that not only  
4     is the collateral considered but  
5     your experience and your ability  
6     to repay you is considered as  
7     well. Should it be in the rule  
8     or not?

9             MR. BAHAM:

10            At that point the bank would  
11            ultimately make the  
12            determination, so if we looked at  
13            our rules on an application and  
14            say that they meet all of the  
15            criteria like you just pointed  
16            out and we don't have anything in  
17            the rule that says, well, I just  
18            don't believe that they can pay  
19            it but they still meet all of the  
20            criteria, we -- technically we  
21            could or could not approve them.  
22            Let's say that we say, yes, we  
23            would give a 75 percent guarantee  
24            to that and give the banker the  
25            same information and point it to



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LEDC MEETING

1 them --

2 MR. REINE:

3 Because the banker would be  
4 the guardian.

5 MR. BAHAM:

6 The bank is going to wind up  
7 lending one hundred percent of  
8 that loan. We are only  
9 guaranteed 75 percent, so the  
10 bank has more at stake than we do  
11 at that point.

12 MR. REINE:

13 My concern was if the rules  
14 said I have X and I come to you  
15 and you say but you got X but you  
16 don't have something else and the  
17 rule didn't say, but you are  
18 saying that the bank would have  
19 the ability to enforce that piece  
20 of it that it doesn't matter what  
21 we say they're not going to give  
22 them the rest and you are not  
23 going to give them the loan.

24 MR. BAHAM:

25 Right.



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LEDC MEETING

1 MR. REINE:  
2 So they can go contest it to  
3 the bank and not us.

4 MR. BAHAM:  
5 Yes.

6 MR. REINE:  
7 Okay.

8 MR. ROY:  
9 So we have a motion and a  
10 second. Ms. Mitchell motion. Any  
11 other discussion? Hearing none  
12 all in favor, aye.

13 ALL BOARD MEMBERS:  
14 Aye.

15 MR. ROY:  
16 All opposed, nay. Without  
17 objection, motion passes. So  
18 we'll wait to hear from staff on  
19 details of that and we will vote  
20 on it at that point.

21 Anything else on proposed  
22 rule changes? Very good.  
23 Progress.

24 Port Authority, is the Port  
25 ready? I saw someone slip in so



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LEDC MEETING

1 perhaps that's the gentleman we  
2 were hoping that would be here.  
3 Ms. Tham. Port of New Orleans.

4 MR. BIENEMY:

5 Good morning. I apologize  
6 for being late.

7 MR. ROY:

8 Can you speak up. I'm not  
9 sure if the --

10 MR. BIENEMY:

11 Is that better? Yes. Good  
12 morning. Today we have EDAP  
13 award for payroll credits in the  
14 amount of one hundred thousand  
15 dollars. Triton Stone of New  
16 Orleans, LLC. Triton Stone is a  
17 family owned company  
18 headquartered in New Orleans,  
19 Louisiana. Triton Stone is the  
20 leading import of granite and  
21 other natural stone products. It  
22 was formed in 2004 and from that  
23 time they've shown continuous  
24 growth to over 14 locations and  
25 seven independently owned and



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1 operated licensees spread across  
2 southeastern United States.  
3 Triton Stone's most recent  
4 expansion will be to build a new  
5 high capacity unloading in it's  
6 recent facility at the Port of  
7 New Orleans. The new project will  
8 be \$710,000 investment in the  
9 Port and bring 12 new jobs to the  
10 Port. Triton Stone will build a  
11 new 22,500 square foot facility  
12 purposely build to house two five  
13 ton cranes which will be  
14 installed and owned by the Port.  
15 Triton expects the project will  
16 increase their capacity by 30  
17 percent allowing them to be  
18 competitive well into the future  
19 and structurally enhance support  
20 with the building and the cranes.  
21 The cranes will be installed and  
22 owned by the Port during the life  
23 of the contract and along with  
24 the new building permit of  
25 structure on the property. The



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1 total project is approximately  
2 \$810,000. The requested amount  
3 from the EDAP will be \$100,000  
4 and the award will cover the  
5 costs associated with the two  
6 cranes and it is 12.3 percent of  
7 the overall project budget. The  
8 company will be responsible for  
9 the remaining project budget.  
10 Job performance goals that the  
11 company has agreed or to retain  
12 52 jobs with the annual payroll  
13 of \$1.9 million while also  
14 creating and maintaining 12 new  
15 jobs at the annual payroll of \$1  
16 million by 2022. All of these  
17 jobs must be maintained during  
18 the life of the contract. Also  
19 they must have at least 50  
20 percent of their sales outside  
21 the State of Louisiana. Orleans  
22 Parish has unemployment rate as  
23 of December 2016 of 5.1 percent  
24 compared to the state rate of 5.4  
25 percent time period. The per



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1 capita income of Orleans Parish  
2 for 2015 was \$46,684 compared to  
3 the state average of \$42,947 for  
4 the same time period.

5 Projected economic benefit to  
6 the state is a projected state  
7 revenue of \$1.2 million minus the  
8 100,000 for EDAP and 600,000 for  
9 quality jobs, which would give  
10 the state a net revenue of  
11 500,000.

12 The staff recommends the  
13 approval of this project as a  
14 sponsored EDAP payroll credit  
15 award with our basis  
16 contingencies that we normally  
17 have as well as the 50 percent  
18 out of state sales requirement  
19 and a minimum of 2.-- the two  
20 percent annual increase on  
21 retained payroll. The company has  
22 agreed to retain 52 jobs to be  
23 maintained through the life of  
24 the contract with the associated  
25 payroll through 2022. The total



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1 capital investment by Triton  
2 Stone will be -- I am sorry.  
3 Will be 700,000 by December 31,  
4 2017. Are there any questions?

5 MR. ROY:

6 Questions? Comments?

7 MR. REINE:

8 Do you anticipate that the  
9 additional employees you are  
10 going to need with the training  
11 that would be necessary be able  
12 to find or train them or so that  
13 they are going to --

14 MR. BIENEMY:

15 To answer that question, I  
16 have Katie Peralta who is a  
17 representative for Triton Stone,  
18 and for the Port is going to be  
19 Mr. Chris Bonera (ph).

20 MS. PERALTA:

21 Hi. I'm Katie Peralta. I'm  
22 the President of Triton Stone.  
23 It's my family's company. In  
24 regard to the job creation, we  
25 are actually -- recently



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1 purchased the Triton Stone brand,  
2 so we moved the headquarters from  
3 Southhaven, Mississippi down to  
4 New Orleans, Louisiana. We've  
5 already increased -- you know, a  
6 few jobs have already been filled  
7 with more headquarter type of  
8 position. Regarding the jobs at  
9 the Port, we have a team already  
10 that is currently unloading  
11 containers at a facility where we  
12 are currently. We've recently  
13 hired three new people to start  
14 training them in anticipation of  
15 moving to our new facility. We  
16 bring in roughly 1,200 containers  
17 a year and we do all training  
18 onsite, so we handle all training  
19 ourselves and then obviously  
20 we'll be bringing on more people  
21 as the capacity increases.

22 MR. ROY:

23 Ms. Mitchell.

24 MS. MITCHELL:

25 I was just going to add, we



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LEDC MEETING

1 recently announced the Triton  
2 Stone project back in early  
3 February, and to Ms. Peralta's  
4 comments, there will be at least  
5 12 new direct jobs and they are,  
6 as she mentioned, executive level  
7 type jobs, so their average  
8 salary is \$75,000 or more, so I  
9 just wanted to add to that to one  
10 of our exciting announcements  
11 that we secured headquarters from  
12 another state.

13 MR. ROY:

14 Good. Any other questions,  
15 comments?

16 MR. REINE:

17 I guess just to clarify, you  
18 said they are executive jobs.  
19 Who operates the cranes.

20 MR. PERALTA:

21 Well, in addition to the 1200  
22 executive jobs, we are also  
23 figuring of nine indirect job  
24 positions. They will be the  
25 unloaders, the people who



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1 actually work the facility where  
2 we are unloading and loading up  
3 the containers.

4 MS. THAM:

5 There's a list on page 116  
6 shows warehouse workers, office  
7 personnel, so it's not all --

8 MR. PERALTA:

9 We hired two new yard  
10 supervisors that are definitely  
11 not hourly positions, right, so  
12 that's also going to be part of  
13 the job creation.

14 MR. REINE:

15 Just kind of threw me with  
16 indirect. What does that mean,  
17 they work for somebody else or  
18 they are not management jobs?

19 MR. BIENEMY:

20 There's two aspects of the  
21 indirect jobs. From the Port  
22 standpoint, the people who unload  
23 the containers from the ships  
24 would be indirect jobs.

25 MR. REINE:



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LEDC MEETING

1           So the Port employees?  
2           MR. BIENEMY:  
3           They will not be Port  
4 employees. We lease the facility  
5 to two terminal operators, but  
6 they are union workers, they are  
7 International Longshoreman  
8 Association workers who work for  
9 both of our terminal operators,  
10 and then once it's unloaded from  
11 the ship at the Napoleon Avenue  
12 container terminal it goes to  
13 another site, which is also where  
14 this drain will be and then from  
15 there the stone is unloaded and  
16 it's sort of a logistics center  
17 for storing and distributing the  
18 stone.

19           MR. REINE:  
20           So there's additional jobs  
21 created on top of the 12?

22           MR. PERALTA:  
23           Yeah.

24           MR. REINE:  
25           I will quit while I'm good.



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LEDC MEETING

1           MR. PERALTA:  
2           Greater increase in our  
3           importing into the Port of New  
4           Orleans. You know, more  
5           truckers, more loads, drain the  
6           containers, so I think that's  
7           what's implying the indirect  
8           jobs.

9           MR. ROY:  
10          Ms. Johnson.

11          MS. JOHNSON:  
12          I had a question about the  
13          amount of pay average for the  
14          other workers outside of the  
15          executive team because I know  
16          personally that New Orleans or at  
17          least Louisiana came out \$2.4  
18          billion worth of infrastructure  
19          dollars, and right now different  
20          companies are cannibalizing each  
21          other, so in terms of who are you  
22          going to hire in terms of making  
23          sure that you keep them and be  
24          able to throw them within the  
25          business.



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LEDC MEETING

1 MR. PERALTA:

2 Absolutely. I mean, the  
3 service that they do for us,  
4 right, are warehouse workers know  
5 the containers. It's not  
6 something that -- I mean, it's a  
7 highly trained position. You  
8 have to be very careful. Safety  
9 is very important, so as we find  
10 someone, you know, we train them,  
11 we give them opportunity for  
12 advancement, right. Right now we  
13 are working two crews. We might  
14 have to start four crews, so we  
15 definitely invest in our  
16 employees and make them feel like  
17 part of the family, right, so  
18 they are invested and continue to  
19 stay and work for us.

20 MR. ROY:

21 Anyone else? What's the  
22 pleasure of the motion?

23 MR. REINE:

24 Move to approve.

25 MR. ROY:



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1 Motion for approval.  
2 MS. MITCHELL:  
3 Second. Louis.  
4 MR. REINE:  
5 I make a motion. You agree  
6 with me.

7 MR. ROY:  
8 She made the last motion.

9 MR. REINE:  
10 Scary. (Laughter)

11 MR. ROY:  
12 Any discussion? Hearing none,  
13 all in favor, aye.

14 ALL BOARD MEMBERS:  
15 Aye.

16 MR. ROY:  
17 All opposed, nay? Without  
18 objection. Congratulations.  
19 Please keep us posted on your  
20 success.

21 MR. PERALTA:  
22 Thanks for your time.

23 MR. ROY:  
24 Up until this point any  
25 questions or comments from the



LEDC MEETING

1 public? Next order of business  
2 treasurer's report, Ms. Villa.

3 MS. VILLA:

4 Good morning. Secretary  
5 Treasurer's report as of March  
6 24, 2017 for fiscal year '17.  
7 During the summary page, our  
8 financial assistance program, we  
9 have a budget of 190,000 and  
10 expected balance at the end of  
11 the year \$190,000. For a state  
12 small business credit initiative  
13 we have a budget of \$2,390,861  
14 and we have approved budget  
15 project expenditures of  
16 \$1,036,169 and expected balance  
17 of \$1,354,692, and then we have a  
18 project under review of \$11,250,  
19 which would give us a projected  
20 year end balance of \$1,343,442.  
21 In our capital outlay  
22 appropriation for EDAP, we have a  
23 budget for '17 of \$12,425,526.  
24 We have approved projected  
25 expenditures of \$3,870,000 and



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1 Triton was just approved for  
2 \$100,000, which gives us a  
3 balance of \$8,455,526, and we  
4 currently have \$1,100,000 worth  
5 of projects under review for a  
6 projected year end balance of  
7 \$7,355,526.

8 For our capital outlay  
9 appropriation for EDRED, we have  
10 \$157,461 as our budget for FY '17  
11 and that is our expected year end  
12 balance for FY '17 as well.

13 If you go to the next page,  
14 you will see the detail of our  
15 small business credit initiative  
16 of the program -- of the project,  
17 I should say, that have -- that  
18 have been approved this fiscal  
19 year listed out there and then we  
20 have one that is under review by  
21 staff right now Sofa King brands  
22 in Tri Parish. We will probably  
23 review that one internally within  
24 the coming months.

25 You go on to the next page on



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1 capital outlay appropriation for  
2 our EDAP program, you can see the  
3 detail of the two projects that  
4 are under review by staff, the  
5 NFR Bioenergy and the Boise  
6 project are both still with staff  
7 for review. And, also, just kind  
8 of as an FYI as we go through the  
9 budget presentation and the  
10 budget process at the  
11 legislature, we currently have in  
12 our FY 17 the \$10 million  
13 appropriation of which is divided  
14 up between P2 and P5, and so what  
15 we're doing is asking for is that  
16 we have the P2 dollars of \$3  
17 million moved to P1 priority and  
18 then we have another \$10 million  
19 request which we use for EDAP  
20 programs in our FY '18 budget  
21 request and then keep \$7 million  
22 in P2 instead of P5 where it  
23 currently resides. So we're  
24 working through that budget  
25 process with the legislature



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1 going into session soon.

2 If you go on to the last  
3 page, our actual projections for  
4 FY '17, we have a fund balance  
5 available of \$17,464,634 and we  
6 expect expenditures of  
7 \$16,200,000, which would leave us  
8 a balance of \$1,264,635. Any  
9 questions with that?

10 MR. ROY:

11 Questions? Comments? Hearing  
12 none, I will enter a motion to  
13 approve the Treasurer's report.

14 MR. SIMPSON:

15 Move.

16 MS. THAM:

17 Second.

18 MR. ROY:

19 All in favor, aye. All  
20 opposed, nay. All objection.  
21 Thank you, Ms. Villa.

22 The accountant's report. Mr.  
23 Smith.

24 MR. SMITH:

25 Good morning. The Louisiana



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1 Economic Development status  
2 report as of February 28, 2017.  
3 Total direct loan 674,000, which  
4 is golfballs.com. So EDAP and  
5 EDLOP loans we have a total of  
6 \$612,244, which consists of two  
7 loans; Colfax, Continental  
8 Structural Plastics, all current.  
9 And the guarantee program we have  
10 one loan, which is Defoil (ph)  
11 Drilling, which is \$144,673,  
12 which is totally current. On the  
13 next page we have the allowance  
14 for the different type loans. As  
15 per direct loans, we have 15  
16 percent. EDAP and EDLOP loans,  
17 we have 18 percent in guaranteed  
18 loan. 18 percent. On the third  
19 page we have our -- I mean, our  
20 report as usual. We have 20  
21 current SSBCI loans and they are  
22 all current, all performing, and  
23 that's my report.

24 MR. ROY:

25 Questions? Comments?



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LEDC MEETING

1 MR. REINE:

2 Am I on the right page, golf  
3 balls, \$674,000.

4 MR. SMITH:

5 That was actually stopped.  
6 That corporation owned -- I can't  
7 tell you when. Probably, what,  
8 before my time, and it was --

9 MS. GUESS:

10 Yeah. It was a venture  
11 capital investment, and I think  
12 we --

13 MR. REINE:

14 Is that golfballs.com? What  
15 was the original loan?

16 MR. BAHAM:

17 It was actually a PC  
18 investment through a fund we had  
19 in the early 2000's. The fund  
20 has been since dissolved, and in  
21 stock -- we still held the stock  
22 up until about a year or two ago,  
23 I think, and the company  
24 converted it back to a loan to  
25 pay it off the balance.



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LEDC MEETING

1 MR. REINE:

2 So they are paying on it?

3 MR. SMITH:

4 We have got \$600,000 upfront.

5 This 674 is a loan. It's

6 amortized over a period of time.

7 We are getting interest every

8 month. The principal payment

9 probably won't start until

10 sometime next year, but they are

11 current.

12 MR. ROY:

13 Any other questions?

14 Comments?

15 I have one with these

16 proposed rule changes, we're

17 changing the risk tolerance of

18 incorporation, we should also

19 examine how -- we reexamine, not

20 to change them, but we should

21 reexamine how we compute our

22 reserve, so we need to give that

23 some thought. I don't know what

24 the answer is, but we need to

25 think about it.



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LEDC MEETING

1 MS. GUESS:

2 I agree. We will do that.

3 MR. ROY:

4 Motion.

5 MR. REINE:

6 Motion.

7 MR. SIMPSON:

8 Second.

9 MR. ROY:

10 Without objection? Thank  
11 you, Mr. Smith. And, finally,  
12 Ms. Mitchell, the President's  
13 report.

14 MS. MITCHELL:

15 Yes. Good morning fellow  
16 Board members. This report will  
17 be brief as we just recently met  
18 just a couple of weeks ago. I  
19 would like to share our site  
20 selection magazine named  
21 Louisiana No. 4 for per capita  
22 project wins during 2016. This  
23 is basically a calculation of the  
24 capital investment amount of all  
25 of our project wins in the



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1 aggregate per capita and so this  
2 is significant recognition for  
3 Louisiana particularly for CEO's  
4 that are making location  
5 decisions as well as site  
6 selectors. So that -- we trailed  
7 among the southern states. We  
8 were only No. 2 to Kentucky and  
9 Baton Rouge, New Orleans and  
10 Alexandria received high  
11 performing remarks for projects  
12 announced in those areas.

13 On the project front, on  
14 Wednesday of this week, Governor  
15 Edwards and the CEO of Monster  
16 Moto dedicated the Ruston  
17 facility. Monster Moto  
18 manufacturers youth related  
19 recreational vehicles. This is  
20 another neat win for Louisiana.  
21 It's a headquarters relocation.  
22 We lured them over to Louisiana  
23 from Dallas and the company's  
24 actually reusing the former  
25 municipal airport in Ruston, so



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1 it's one hundred thousand square  
2 foot facility and housed at the  
3 that former site, so we are  
4 repurposing an asset that was no  
5 longer in use. They have  
6 currently 50 jobs already filled  
7 with an average salary of about  
8 47,000, and so this is another  
9 very exciting win for Louisiana  
10 and I am glad that Governor  
11 Edwards had an opportunity to  
12 participate in the dedication of  
13 that facility.

14 The last thing that I want to  
15 share with you is that in case  
16 you hadn't seen in the news, LED  
17 named an executive director for  
18 FastStart. Mr. Paul Hilton will  
19 lead FastStart. He is an eight  
20 year veteran that's been with  
21 FastStart from day one from its  
22 inception. He came over to  
23 Louisiana from Georgia and helped  
24 build FastStart to the powerhouse  
25 that it is today having been No.



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LEDC MEETING

1 1 development agency in the  
2 country seven years running, so  
3 we're excited about the  
4 announcement that Paul will take  
5 over the helm at LED FastStart.  
6 And that concludes my report, Mr.  
7 Chairman.

8 MR. REINE:

9 Mandi would you also just  
10 touch lightly on what I thought  
11 was an exciting thing, and that's  
12 the opening of the automotive  
13 technology center.

14 MS. MITCHELL:

15 I don't have any updates on  
16 that. I do apologize. I will  
17 let you share it with us.

18 MR. REINE:

19 I think it was last week, the  
20 Governor was there as well,  
21 through a public private -- the  
22 community technical college, the  
23 school board and the automotive  
24 dealers in Baton Rouge, it is  
25 going to be a post secondary



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1 technology training center with a  
2 proposal that they are in stages  
3 of putting a high school next to  
4 it so that they can look out the  
5 window and see the next step, and  
6 even talk about building  
7 community housing as well as  
8 places to live there, so I think  
9 it's a unique approach and we're  
10 looking forward to it. Kind of  
11 an exciting economic development  
12 program and workforce program to  
13 bring industry and education and  
14 government together to provide  
15 for opportunities for those young  
16 people.

17 MS. MITCHELL:

18 And just to add to that on  
19 the LED front from the automotive  
20 standpoint, we are doggedly in  
21 the hunt for an original  
22 equipment manufacturer, major  
23 OEM, and so the announcement of  
24 that automotive technology center  
25 will add another feather to our



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1 hat and make Louisiana stand out  
2 in the probability of being  
3 successful at securing an OEM  
4 manufacturer to Louisiana, and we  
5 have several sites which, by the  
6 way, have been aided by the EDAP  
7 program under LED site  
8 certification program that have  
9 also helped position Louisiana to  
10 be prime for winning a  
11 significant investment by an  
12 automotive equipment manufacturer  
13 in the state, so thank you for  
14 raising that issue, Louis. I did  
15 not prepare my notes to include  
16 that, but that's significant for  
17 Louisiana, so that's really  
18 exciting news.

19 MR. ROY:

20 Very good. Two joint reports  
21 and a shared -- two joint motions  
22 and a shared report, one for the  
23 record. (Laughter).

24 On that news, we will  
25 entertain a motion unless we



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LEDC MEETING

1 have --

2 MS. GUESS:

3 Mr. Chairman.

4 MR. ROY:

5 -- any other business.

6 MS. GUESS:

7 We have one other -- not  
8 business, but I want to introduce  
9 to the Board members our new  
10 staff. We have a young man who  
11 gave the EDAP report is Mr.  
12 Stanley Bienemy. Stanley joined  
13 us a couple of months ago from  
14 another state agency, so we're  
15 glad to have him. He will be  
16 working in shadowing Susan with  
17 our EDAP. We've got Marissa  
18 Doin, who started last Monday.  
19 Marissa will be joining us -- has  
20 joined us for working with our  
21 small business loan and guarantee  
22 program and she has previous  
23 banking experience, so we're  
24 going to make her commercial  
25 lender like we do everybody else.



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LEDC MEETING

1 And then seated next to her is  
2 Molly Hendricks. Molly was here  
3 last month, and I don't remember  
4 if we introduced her, but she  
5 will be taking over the  
6 responsibilities of Erroll Smith  
7 at some point. Erroll is not  
8 going anywhere. He is moving on  
9 to something else within the  
10 agency but Molly will be giving  
11 the accountant report, so I'm  
12 trying to get other people who  
13 can, you know, can be here to say  
14 that they've been here since the  
15 beginning of time.

16 MR. ROY:

17 I'm glad to see we have some  
18 recovering bankers. That's  
19 always a great thing. Smart  
20 people.

21 MR. REINE:

22 I don't know how Brenda gets  
23 30 years of service when she is  
24 only 29 years old.

25 MR. ROY:



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Very good. Enter a motion to  
adjourn.

MR. REINE:

Total.

MS. MITCHELL:

Second.

MR. ROY:

We're adjourned.

(Whereupon the meeting adjourned at 11:23 a.m.)



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8

9 Dated this 17th day of April, 2017.

10

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RACHEL TORRES-REGIS, CCR, RPR  
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	<b>\$674,000</b> 117:3		<b>3.75</b> 22:1
<b>\$</b>	<b>\$7</b> 114:21	<b>2</b>	<b>30</b> 11:23 27:9 73:7 74:17 87:1 101:16
<b>\$1</b> 102:15	<b>\$7,355,526</b> 113:7	<b>2</b> 82:24 87:17,21 88:13 120:8	<b>31</b> 104:3
<b>\$1,036,169</b> 112:16	<b>\$710,000</b> 101:8	<b>2.--</b> 58:17 103:19	<b>350,000</b> 23:21 24:7 83:12
<b>\$1,100,000</b> 113:4	<b>\$75,000</b> 106:8	<b>2.4</b> 58:17	<b>36</b> 31:5
<b>\$1,264,635</b> 115:8	<b>\$8,455,526</b> 113:3	<b>20</b> 8:21 27:8 52:8 56:24 76:20 85:19 116:20	
<b>\$1,343,442</b> 112:20	<b>\$80,000</b> 57:1,6	<b>20,000</b> 57:14 87:11	<b>4</b>
<b>\$1,354,692</b> 112:17	<b>\$810,000</b> 102:2	<b>200,000</b> 19:17 83:10	<b>4</b> 119:21
<b>\$1.2</b> 103:7	<b>\$9,000</b> 8:23	<b>2000</b> 46:13,15	<b>400</b> 32:10
<b>\$1.9</b> 102:13	<b>1</b>	<b>2000's</b> 117:19	<b>450</b> 24:3
<b>\$10</b> 114:12,18	<b>1</b> 38:21 63:11,14 90:12, 17 122:1	<b>2004</b> 100:22	<b>47,000</b> 121:8
<b>\$100,000</b> 33:25 34:1 56:23 102:3 113:2	<b>1,200</b> 105:16	<b>2011</b> 15:2,15,22 16:1,3 17:1,4 24:23 43:6 46:21 47:3 58:25	<b>4th</b> 24:16 27:18
<b>\$11,250</b> 112:18	<b>1.25</b> 38:21,23 55:13	<b>2015</b> 31:7 103:2	<b>5</b>
<b>\$12,425,526</b> 112:23	<b>1.3</b> 58:5	<b>2016</b> 15:2,15 102:23 119:22	<b>5.1</b> 102:23
<b>\$144,673</b> 116:11	<b>10</b> 10:1,7 66:25	<b>2017</b> 5:6 17:23 18:8 58:10 104:4 112:6 116:2	<b>5.4</b> 102:24
<b>\$157,461</b> 113:10	<b>100</b> 19:17	<b>2018</b> 17:6,24 18:1,4,9, 23	<b>50</b> 21:20 27:22 28:6 32:20 102:19 103:17 121:6
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