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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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LEDC MEETING

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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LEDC MEETING

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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LEDC MEETING

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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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LEDC MEETING

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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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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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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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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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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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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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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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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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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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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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



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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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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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I, RACHEL TORRES-REGIS, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this testimony was taken, do hereby certify that this meeting was reported by me in the stenotype reporting method, was prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding;

That the transcript has been prepared in compliance with transcript format guidelines required by statute or by rules of the board, and that I am informed about the complete arrangement, financial or otherwise, with the person or entity making arrangements for deposition services;

That I have acted in compliance with the prohibition on contractual relationships, as defined by Louisiana Code of Civil Procedure Article 1434 and in rules and advisory opinions of the board;

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3 matter nor is there any such relationship between
4 myself and a party litigant in this matter. I am
5 not related to counsel or to the parties herein,
6 nor am I otherwise interested in the outcome of
7 this matter.

8

9 Dated this 17th day of April, 2017.

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RACHEL TORRES-REGIS, CCR, RPR
CERTIFIED COURT REPORTER

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