

0001

1  
2  
3  
4  
5  
6

7 MEETING MINUTES FOR THE BOARD OF DIRECTORS  
8 OF THE  
9 LOUISIANA ECONOMIC DEVELOPMENT CORPORATION  
10 HELD AT  
11 LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM  
12 BUILDING  
13 FOURTH FLOOR BOARD ROOM  
14 8401 UNITED PLAZA BOULEVARD  
15 BATON ROUGE, LOUISIANA 70809  
16 ON THE 2ND DAY OF DECEMBER, 2011  
17 COMMENCING AT 10:20 A.M.

18  
19

20 REPORTED BY: REBECCA T. FUSSELL, CCR

21  
22  
23  
24  
25

0002

1 Appearances of Board Members Present:

2 A.J. Roy, III  
3 Thomas Cotten  
4 Steven Grissom  
5 Jay Rousseau  
6 Shelley Ferro  
7 Michael Saucier

8

9 Staff members present:

10 Daria Vinning  
11 Brenda Guess  
12 Rick Broussard  
13 Robert Cangelosi  
14 Seth Brown  
15 Melissa Moore

16 Clark Forrest  
17 Susan Bigner  
18 Kathy Blankenship  
19 Errol Smith  
20 Joyce Davidson

21  
22  
23  
24  
25

0003

1 MR. ROY:  
2 I call to order the Board of  
3 Directors of the Louisiana Economic  
4 Development Corporation.

5 Roll call, please.

6 MS. VINNING:

7 A. J. Roy.

8 MR. ROY:

9 Here.

10 MS. VINNING:

11 Jay Rousseau.

12 MR. ROUSSEAU:

13 Here.

14 MS. VINNING:

15 Alden Andre.

16 (No response.)

17 MS. VINNING:

18 Steven Grissom.

19 MR. GRISSOM:

20 Here.

21 MS. VINNING:

22 Shelley Ferro.

23 MS. FERRO:

24 Here.

25 MS. VINNING:

0004

1 Mike Saucier.

2 MR. SAUCIER:

3 Here.

4 MS. VINNING:

5 Bal Sareen.

6 (No response.)

7 MS. VINNING:

8 Thomas Cotten.

9 MR. COTTEN:

10 Here.

11 MS. VINNING:

12 Harry Avant.

13 (No response.)

14 MS. VINNING:

15 Louis Reine.

16 (No response.)

17 MS. VINNING:

18 And Robert Stuart.

19 (No response.)

20 Six out of the 11 members present.

21 We have a quorum.

22 MR. ROY:

23 Good morning. I would ask everyone  
24 to please silence their cell phones.

25 The next order of business is the

0005

1 LEDC Policy Committee minutes of October the  
2 13th. Any additions or corrections?

3 MR. GRISSOM:

4 I move to accept.

5 MR. ROY:

6 Motion for approval is presented.

7 MR. COTTEN:

8 Second.

9 MR. ROY:

10 Second. Any discussion?

11 (No response.)

12 MR. ROY:

13 Hearing none. Any comments from  
14 the public?

15 (No response.)

16 MR. ROY:

17 All in favor, "aye."

18 (Several board members respond with  
19 "aye.")

20 MR. ROY:

21 All opposed, "nay."

22 (No response.)

23 MR. ROY:

24 Without objection.  
25 The October the 21st LEDC Board

0006

1 minutes.  
2 MR. COTTEN: I make that motion for  
3 approval.

4 MR. ROY:  
5 Motion for approval is presented.

6 MS. FERRO:  
7 Second.

8 MR. ROY:  
9 Second. Any discussion?

10 (No response.)

11 MR. ROY:  
12 Hearing none, all in favor, "aye."  
13 (Several board members respond with  
14 "aye.")

15 MR. ROY:  
16 All opposed, "nay."

17 (No response.)

18 MR. ROY:  
19 Without objection.

20 And the Small Business Loan and  
21 Guaranty Program, Ms. Bigner, Great Southern  
22 Galvanizing, Inc. Good morning.

23 MS. BIGNER:  
24 Good morning, everyone.

25 MR. ROY:

0007

1 Have a seat. Please turn on your  
2 microphones when you get a chance.

3 MS. BIGNER:

4 All right. Good morning. Today  
5 I'm going to present Great Southern  
6 Galvanizing, Inc. IberiaBank, this is David  
7 Thompson on the very end. I have Linda  
8 Phillips from -- she's with Great Southern.  
9 And I have Grady Phillips. He's the owner.

10 Great Southern Galvanizing is a  
11 start-up business. They are located in  
12 Zachary. They have 51 new employees. They  
13 have a ten-million-dollar U.S.D.A. guaranteed  
14 loan to start up -- to build the facility and

15 do start up. Their costs have overran, so  
16 they did not have working capital.

17 They would like to request a  
18 guarantee for -- on a 1.5-million-dollar  
19 revolving line of credit against receivables.  
20 He has \$300,000.00 as a 20 percent equity as  
21 part of the cash that is on their accounts --  
22 on their financial statements.

23 They are looking for a direct loan  
24 on the revolving line of credit. The  
25 revolving line of credit will be for three

0008

1 years with a decreasing one-third each year.

2 There will be a locked box set up on the  
3 receivables. The receivables will be valued  
4 at 80 percent.

5 Great Southern Galvanizing started  
6 their business on November 1st. And what he  
7 does is it's a hot-dip galvanizing facility.  
8 It's state of the art. I have actually gone  
9 and toured the facility. It's very energy  
10 efficient. There is already work in the  
11 yard. I went on November 10th. And they  
12 opened the doors, and it became operational  
13 November 1st.

14 According to Mr. Phillips, there's  
15 \$450,000.00 in sales in their first month.  
16 Fifty-five of that was just receivables. So  
17 the rest of it was cash and is already coming  
18 into the business.

19 He has it set up so that -- I am  
20 going to let him explain the procedure. They  
21 clean the steel, and then they actually dip  
22 it in zinc. And those great big light poles  
23 that you see out on the interstate and  
24 everything, those are the poles that he's  
25 doing. So he's got it set up so that he can

0009

1 do all of them under roof. And those long  
2 poles, it's very nice.

3 Mr. Grady is going to be 100  
4 percent owner. He has over 37 years of  
5 experience in the hot-dip galvanizing

6 industry. He was owner and a partner. He  
7 and a partner formed Westside Galvanizing in  
8 1980 and later sold the company to Aztec  
9 Galvanizing Services in February of 2000.

10 The partner was nearing retirement  
11 age, and Mr. Phillips agreed to sell the  
12 company rather than buy out his partner's  
13 share. Mr. Phillips was retained to run the  
14 Baton Rouge operations, which has been one of  
15 Aztec's most profitable plants.

16 Now that his noncompete has  
17 expired, he has opened Great Southern  
18 Galvanizing. He said the galvanizing  
19 industry is very relationship driven, and he  
20 has long-time relationships with clients from  
21 the previous company, and they are very  
22 excited about the new galvanizing plant.  
23 Most of the large clients have toured the  
24 plant and have sent business to Great  
25 Southern Galvanizing.

0010

1 Mr. Phillips has also recruited  
2 employees from his former company to join his  
3 new operations. He currently has 51  
4 employees, and operations began November 1st.

5 One of his hires includes a former  
6 employee, which was a truck driver, who  
7 recently retired but has agreed to work with  
8 Mr. Phillips in hiring and training new truck  
9 drivers for the facility.

10 Within the next month, Mr. LeBlanc  
11 will join the company, Glenn LeBlanc. He  
12 manages the Aztec plant in New Orleans, which  
13 he previously owned. And he has over 35  
14 years of experience in the galvanizing  
15 industry.

16 Mr. Phillips has been very -- has  
17 been able to bring in some of the people in  
18 the industry who have been in the industry  
19 for many years, so there is a lot of  
20 knowledge that is already in this new  
21 operation.

22 And he's bringing in new employees

23 from the community, and he's training them  
24 himself. He's very hands on in the  
25 operations. You can see him out there in the  
0011

1 facility, as well as his wife doing it. So  
2 it's very much a very hands-on operations for  
3 him.

4 He believes that there is  
5 sufficient demand in the Baton Rouge area to  
6 support another galvanizing facility. The  
7 Baton Rouge Aztec facility is part of a group  
8 that includes approximately eight plants,  
9 located in Texas, Louisiana and Alabama.

10 And the Baton Rouge facility  
11 generates 40 percent -- 46 percent of the  
12 group's income and contains nine of the top  
13 20 customers in the group and five companies  
14 in the 21 to 40 range.

15 The Baton Rouge Aztec facility is  
16 also currently sending a large amount of  
17 overflow work to other plants owned by Aztec.  
18 At this time, Aztec's executive management is  
19 more focused on the electrical segment as the  
20 future of the company.

21 Therefore, Mr. Phillips doesn't  
22 believe that Aztec will drastically reduce  
23 its pricing for an extended period of time as  
24 a defensive measure.

25 In addition, competition in the  
0012

1 area includes St. Mary Galvanizing, a  
2 closely-held company located in Morgan City.

3 Management believes Great Southern  
4 will have a competitive advantage over the  
5 competitors by offering one-stop industrial  
6 coating services. Additional services will  
7 include paint over galvanizing, paint over  
8 bare steel and corrocote epoxy coatings.

9 The state-of-the-art facility, the  
10 acreage of the plant, coupled with the  
11 historically cost-efficient operations of the  
12 executive team, will add to the operations  
13 competitive advantage.

14 The company has delivered their  
15 first load of products to companies such as  
16 DIS-TRAN Steel, Hebert Steel and Capitol  
17 Steel. All feedback -- all feedback has been  
18 positive, and additional orders are coming in  
19 from other local clients, such as PAX Steel  
20 and Fabricated Steel.

21 Okay. The company ran into some  
22 cost overrun during construction which was  
23 covered by Mr. Phillips via personnel  
24 liquidity, personal debt supplied by  
25 IberiaBank.

0013

1 Personal funds originally allocated  
2 to support working capital needs in the  
3 primary U.S.D.A.-guaranteed loan through  
4 IberiaBank were needed to complete  
5 construction. As a result, the subject line  
6 of credit will be used to support accounts  
7 receivables and working needs.

8 The staff recommends the approval  
9 of this guarantee, and it's going to be a  
10 1.5-million-dollar revolving line of credit  
11 with a 75 percent guarantee, where our  
12 portion will be \$1,125,000.00.

13 And we are going to do this under  
14 the new program, which is the Louisiana Small  
15 Business Loan & Guaranty Program, which is in  
16 association with the State's Small Business  
17 Credit Initiative.

18 So this is going to be our new --  
19 this will be our first loan using the Federal  
20 loans that we were approved for, that we have  
21 been allocated to use over the next five  
22 years.

23 According to these rules, we can do  
24 up to a 75-percent guarantee on this loan.  
25 Also, the application fee has been waived.

0014

1 And we are asking that the Board approve a  
2 no-guarantee fee on this loan.

3 There will be -- yes, a signed bank  
4 commitment letter on bank stationery is



5 required. In addition, the bank will charge  
6 a maximum interest rate up to 5 percent above  
7 Wall Street Journal's prime fixed or variable  
8 rate, the "in-solido" guarantees of Mr. James  
9 Grady Phillips, Jr. These are the conditions  
10 of the approval.

11 The loan will be secured by first a  
12 secured interest on all accounts receivable  
13 as collateral and locked box receivables with  
14 the bank loan proceeds.

15 The borrowing base of accounts  
16 receivables is 80 percent. Ineligible  
17 receivables include those over 90-days past  
18 due, retainage and, accounts subject to the  
19 20 percent sold current rule.  
20 Collateral-to-loan ratio must meet the  
21 one-to-one coverage.

22 LEDC will share a pro-rata share  
23 with the bank from all collaterals securing  
24 this loan. The revolving line of credit will  
25 decline 33.3 annually and terminate in three

0015

1 years. Interest shall be paid monthly on the  
2 revolving line of credit. Subordination of  
3 all existing stockholder debt and future  
4 stockholder debt to bank and to -- to bank  
5 and the LEDC for the period of LEDC's  
6 involvement of the loan.

7 Additionally, a cessation of all  
8 current portions of long-term debt payments  
9 to stockholders and a moratorium on future  
10 payments to stockholders, which may be  
11 reinstated with written approval of the bank  
12 and LEDC.

13 Forty-eight hours prior to closing,  
14 the bank shall provide copies of all closing  
15 documentation for review to the LEDC legal  
16 staff.

17 After closing, the bank shall  
18 provide LEDC with copies of loan-closing  
19 documents, recording data and acknowledgment  
20 evident -- acknowledgments evident and all of  
21 the documents requested under the general

22 terms and conditions of the loan commitment  
23 letters.

24 Presentation of documentation  
25 appropriate for the legal structure of the

0016

1 borrower certifying that the business is  
2 legally entitled to do business in the state  
3 is currently in good standing. Also, a copy  
4 of the disclosure of ownership form or  
5 written statement indicating the names of  
6 board members or stockholders.

7 For the first year,  
8 company-prepared financial statements on the  
9 business are due on a quarterly basis within  
10 ten days of the end of the period reported.  
11 They are to be forwarded to the bank,  
12 including the balance sheet and income  
13 statement and notes to the -- financial  
14 statements, et cetera.

15 CPA-compiled statements for their  
16 performance -- conformance with Generally  
17 Accepted Accounting Principles are due within  
18 90 days of year-end. The bank will review  
19 all statements when received and forward  
20 copies to LEDC with comments, as needed.

21 For the remaining years, on an  
22 annual basis, borrowers will provide the bank  
23 with CPA-compiled financial statements  
24 prepared in conformance with GAAP.

25 In addition, personal financial

0017

1 statements, Federal tax returns and renewal  
2 of the insurance necessary to protect the  
3 bank and LEDC are to be forwarded to the bank  
4 annually. The bank will review this  
5 information and forward copies with comments  
6 to LEDC as needed.

7 There shall be no withdrawals or  
8 bonuses, dividends, employee advances or  
9 director fees paid to the company officers,  
10 stockholders or owners, except for allowed by  
11 the bank, during the time of the LEDC  
12 guarantee.

13 The bank shall report to LEDC the  
14 current loan status, balance, subsequent due  
15 date, et cetera prior to the 25th monthly.

16 All conditions listed by bank and  
17 LEDC for closing the loan must be met within  
18 90 days of the LEDC decision or the next  
19 subsequent board meeting. That date is March  
20 1st, 2012.

21 By the expiration of -- or the next  
22 subsequent board meeting by the expiration  
23 date of the bank's commitment letter, LEDC's  
24 guaranteed commitment may be withdrawn.

25 The LEDC-guaranteed commitment is

0018

1 based on the financial information submitted.  
2 Any material first change in the financial  
3 condition of the company, principles or  
4 guarantees prior to closing may cause  
5 withdrawal of the LEDC-guaranteed commitment.

6 Like I said, I brought Mr. Thompson  
7 here from the bank and also the owner and the  
8 accountant from the business as well.

9 David.

10 MR. THOMPSON:

11 That was a good point as far as the  
12 relationship nature of the business. That's  
13 one thing that we found in our underwriting.  
14 So at that point, we focused on Grady as far  
15 as who he was and his history in the business  
16 and everything.

17 We found that he's a very  
18 high-quality individual with a lot of  
19 knowledge of galvanizing and the process.  
20 But, also, he has fantastic relationships,  
21 and we are seeing that.

22 In our underwriting, it's a  
23 start-up. So I mean, that's kind of our  
24 thinking. What do the projections look like?  
25 Can they meet those? But also, it's a

0019

1 construction loan. So can they build it, and  
2 when they turn everything on and they flip  
3 the switch, does it work?

4 So we are kind of past that point  
5 of this right now. I mean, he's built it.  
6 We had some cost overruns. But, you know, a  
7 lot of that was there is nobody that can come  
8 in and provide a turnkey product like he  
9 wanted it.

10 So having built galvanizing plants  
11 before, he knew exactly what he wanted. He  
12 knew how he wanted everything to lay out. So  
13 he did it himself. And I think we were  
14 roughly about 10 percent over, so not  
15 necessarily that bad.

16 We were limited as far as the  
17 ten-million-dollar loan was the max we could  
18 get with the U.S.D.A. guarantee. So that's  
19 where we stood with that.

20 He's put in another two million to  
21 start and then another 1.2 to cover his cost  
22 overrun. So he's handled that himself, but  
23 we did use some of the working capital piece  
24 of the U.S.D.A. loan with the approval of the  
25 U.S.D.A. to finish that because that was our

0020  
1 concern. We have to get this thing up and  
2 running.

3 So it's actually running. At this  
4 point, it's doing very well. So our hurdles  
5 of getting it built and turning the switch  
6 and it working, that's happened. The next  
7 hurdle was when it's working, are the clients  
8 going to come. And that's happening as well.

9 So as far as our projections, they  
10 are well ahead of where we thought they would  
11 be their first month. It looks like the  
12 second month is going to be nearly double  
13 what they did the first month. And that will  
14 be ahead of what we projected the average  
15 monthly for the first year to be.

16 So it's working very well, as we  
17 all had confidence that it would. It doesn't  
18 take long to spend a little time with Grady  
19 to realize that he's going to do what he says  
20 he's going to do, and it's going to work

21 well.

22 When he told me he was going to  
23 start on November 1st, I said, "There is no  
24 way. It's not going to happen."

25 This was probably the third week of

0021

1 October; huh, Grady? And I talked to him on  
2 November 2nd.

3 He said, "Well, we dipped  
4 yesterday."

5 So I ran out there immediately to  
6 see if he was telling the truth about it.

7 They are really good people to work  
8 with. In my 20 years of banking, I tell you,  
9 I don't know if I have seen somebody that is  
10 better at just what they do. They are hard  
11 working. They put in a lot of hours. It's  
12 everything we want out of a client. That's  
13 what I would say.

14 MR. PHILLIPS:

15 I told my guys, I said, and this is  
16 actually October 1st. I said, "We have been  
17 fooling around here, and it has this little  
18 problem and this little problem, and we can't  
19 start." I said, "We are going to galvanize  
20 November the 1st if we got to fill it with a  
21 spoon." I said, "So let's get it done."

22 And they did kick in, and we got  
23 everything up and running.

24 Just to give you a little history  
25 about myself -- normally, my voice is pretty

0022

1 loud. Just to give you a little bit of  
2 history about myself, I graduated from LSU in  
3 '73. And while I was at LSU trying to go to  
4 vet school, they had some problems getting  
5 the school finished. I ended up with a  
6 degree in dairy science.

7 And I was working as a night  
8 watchman in the galvanizing plant making  
9 money so I could go to school. And during  
10 that period of time, I started working in the  
11 production during the semester breaks and on

12 weekends and so forth. So I just started  
13 learning the business. And it was doing  
14 pretty good.

15 Come May, I graduate. There is no  
16 vet school. They've canceled all of our  
17 going to A & M or Auburn or Oklahoma to go to  
18 vet school because LSU had already rescinded  
19 those letters.

20 So my major professor wanted me to  
21 come back and do some more work under him.  
22 At the same time, the plant manager of this  
23 galvanizing plant quit. So he calls and  
24 wants me to take over as the plant manager in  
25 a galvanizing plant.

0023

1 I had just gotten married and was  
2 broke. And I loved school. I did well in  
3 school. I could see me becoming a  
4 professional student. I said, "I really  
5 don't want that to happen." So I took the  
6 job as plant manager.

7 I worked there for about six years.  
8 There were some things going on that I didn't  
9 really approve of, and I voiced my opinion.

10 He looked at me, and he said, "You  
11 know what, Grady? You need to go do  
12 something for yourself. You're not going to  
13 be satisfied working for other people." He  
14 said, "You are too energetic, and you have  
15 too many ideas."

16 So it took me two years to put it  
17 together, but I got funding together to build  
18 a plant. We opened it in 1980, along with a  
19 couple of partners. Just to give you a  
20 history of how this has progress.

21 So in 1980, we began in Port Allen  
22 under Westside Galvanizing. And we grew the  
23 company up to -- we were in the 14-,  
24 15-million-dollar range in 2000.

25 Aztec, as you referred to them,

0024

1 under the stock market, they are known as  
2 AZZ. And they had come around five or six

3 different times trying on buy us. And we  
4 would write a number down. And it was  
5 Mr. Martin at the time. He was the owner of  
6 AZ -- Aztec.

7 And we would say, "No."

8 After about six times, he said,  
9 "Yes, we are going to buy you."

10 So during the negotiations, we  
11 finished up. I turned to Mr. Martin, and I  
12 said, "Mr. Martin, why did you -- why were  
13 you so insistent on buying us?" I said,  
14 "What was the deal here?"

15 I mean, he had like eight -- I  
16 think he had nine plants.

17 He said, "Grady, we had these  
18 quarterly meetings. And every time I would  
19 go to a quarterly meeting, everybody uses the  
20 excuse of Westside does this. Westside does  
21 this, and we can't compete." He said, "I  
22 don't want to hear your name anymore, because  
23 you're going to work for me."

24 So that was the deal. So in 2000,  
25 I did stay on with them. And I have worked

0025

1 with them up until 2010, June of '10. I made  
2 the decision to leave and build a plant.  
3 They had grown to 32 plants. And they wanted  
4 me in Fort Worth. And I could see when I was  
5 about 62, 63 years old, me still down here,  
6 and they were going to fly in and say, "We  
7 don't need your services anymore." And what  
8 was I going to do then?

9 I said, "We are going to build a  
10 plant."

11 And there was a great need for  
12 another plant. We were sending a lot of work  
13 to other plants of the AZZ Group.

14 I was able to bring along all the  
15 top people from Westside when I started  
16 building Great Southern. And as she was  
17 alluding to, Glenn LeBlanc will start Monday,  
18 as a matter of fact. He was in the same  
19 position. He owned Hobson galvanizing down

20 in Belle Chasse. And he sold five years  
21 prior to me selling to AZZ. He's not real  
22 happy with the relationship there. So he's  
23 coming onboard and bringing his clientele  
24 with him. I have got my clientele.

25 Like I said, most of the top ten

0026

1 are already with us. To give you some of the  
2 names, PAX. They are down in the Gonzales  
3 area. They are a very large steel  
4 fabricator. They have committed to us two  
5 weeks ago 1,700 tons of work going to Valero  
6 in St. Charles Parish.

7 We picked up another 900 tons of  
8 fabricated steel products this week alone  
9 going to the same site, as a matter of fact.

10 We are in negotiations on another 4,500 tons  
11 of steel going into Pascagoula, a Chevron  
12 Corporation presently.

13 However, our base account is  
14 DIS-TRAN Steel Fabricators, which is a  
15 division of Crest Industries in Pineville.  
16 They are in the electrical transmission work.  
17 They have their own engineering departments.  
18 They do quite well. It's a family-owned  
19 operation. They are committing to us on  
20 approximately three-million pounds of steel a  
21 month.

22 We pick up anywhere from two to  
23 five truck loads a day on that one customer  
24 alone. They have -- they committed to it,  
25 and they are paying us within ten days of our

0027

1 invoice. So that's our base account. It  
2 covers the nut for us right there on that one  
3 account.

4 Everything else right there  
5 bringing in -- I'm being selective because I  
6 don't want to oversell whenever there might  
7 be a really good profitable job that comes  
8 along later.

9 Crest Industries, right now their  
10 pole division is committed in their facility



11 through November of next year already. And  
12 they wish they could open up some business in  
13 January and February, because they said that  
14 if they can make the number, they can get the  
15 job. There's that much work out there in  
16 electrification.

17 You all are probably aware that the  
18 Federal Government is trying to put the grid  
19 out to the electrical people, that they  
20 couldn't run the grid across the United  
21 States two years ago. Those rotations and  
22 all of that is coming about.

23 In building the plant, there were  
24 several different areas I wanted to not do  
25 like I did in the past. One is the

0028

1 environment. And we bought 46 acres. We  
2 developed 25 of the 46. In developing that  
3 25 acres, I totally moated the total facility  
4 with a ditch and with two lakes. We control  
5 all of our storm waters that come onto the  
6 facility. So it's totally contained. If  
7 anything were to happen, we are totally  
8 contained.

9 We were concerned about the energy  
10 as well. So we have gone to some systems for  
11 heating our furnace and for heating our acid  
12 tanks. We use sulfuric acid. We have to  
13 heat them.

14 And we are using what is called a  
15 "hot water heater system," like they do up  
16 North. We run 200-degree hot water through  
17 coils. They are heating the water that we  
18 are using to clean material.

19 Susan said we are hot-dip  
20 galvanizing. What is galvanizing? I will  
21 give you the definition in case you really  
22 don't know. Some of you may not understand.

23 One of two things typically happen  
24 in the petrochemical electrification. You  
25 have to either paint it, or you galvanize it.

0029

1 Painting is a barrier coat. All you are

2 doing is putting a coating over the steel  
3 itself to eliminate moisture and electrolysis  
4 taking place to create rust.

5 However, if it's damaged, you are  
6 in trouble. We all hate painting our houses  
7 and everything else. That's the problem.  
8 Hot-dip galvanizing is actually an electron  
9 transfer between the base material and zinc,  
10 and it creates a bond that is not a barrier.  
11 It's an integral part of the coating and of  
12 the steel.

13 So therefore, it's very hard. You  
14 can't scratch it or any of that kind of  
15 stuff. You can hit it with a certain amount  
16 of strength, and it won't damage it. But it  
17 lasts for a long time because it's a  
18 sacrificial metal.

19 And what I mean by that, the  
20 pipelines throughout the United States, you  
21 hear about them burying anodes in the ground  
22 to keep the pipelines from rusting. Well,  
23 that anode is zinc. It's a sacrifice.

24 So any electrolysis that takes  
25 place, rather than attacking the steel, it

0030  
1 attacks the zinc. It gives itself up, and it  
2 goes away.

3 Well, the same thing with my pole.  
4 The damaged area adjacent to it, it's  
5 sacrificial. Therefore, it will not rust the  
6 area that is damaged.

7 So it becomes somewhat of a primer.  
8 Nowadays, it's becoming very prevalent in the  
9 industrial market to use hot-dip galvanizing  
10 as their primer. And then they won't color  
11 because galvanizing is ugly. It's gray.  
12 There's nothing spectacular about it.

13 However, it lasts a very long time.  
14 So if the painting coating fails, they go  
15 into mechanical cleaning. They know they  
16 have a good base, and they will recoat it.  
17 So you are seeing quite a bit of that taking  
18 place in our market.

19 At Great Southern, we had some  
20 production problems that I had over in the  
21 Port Allen area, which we had tanks that were  
22 too small. Because nowadays, engineers have  
23 pens, and all they have to do is erase  
24 something, and they can make it bigger and  
25 bigger and bigger. They don't believe in

0031

1 bolts anymore. Everything is going module.

2 So we have created large tanks. At  
3 Westside, I had 42-foot cleaning tanks. I  
4 now have 63-foot cleaning tanks. They hold  
5 35,000 gallons of cleaning solution.

6 My galvanizing kettle is eight feet  
7 longer than the one I had before. It's a  
8 foot wider. It's a foot deeper, just because  
9 everybody wants to make things bigger. So we  
10 went after the markets that we know are  
11 coming about.

12 There is also the other hinging  
13 factor was I had to be able to furnish a  
14 total product that they could not go back to  
15 AZZ and ask them to galvanizing something.

16 If I couldn't do it and AZZ could  
17 do it, they would say, "Bring me all of your  
18 stuff or don't bring me anything at all."

19 I couldn't have that happen. So we  
20 built a plant larger than theirs. In fact,  
21 there is only one kettle from Houston to the  
22 Atlantic Coast larger than mine, so we can  
23 handle all of the big products, and I'm not  
24 -- they have no need to be dependent upon AZZ  
25 for anything.

0032

1 And we have become a one-shop  
2 operation between sandblasting, painting. We  
3 even do metallizing on things that are too  
4 big to be galvanized, we can do, which  
5 metallizing is a zinc application. It's done  
6 through heat.

7 So I guess with that, some of the  
8 other things that we have done that I am sort  
9 of proud of, we used all Louisiana

10 contractors on this project. We use Wink  
11 Engineering for the engineering on it. We  
12 used James Construction for the civil work.  
13 We used Ruffin Manufacturing for our metal  
14 building. And we used Triad Electric for our  
15 electrification throughout the facility. So  
16 everything was done with local or Louisiana  
17 products. So we can make that happen.

18 One of the other things that we  
19 have done differently is the work force at  
20 Westside, 15 years ago the labor market was  
21 very, very tight. You couldn't get labor.  
22 And we got involved with the penal system  
23 workforce. It was sort of the only thing  
24 that was available at the time. It never  
25 really worked out well. It was cheap labor.

0033

1 You can say that about it.

2 I couldn't go that route. There  
3 are too many people unemployed in our area  
4 with families. So we hired off the street  
5 people. We did not take advantage of that  
6 workforce.

7 We either hired them off the street  
8 coming through applications or through the  
9 workforce, the labor workforce here in town.  
10 So between these two avenues, we brought in  
11 and hired, I guess, 35, 38. We hired 35 guys  
12 in one day. If you don't believe that was a  
13 trip. We hired -- actually hired 35 people  
14 in one day and then rolled.

15 But we hired off the street that  
16 many people to start the facility. The other  
17 remaining people are people who came with me  
18 from Westside. And we are continuing to hire  
19 off the street. And I must say, people want  
20 to work, and they are doing a damn good job  
21 for us. I'm real proud of them.

22 I guess that is some of the  
23 highlights I want to hit. Susan covered most  
24 everything that I have done in the past. And  
25 if there are any questions, I would be glad

0034

1 to answer them.

2 MR. ROUSSEAU:

3 Are you painting as well? Do you  
4 paint?

5 MR. PHILLIPS:

6 Yes.

7 MR. ROUSSEAU:

8 You do that, too? Fantastic.

9 MR. PHILLIPS:

10 Yes, we do that as well.

11 MR. ROUSSEAU:

12 I'm impressed.

13 MR. PHILLIPS:

14 I am going to extend an invitation.

15 Susan came out, and I think she really liked  
16 it. And David, he just loves the facility.

17 And everybody that comes there, this is the  
18 word that they use, "Everything is big." Our  
19 building is 85 feet wide, 45 feet high at the  
20 eave and 525 feet long.

21 In fact, Glenn LeBlanc, whenever he  
22 and I were talking about him coming to work,  
23 we were walking the facility, and he looked  
24 at me. He said, "There has got to be one  
25 thing that has to change here."

0035

1 I said, "What's that?"

2 He said, "You got to put a  
3 refreshment stand about halfway. This damn  
4 place is big."

5 So anyway, no, we have built the  
6 facility that we can expand in. Really, what  
7 we have built, I don't see an expansion  
8 involved, other than just adding some cover  
9 to either end of the building for the  
10 employees. But other than, we put all of our  
11 money into cost overruns. We put all of our  
12 money in production. Everything that is in  
13 there is equivalent that I don't have to  
14 change.

15 When I was at West Side, we grew in  
16 stages over four expansions. So I knew what  
17 I wanted. We put everything into the area

18 that is going to make the money.

19 Our office is a trailer. It  
20 doesn't bother me. In fact, I bought the  
21 trailer from AZZ and refurbished it. So we  
22 are not glamorous, but we can work, and we  
23 can produce.

24 MR. THOMPSON:

25 Grady, some of the money, the cost

0036

1 overruns are in the processes, like he said.  
2 And some of that is the water that is heating  
3 those tanks is actually the heat is captured  
4 from excess off of the furnace. So I mean,  
5 they are capturing heat off the furnace and  
6 bringing it back in. They have two water  
7 heaters that are sitting there waiting in  
8 case they need to heat the water. But every  
9 time I have been there, those heaters have  
10 never run. So I mean, they are actually  
11 heating that water off of what would be  
12 wasted heat.

13 MR. PHILLIPS:

14 To give you an idea, the heat that  
15 he's talking about, it's a stack coming off  
16 the furnace like your fireplace. The furnace  
17 is running. It's heating the molten zinc.

18 By the way, molten zinc is at 835  
19 degrees is what we operate. And therefore,  
20 it's 24/7. The furnace never shuts down.  
21 And any excess heat coming off that the  
22 furnace, and when I say excess heat, we're  
23 talking about a thousand degree area, just  
24 goes up the stack. That's what all the  
25 galvanizers do.

0037

1 But we are pulling that heat off of  
2 that stack and bringing it through a water  
3 heater dip system heating -- the word is  
4 preheat the water before it goes to the  
5 heaters. But we are heating, and we are  
6 sending the heat back to the stack at 200  
7 degrees. Our heaters don't kick in. We are  
8 just using the heat coming off the furnace.

9 And we'll run all during the daytime off of  
10 that.

11 Now, at nighttime when we are not  
12 in production, and my plants don't close at  
13 nights, those heaters may have to kick in  
14 because I'm not running the furnace at a hot  
15 temp. It's not really burning. We got it  
16 covered, making it efficient. So they will  
17 have to kick in at nighttime. During the  
18 daytime, 90 percent, 95 percent, I'm using  
19 excess heat going through the stack.

20 MS. BIGNER:

21 And he's recycling. If any of it  
22 ever -- if any of it spits out or anything  
23 like that, they will sweep it up, melt it  
24 down and reuse it. So it's very energy  
25 efficient. It's a wonderful operation. I

0038

1 was very impressed with it.

2 Do you have any questions?

3 MR. ROY:

4 Any other questions? Mr. Cotten?

5 MR. COTTEN: Just out of curiosity, how  
6 are you firing the boilers? With natural  
7 gas?

8 MR. PHILLIPS:

9 First of all, we do not have a  
10 boiler.

11 MR. COTTEN: Your furnaces, excuse me.

12 MR. PHILLIPS:

13 Yes, our furnaces. And they are  
14 natural gas. I'm going to elaborate on that.  
15 I located this facility with natural gas  
16 pipelines on it. We actually had built,  
17 which cost us \$100,000.00. We have a natural  
18 gas substation on the facility. And we do  
19 use natural gas. And I'm not taking from a  
20 municipality or anybody else. It actually  
21 comes off the pipeline.

22 MR. COTTEN: Do you -- do you buy on the  
23 spot market at that time through a metering  
24 system?

25 MR. PHILLIPS:

0039

1 That's correct.

2 MR. COTTEN:

3 Okay. So you --

4 MR. PHILLIPS:

5 I'm buying from -- is it

6 Midwestern?

7 MS. PHILLIPS:

8 Mid Louisiana Transmission.

9 MR. PHILLIPS:

10 And he buys from Florida Gas and  
11 Power. He's a transporter. So he's buying  
12 it from Florida. I give him a guesstimate of  
13 how many PQ's I'm going to use a month. He  
14 enters into his negotiations with them. They  
15 keep the pipeline filled for me. Their meter  
16 at the end of the month, whatever the market  
17 price is what I will pay, plus his  
18 transportation fee.

19 MR. COTTEN: Okay, good. David, I have  
20 a question for you. I know Susan mentioned  
21 you have a compiled financial statement  
22 requirement. I saw a note that this is going  
23 to be in excess of eight million.

24 MR. THOMPSON:

25 We actually are requiring audited

0040

1 financials.

2 MR. COTTEN:

3 Audited financials, okay. Great.

4 So we will get it --

5 MR. THOMPSON:

6 You will get audited, yes.

7 MR. COTTEN: You mentioned there is  
8 no -- this is the first program.

9 Congratulations. Thank you for pushing that  
10 through. No guaranteed fee. So the interest  
11 will be our --

12 MS. BIGNER:

13 Actually, he is going to go ahead  
14 and do it at 5.2. The bank is going to do it  
15 at 5.25, which is 2 percent above the Wall  
16 Street, so they're not going to do over --



17 according to the program, they can go up to 5  
18 percent, but this loan is only going to be 2  
19 percent above.

20 MR. COTTEN: Okay, great. One last  
21 question, your credit department said that no  
22 locked box was required.

23 MS. BIGNER:

24 We are requiring it.

25 MR. COTTEN: Are you -- the bank is

0041

1 requiring locked box on all the receivables,  
2 or would it just be this sliver on -- how is  
3 that going to work? We're requiring a locked  
4 box. Will you require a locked box on all  
5 receivables --

6 MR. THOMPSON:

7 Yes.

8 MR. COTTEN:

9 -- for Great Southern?

10 MR. THOMPSON:

11 Yes.

12 MR. COTTEN: Good luck.

13 MR. PHILLIPS:

14 Thank you.

15 MR. ROY:

16 You described some of the business  
17 you have coming in in the near future. What  
18 is your break-even point for debt service for  
19 covering your expenses, and how close are you  
20 to meeting that?

21 MR. PHILLIPS:

22 This past month, even at our low, I  
23 guess you can say, our low production rates,  
24 we are -- I will give it to you. Right now  
25 to give you an idea, we are sitting in the

0042

1 checking account at the bank uncommitted  
2 funds at this time of about \$403,000.00.

3 We did -- we had a month of  
4 \$450,000.00 in billings just this first  
5 month. And it's \$421,000.00 in receivables  
6 because we have received monies from DIS-TRAN  
7 Products. Our payables at this stage is only

8 \$200,000.00. So right now at this stage, we  
9 are doing well.

10 Three million pounds -- to answer  
11 your question, three million pounds at  
12 roughly 22, 23 cents a pound is going to  
13 cover our costs.

14 The plant itself, five million  
15 pounds a month is no problem. We can do as  
16 much as seven or eight, if I wanted to work  
17 that many hours a day. But five or six is  
18 our target. So we will be working at twice  
19 our debt service.

20 MR. ROY:

21 Does that mean -- I think you  
22 mentioned you had one customer that has an  
23 order of 3,000 pounds a month?

24 MR. PHILLIPS:

25 Three million, yes, sir.

0043

1 MR. ROY:

2 Three million. So that --

3 MR. PHILLIPS:

4 He's going to cover it.

5 MR. ROY:

6 That covers it.

7 Can you give us -- you have  
8 answered this somewhat, but I am just curious  
9 in terms of one, two, three, if you would.

10 Your competitive advantages over --

11 MS. BIGNER:

12 Aztec?

13 MR. ROY:

14 -- West Side, I guess. I guess  
15 that's your primary competitor?

16 MR. PHILLIPS:

17 Right.

18 MR. ROY:

19 Just give us a one, two, three on  
20 your competitive advantages or disadvantages.

21 MR. PHILLIPS:

22 Okay. Let's go with the advantages  
23 because I really don't consider them any  
24 disadvantage other than, you know, I used to

25 work with them. But anyway, I know the

0044

1 people in the market. It's like 35 years.  
2 Of course, all you people -- all of us have  
3 done -- have been in business with each  
4 other.

5 I have helped my fabricators when  
6 they went through tough times. And my  
7 fabricators are helping me get started as  
8 well. I sit down with them and negotiate  
9 pricing, and they tell me the pricing, what  
10 is out there. I have to meet the pricing.

11 Okay?

12 The other side of it is they have a  
13 real problem with -- they don't have the  
14 choice of anywhere else to go other than AZZ.  
15 AZZ can dictate to them. When AZZ bought  
16 me -- I'll give you a for instance. When  
17 they bought me in 2000, the first thing they  
18 made me do was go to DIS-TRAN/Crest  
19 Industries and raise their price. And the  
20 reason was they don't have any place else to  
21 go. Why don't we raise their price?

22 Okay. So yes, we went up there,  
23 and I did what they requested. And they  
24 didn't take it very lightly. And they could  
25 see they may try to do something differently.

0045

1 But right now, they have no choice.  
2 They are glad to see somebody in the area  
3 that can give them competition. And that  
4 this AZZ can't just tell them what they are  
5 going to do because they have no choice.

6 But the main thing is just our  
7 relationships. We just got good  
8 relationships.

9 MR. THOMPSON:

10 I think part of that is Grady does  
11 what he says he's going to do. The  
12 galvanizing facility falls in there -- the  
13 fabricator fabricates it. They have to  
14 galvanize it before they can send it to their  
15 client.

16 So that's a hitch right there if  
17 he's not doing what he said he's going to do  
18 or putting out bad product or not meeting  
19 time frames, that is affecting their clients.

20 So, you know, I think there is a  
21 lot of trust there that has been built up  
22 over the years. I know in talking to  
23 fabricators and clients, that's one of the  
24 things that they say is usually it's the  
25 galvanizer that's holding us up. If they are

0046

1 not holding us up, they are going to use that  
2 galvanizer, whether they have to pay a little  
3 bit more or not, so...

4 MS. BIGNER:

5 And they have trucks and trailers  
6 right there at the facility. He can pick up  
7 the product and bring it to his facility and  
8 turn around and deliver it.

9 MR. PHILLIPS:

10 We market from -- we market from  
11 Beaumont to Shreveport to Jackson to Mobile,  
12 a 250-mile radius. Presently, I have 25  
13 trailers and four trucks.

14 And what we do is we drop these  
15 trailers. This is another marketing  
16 advantage. I drop the trailers in the  
17 fabricators' yard. I said, "When you get  
18 something, put it on there. Call me, and I  
19 will come get it." And that's what we are  
20 doing, bringing that market.

21 When I was at -- I did the same  
22 thing when I was at West Side. But after AZZ  
23 bought us, that market stopped because I had  
24 been pulled from other plants. I reinvoked  
25 that because we are back out in the market

0047

1 place again. And we market those outside  
2 customers as well.

3 MR. THOMPSON:

4 I think also, as far as they can do  
5 everything, like DIS-TRAN they were sending  
6 their poles to New Orleans, and everything

7 else they were sending to West Side in Baton  
8 Rouge. Now they just send it all to one  
9 place, so they can keep track of their  
10 product.

11 MR. PHILLIPS:

12 They are going to probably end up  
13 on putting a facility on the facility to ship  
14 directly from my place rather than bring it  
15 back to Pineville. Their transmission stuff.

16 The poles presently, they are  
17 coming in to us. We are fabricating them.  
18 They have two of their guys come down each  
19 day to monitor the shipments of them. And we  
20 are shipping from our facility to the job  
21 site, and they aren't bringing them back to  
22 Pineville.

23 What they are talking to us about,  
24 what they want me need to do is work on  
25 trying to hire someone to work for them in

0048

1 the local community that will be there  
2 everyday to represent DIS-TRAN to monitor the  
3 shipment of materials, because all their  
4 stuff is going to be at one facility now and  
5 not between two different facilities.

6 And the drive from Pineville to  
7 Belle Chasse each day is costing them a lot  
8 of money. They are very glad to see  
9 everything in one spot.

10 MR. ROY:

11 Any other questions or comments?

12 MR. COTTEN:

13 One last thing. Are you utilizing  
14 any of the business incentive programs?

15 MR. PHILLIPS:

16 Yes, we are.

17 MR. COTTEN:

18 You are?

19 MR. PHILLIPS:

20 Yes.

21 MR. COTTEN: Congratulations.

22 MR. PHILLIPS:

23 Just to give you a -- I would like

24 for you all to know who were a lot of the  
25 supporters helping us to put this project

0049

1 together. The U.S.D.A., of course.  
2 IberiaBank. The Chamber of Commerce has been  
3 working with us really well. Mayor Kip  
4 Holden has worked for BPW on getting some  
5 things done for us as far as the road in and  
6 out of the facility. Councilman Welch has  
7 just stayed on top of BPW, the City of  
8 Zachary and everything else trying to keep  
9 things moving for us. And the City of  
10 Zachary put in water lines to us to furnish  
11 us the water that we needed at the facility.  
12 So we have had a lot of different people on  
13 the outside who have helped join to make this  
14 a successful venture as well.

15 MR. ROY:

16 Any other questions or comments?

17 (No response.)

18 MR. ROY:

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

21 MR. SAUCIER:

22 I move to approve.

23 MR. ROY:

24 Motion for approval is presented.

25 MR. ROUSSEAU:

0050

1 Second.

2 MR. ROY:

3 Second. Any discussion?

4 (No response.)

5 MR. ROY:

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

7 (Several board members respond with  
8 "aye.")

9 MR. ROY:

10 All opposed?

11 (No response.)

12 MR. ROY:

13 Without objection.

14 Congratulations. Please keep us

15 posted. Good luck.  
16 MR. PHILLIPS:  
17 You all come visit. Thank you all.  
18 MR. ROY:  
19 Merry Christmas.  
20 Any comments from the public before  
21 we have that final vote?  
22 (No response.)  
23 MR. ROY:  
24 Hearing none, the vote is in.  
25 The next order of business is the

0051

1 Economic Development Loan Program.  
2 Mr. Forrest, Ormet Primary Aluminum  
3 Corporation. Good morning.  
4 MR. FORREST:  
5 Good morning. Ladies and  
6 gentlemen, we have a previous project. A new  
7 face from the local plant of Ormet is here.  
8 You all approved the project back in May, May  
9 the 20th.

10 And since that time, the parcel of  
11 property that they were originally going to  
12 pledge to us, the Department, for their loan,  
13 they have had the proverbial offer, that they  
14 couldn't refuse to sell it.

15 So what they are requesting today  
16 is to substitute another parcel that, Parcel  
17 D that has been appraised, and that exceeds  
18 the required loan amount.

19 And, of course, because of the  
20 delay, again, in the sale of the property,  
21 they need an extension from you all.

22 So that is a quick summary. The  
23 details are in here. And we have Mr. Tommy  
24 Temple is to my right, the vice president and  
25 plant manager, and Mr. Tommy Kurtz with our

0052

1 office of the business expansion and  
2 retention unit that has worked closely with  
3 Ormet is here to any answer any of you all's  
4 hard questions.

5 As we pointed out, they had

6 originally intended to pledge Parcel C but  
7 now want to substitute Parcel D, which has  
8 been appraised at a value between 2.1 million  
9 and 3.4 million. And, of course, that was by  
10 a board certified appraisal.

11 And the staff, of course,  
12 recommends that the project, that the request  
13 be granted with, again, the following two  
14 contingencies there, that they would have  
15 another 90 days to effect the sale and pledge  
16 the real properties to the department. And,  
17 of course, our distinguished legal counselor,  
18 Bob Cangelosi, is going to require a  
19 multi-indebtedness mortgage, et cetera.

20 So that is a quick summary of their  
21 request. If you all have any questions from  
22 Tommy, Tommy or me, we will entertain them.

23 MR. ROY:

24 Questions? Comments?

25 MR. FORREST:

0053

1 Would you all like to know how the  
2 business is going since they have started up?

3 MR. ROY:

4 That sounds like a good question.

5 MR. FORREST:

6 To make Tommy's trip here  
7 worthwhile.

8 MR. TEMPLE:

9 Thank you. Our project is going  
10 well. We have been in the initial production  
11 phase of the plant start-up since early  
12 October. We have are -- have reached what we  
13 consider a full-employment level, although we  
14 are continuing to interview and hire people.

15 Today we have a payroll of about  
16 245 people, both hourly and salary. Our  
17 target is 258. We had as many as 280. And  
18 due to attrition with new people and  
19 turnover, we are not quite at that target,  
20 but we will be shortly.

21 Again, the plant is going well. It  
22 started going well, and we are looking



23 forward to ramping it up and continuing our  
24 progress and being an operating member of the  
25 industrial community of Ascension Parish once  
0054

1 again.

2 I might want to mention some of the  
3 circumstances that resulted in this request  
4 to extend the period by which we would  
5 withdraw funds.

6 Ormet was -- closed the sale of its  
7 Burnside Marine Terminal with Impala  
8 Warehousing, L.L.C., which is a company that  
9 is a subsidiary of Trafigura, an Australian  
10 company.

11 And in that sale, Impala has agreed  
12 to a long-term commitment to provide services  
13 for the owner of the plant that Ormet  
14 operates, handling its raw material and  
15 loading its product on barges for shipment.

16 And part of that sale included an  
17 option to buy what is known as Parcel C of  
18 the Orange Grove Plantation, the tract of  
19 property that Ormet is on.

20 Our understanding from Impala at  
21 the time was that they didn't have an  
22 immediate interest in owning that property  
23 but would have some longer range plans for  
24 development.

25 Subsequent to the sale, as we were  
0055

1 putting together the necessary agreements to  
2 secure the loan that you have approved,  
3 Impala came to us and said, "Our plans have  
4 changed. We have more ambitious growth  
5 plans. We really need to own that piece of  
6 property. And I began to develop it."

7 So we sent it back and said we will  
8 work with you on this to sell it. However,  
9 we are in the process of pledging it as  
10 security for the EDLOP loan. And that is the  
11 reason that we are delayed in perfecting the  
12 mortgage agreement and withdrawing the funds.

13 It has nothing to do with the

14 project itself. The project is ongoing. The  
15 equipment that we intend to use the money that  
16 we are getting, to invest in has been  
17 purchased, has been erected. It's not in  
18 service yet. But we are anxious to close the  
19 loan and begin withdrawing the funds to pay  
20 for that piece of equipment.

21 MR. ROY:

22 Does anyone have questions?

23 MR. COTTEN: Just a comment, just to  
24 refresh my memory from the last time we met  
25 involving this business. That was the plant

0056

1 that had shut down, if I remember, and you  
2 came back to restart it.

3 MR. TEMPLE:

4 Yes.

5 MR. COTTEN:

6 That's where we are. Refresh my  
7 memory. The current facility, the existing  
8 facility had to be refurbished. You were  
9 able to save what you could?

10 MR. TEMPLE:

11 Yes. The plant had been curtailed  
12 for over four years. It's been a plant that  
13 has been part of Ascension Parish since 1958.  
14 It had a long operating history. It's the  
15 first industrial development in Ascension  
16 Parish. The Marine Terminal was the larger  
17 deepwater port in Gulfport when it was built.

18 It was a private company for a  
19 number of years. Initially, it began by Olin  
20 Revere Metals Corporation, and it later  
21 became a private company.

22 It went through a period of  
23 bankruptcy in 2004 and emerged in 2005 from  
24 bankruptcy as a new company with multiple  
25 shareholders, a new board of directors and as

0057

1 a company focused on producing aluminum.

2 It's the second largest aluminum  
3 smelter in the United States that operates in  
4 Ohio on the Mississippi River.

5 The product that we are producing  
6 here in Louisiana at our Burnside facility is  
7 alumina, aluminum oxide. We load it in  
8 barges, and we bring it up to the smelter and  
9 produce it into primary aluminum, which is  
10 the product that we produce and sell.

11 MR. COTTEN:

12 Thank you.

13 MR. ROY:

14 Anyone else?

15 (No response.)

16 MR. ROY:

17 What is the pleasure of the Board?

18 MR. COTTEN:

19 Motion to approve.

20 MR. ROY:

21 Motion to approve is presented.

22 MR. ROUSSEAU:

23 Second.

24 MR. ROY:

25 Second.

0058

1 Any other discussion?

2 (No response.)

3 MR. ROY:

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

5 (Several board members respond with  
6 "aye.")

7 MR. ROY:

8 All opposed, "nay."

9 (No response.)

10 MR. ROY:

11 Any comments from the public?

12 (No response.)

13 MR. ROY:

14 Hearing none, approved as  
15 presented.

16 Congratulations. Please keep us  
17 posted. Best wishes to you.

18 MR. FORREST:

19 Thank you all.

20 MR. TEMPLE:

21 Thank you.

22 MR. ROY:  
23 Mr. Cotten is our distinguished  
24 Finance Committee.

25 MR. COTTEN:

0059

1 Oh, yes. I was chair of the  
2 Finance Committee.

3 MR. ROY:

4 He was chair of the Finance  
5 Committee by default this morning. He did a  
6 great job, along with Mr. Grissom and Mr.  
7 Rousseau. So we need a report from our  
8 chairman.

9 MR. COTTEN: Thank you, Mr. Roy.

10 We heard from Chaffe & Associates  
11 today. They presented a valuation of our  
12 investments. And we also heard from  
13 Mr. Arthur Cooper who is -- Aaron Cooper is  
14 an auditor for LEDC Financials.

15 The Committee recommended approval  
16 of both projects. And I think we have copies  
17 for each board member if they have any  
18 questions.

19 MR. ROY:

20 Okay. Any questions about the  
21 auditor's report?

22 (No response.)

23 MR. ROY:

24 Hearing none, I will entertain a  
25 motion to accept the Finance Committee's

0060

1 report and the report of Chaffe & Associates.

2 MR. ROUSSEAU:

3 Motion to accept.

4 MR. ROY:

5 Motion by Mr. Rousseau.

6 MS. FERRO:

7 Second.

8 MR. ROY:

9 Second by Ms. Ferro.

10 Any discussion?

11 (No response.)

12 MR. ROY:

13 Hearing none, all in favor, "aye."  
14 (Several board members respond with  
15 "aye.")

16 MR. ROY:

17 All opposed, "nay."

18 (No response.)

19 MR. ROY:

20 Any comments from the public?

21 (No response.)

22 MR. ROY:

23 It's approved.

24 Ms. Blankenship, the Secretary

25 Treasurer Report.

0061

1 MS. BLANKENSHIP:

2 The Secretary Treasurer Report as  
3 of December 2nd. The project that was  
4 approved this morning is not reflected on  
5 this report, as this is coming from LEDC  
6 funds, and the Small Business Credit  
7 Initiative Program is reflected in the  
8 Federal program.

9 So I can prepare a separate report  
10 in the future because not all projects will  
11 qualify for the Federal program to  
12 distinguish. So this report is basically the  
13 same as last month, and I can read the  
14 numbers.

15 But I don't have the report that  
16 was reported this morning. We have  
17 4.3-million dollars in the first tranche of  
18 the Federal program. And we are going to be  
19 using the same 25 percent reserve, not the  
20 full 75 percent, so to try to extend the  
21 number of projects we can do.

22 And then once we get to 80 percent  
23 of the 4.3 million, we can draw the second  
24 tranche of the 13.1 million that is available  
25 in the Federal Funding Program. That's just

0062

1 to clarify how it works.

2 MR. SAUCIER:

3 Could you do that? I'd like to

4 have it.

5 MS. BLANKENSHIP:

6 Yes. I just didn't -- I got my  
7 wires crossed. I thought we were going to be  
8 on Errol's report, but it's not. So I will  
9 get that to you next month.

10 MR. ROY:

11 As an aside, with respect to the  
12 25 percent, I think we just -- we picked that  
13 number as a good starting point coming off a  
14 hundred. But looking at our historic losses,  
15 I wouldn't imagine they are anywhere close to  
16 25 percent. Does anybody have that number?  
17 Susan?

18 MS. BIGNER:

19 We put 25 percent in the  
20 application for the State for the SSBCI  
21 funds. But that was an option, actually,  
22 also a recommendation of what other states  
23 are doing as their 25 percent.

24 I think our loss rate has been --

25 MR. SMITH:

0063  
1 6.9 percent.

2 MS. BIGNER:

3 Yes, 6 or 7 percent. I think the  
4 highest we ever had in one year was a 19, I  
5 believe, because we had two larger loans that  
6 went out. And that's been a couple of years  
7 ago.

8 What we are going to do is right  
9 now he will -- Errol will purchase a CD.

10 He's asked the Federal Government if he can  
11 purchase a CD for a million dollars. And  
12 then as we do additional loans, put it  
13 against that million dollars. He will have  
14 an answer probably next week as to whether we  
15 can do that.

16 Until then, if he has to go ahead  
17 and purchase the CD before he gets his  
18 answer, then he will purchase it at, I think,  
19 it's \$281,000 and change is the amount of the  
20 25 percent set aside.

21 And then as we do additional ones,  
22 he will kind of bundle them together because  
23 we expect that they are going to all start  
24 coming in, and we will have two or three of  
25 them either on a monthly basis or additional.

0064

1 If something happens and a loan  
2 goes bad, there is not sufficient funds in a  
3 CD to cover that. Then what we will do is we  
4 will do a direct draw from the tranche that  
5 we have that are not on deposit that we have  
6 not put into CD's to cover that.

7 MS. BLANKENSHIP:

8 From the 4.3-million-dollar  
9 approval?

10 MS. BIGNER:

11 Right.

12 MS. BLANKENSHIP:

13 We have point 4.3 million in cash  
14 today. Okay.

15 MS. BIGNER:

16 The funds are there. Everything is  
17 taken care of. It's just that we don't want  
18 to purchase the CD's ahead of time if the  
19 Federal Government doesn't want us to. I  
20 don't really want them to come back and go we  
21 only approved the loan for 281,000, and you  
22 have a million-dollar CD. That is not  
23 acceptable.

24 MS. BLANKENSHIP:

25 Were you considering using a

0065

1 different ratio other than 25 percent? Is  
2 that --

3 MR. ROY:

4 No. I just was curious as to what  
5 the historical data shows. And I think it's  
6 important periodically to review that  
7 information and compare it to the 25 percent.

8 MS. BIGNER:

9 Every year that we do an annual  
10 audit, we also look at that. If you would  
11 like to see that, I am sure we can get that

12 printed up for you.

13 MR. ROY:

14 Okay. Anything else?

15 MS. BLANKENSHIP:

16 I can read the numbers for the  
17 record.

18 In the Financial Assistance  
19 Program, we have a million dollars budgeted,  
20 and we have approved projects in the amount  
21 of \$65,625 for a balance of \$934,375.

22 And in the Capital Outlay EDAP  
23 Program, we have a budget of \$15,420,144.  
24 Approved projects today is 900,000 for a  
25 balance of \$14,520,144.

0066

1 And on the Fund Balance page, there  
2 has been no change from last month, and we  
3 are projecting a balance of \$1,624,717.

4 The Revenue Estimating Conference  
5 is tentatively scheduled to meet on  
6 December 14th. So if there is a revised  
7 projection for the Vendor's Compensation, I  
8 can update that next month.

9 MR. ROY:

10 Any questions or comments for Ms.  
11 Blankenship?

12 (No response.)

13 MR. ROY:

14 Hearing none, I will entertain a  
15 motion to accept the Treasurer Report.

16 MR. COTTEN:

17 Motion to approve.

18 MR. ROY:

19 Motion to approve is presented.

20 MS. FERRO:

21 Second.

22 MR. ROY:

23 Second.

24 Any discussion?

25 (No response.)

0067

1 MR. ROY:

2 Hearing none, any comments from the



3 public?

4 MR. ROY:

5 All in favor, "aye."

6 (Several board members respond with  
7 "aye.")

8 MR. ROY:

9 All opposed, "nay."

10 (No response.)

11 MR. ROY:

12 Without objection.

13 The Accountant's Report, Mr. Smith.

14 MR. SMITH:

15 The LEDC Status Report as of

16 October 31st, 2011. Total Participation

17 Loans as of October 31st, 471,648.

18 Total Direct Loans, 7,883,676.

19 Total EDLOP Loans as of

20 October 31st, \$1,654,397.

21 At the current time, we have 20

22 guaranteed loans. They are all current.

23 Allowance for -- for a total as of October

24 31st, 8,792,417.

25 Allowance for Loan Losses,

0068

1 Participation and Direct Loans, as of October

2 31st, Reserves, 129,711. Loan balance,

3 8,355,325.

4 Allowance for EDLOP Loans as of

5 October 31st, Reserves, 248,159. Loan

6 balance, 1,654,397.

7 Allowance for Guaranteed Loans, the

8 balance as of October 31st, 2011, Reserves,

9 1,582,635. Loan balance of 8,792,417.

10 We talked about the SSBCI. I think

11 Kathy said she would do a report. But I will

12 be doing that report going forward. You will

13 see the current allocation, all of the

14 expenditures against it and what we have

15 available with loans that have been approved.

16 There will be a similar report because I will

17 keeping up with those loans also as I do

18 this. So you will have two reports, an LEDC

19 report and a SSBCI report also. And, also,

20 there will be a narrative of the funds going  
21 forward and what the availability is going  
22 forward.

23 That concludes my report.

24 MR. ROY:

25 Any questions for Mr. Smith?

0069

1 Finance?

2 MR. COTTEN:

3 I do have one question for  
4 Mr. Smith. It's the Louisiana Stadium &  
5 Expo. I think that is going to be maturing.  
6 So I guess that will come up sometime in the  
7 next six months or so.

8 MS. BIGNER:

9 The next due date on it is  
10 July 30th. And at that time -- Kristy  
11 McKearn used to send out a letter. I am sure  
12 Mr. Grissom will send out a letter, and we  
13 will request a status of their funds and  
14 their capability to pay us back.

15 MR. COTTEN:

16 Thank you.

17 MS. BIGNER:

18 It expires -- I think the loan  
19 expires in 2012.

20 MR. ROY:

21 Okay. Anyone else?

22 (No response.)

23 MR. ROY:

24 I'll entertain a motion to accept  
25 the Accountant's Report.

0070

1 MR. COTTEN:

2 Motion to accept.

3 MR. ROY:

4 Motion to accept.

5 MR. ROUSSEAU:

6 Second.

7 MR. ROY:

8 Second.

9 Any discussion?

10 (No response.)

11 MR. ROY:

12 Any comments from the public?

13 (No response.)

14 MR. ROY:

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

16 (Several board members respond with

17 "aye.")

18 MR. ROY:

19 All opposed, "nay."

20 (No response.)

21 MR. ROY:

22 Without objection.

23 Mr. Grissom, the President's

24 Report.

25 MR. GRISSOM:

0071

1 Thank you, Mr. Chairman.

2 What I wanted to do today, and I  
3 want to thank all of our board members for  
4 attending and participating today.

5 Annually, the Department puts  
6 together a revised overview of its  
7 priorities. And this is essentially a  
8 framework that the Department has been using  
9 over the last several years. So I wanted to  
10 use this opportunity to review where the  
11 Department is focused.

12 I know from time to time at the  
13 board meetings, we have individual teams that  
14 have come in and have presented to the Board,  
15 particular teams that have received funding  
16 from LEDC. But I thought it would be helpful  
17 to take a step back and cover it in a bit  
18 more comprehensive sense.

19 I won't cover this entire report.  
20 It's a nine-page narrative. If you do have  
21 time to read through it, I do think it will  
22 give you a feel, not only for some of the  
23 themes and strategies that the Department has  
24 been using over the last several years and  
25 will continue to use, but some of the

0072

1 initiatives were a high-level focus of the

2 current fiscal year.

3 So anyway, the first part of the  
4 report really provides a narrative, some of  
5 the background, some of the progress that we  
6 have seen.

7 I do want to comment that we  
8 continue to see improvements in our rankings  
9 and the recognition that the State is  
10 receiving from out-of-state third-party  
11 periodicals, nonprofits, those that follow  
12 economic development and business climbs.

13 So to continue move up in those  
14 rankings, that is a positive message we can  
15 convey to companies that we're pursuing and  
16 messages that resonate.

17 Additionally, the State continues  
18 to outperform the South when you are looking  
19 at overall employment levels. It's been a  
20 difficult time, a difficult economy at the  
21 state level, at the national level and at the  
22 global level. But when you take into account  
23 the State's performance relative to -- and in  
24 particular, some states, the State of  
25 Louisiana is performing quite well.

0073

1 The second page highlights eight --  
2 eight major priorities that the Department  
3 has been focusing on and I perceive focusing  
4 as we move into the next several years.  
5 These are priorities that I think have had  
6 served the Department and state-level  
7 economic development well, so I do expect a  
8 sustained commitment to these.

9 The first is improving our State's  
10 economic competitiveness, continue to move up  
11 on those national rankings, making the  
12 fundamental adjustments in investments in the  
13 state policy adjustments, investments, to  
14 ensure that we are properly positioned to  
15 compete for projects.

16 The second is focused on really  
17 encouraging our local communities to think  
18 about how they can compete in a

19 nationally/globally competitive environment,  
20 assisting them in their efforts.

21 The third is focused on cultivating  
22 top regional economic development assets.  
23 Those are assets that stand out when we are  
24 presenting the State, assets where typically  
25 some substantial dollars have been invested

0074

1 in trying to cultivate and get the maximum  
2 impact out of those assets.

3 Business retention and expansion,  
4 we had Tommy Kurtz who joined the  
5 presentation for Ormet, who leads that team.  
6 But making sure to focus on continued  
7 dialogue with existing Louisiana companies,  
8 working with them, to assist them in their  
9 expansion efforts, focus on national caliber  
10 business-recruiting capabilities, making sure  
11 we are practically reaching out to companies,  
12 to site consultants to those that are  
13 actively considering an investment and  
14 selling them on the State's fit for their  
15 business, how the State can help them be more  
16 successful, more profitable.

17 Small business innovation  
18 entrepreneurship, robust workforce solutions,  
19 which I know you have seen our FastStart  
20 program present.

21 And then telling the story of -- we  
22 provide our board members our economic  
23 quarterlies, and they've seen some  
24 demonstration of our website, making sure we  
25 are getting that message out.

0075

1 These are eight priorities that,  
2 again, current year, we are focused on them.  
3 There are particular initiatives that support  
4 those. I suspect that we will continue that  
5 focus on those priority levels. And I just  
6 encourage the board members, if you want to  
7 get a good feel of where the Department is  
8 focused, within LEDC, but beyond LEDC, this  
9 is a very good document to help you develop

10 that perspective.

11 Next, I just want to highlight one  
12 recent success in the Department, which ties  
13 into some of these strategies and something  
14 that I was supposed to see just a few weeks  
15 ago. Let's pass this out.

16 This is something that we released  
17 and had some media around. It's a project  
18 that is choosing to locate in the Alexandria,  
19 Louisiana area.

20 And the company's name is Sundrop  
21 Fuels. This is a \$450,000,000.00 biofuels  
22 refinery. 150 direct jobs and over a  
23 thousand indirect jobs are projected. This  
24 is a young company, Colorado-based, that has  
25 a number of new technologies focused in the

0076

1 bio-refinery area, converting agricultural  
2 feedstocks to fuels.

3 This is a company that has received  
4 substantial investments from Chesapeake  
5 Energy and also received some of its initial,  
6 major -- well, its venture capital  
7 investments from such major firms as ERG  
8 Investment Partners and Kleiner Perkins.

9 This is a company that through our  
10 Blue Ocean effort and some of the strategies  
11 and tactics we have used in identifying  
12 sectors where we think Louisiana is well  
13 positioned to compete, but needs to get the  
14 word out, identified this biofuel's area,  
15 identified Sundrop as a high-potential  
16 company in that area, actively reached out to  
17 the company and established a dialogue and  
18 worked with them at a point when they weren't  
19 really focused on Louisiana, but took them  
20 through the process of understanding what the  
21 value that Louisiana could offer, why it made  
22 sense for them to invest in Louisiana and,  
23 ultimately, secured that decision.

24 Again, Louisiana wasn't -- when we  
25 approached the company, we weren't on the

0077

1 company's radar screen, and they were  
2 actually pretty close to committing to  
3 another location.

4 But through the strategic  
5 identification of the segment and the  
6 proactive outreach, having the right messages  
7 in place, the right fundamental environment  
8 for the company, we were able to secure the  
9 success, and we are looking forward to  
10 continue to work with the company as it  
11 invests in those jobs in the Alexandria area.

12 So I thought it would be a nice  
13 example of kind of showing real life tangible  
14 results of some of the tactics that we are  
15 using. This is where we are leveraging the  
16 gains we have made in some of our  
17 fundamentals and rankings to convey a  
18 positive message, making sure that we have  
19 that proactive, aggressive, business  
20 recruiting capability in place, getting in  
21 front of the right companies, getting in  
22 front of their decision makers, selling them  
23 on the strengths of Louisiana and ultimately  
24 working with them to secure that commitment  
25 to Louisiana.

0078

1 So with that, I will be happy to  
2 answer any questions of board members,  
3 whether it's on the eight strategies that  
4 this particular company is experiencing or  
5 any other matters.

6 All right. Again, I want to thank  
7 all of our board members, and I certainly  
8 appreciate your service and feel free to  
9 contact the Department at anytime for any  
10 questions or any other concerns you might  
11 have.

12 MR. ROY:

13 Very good. Thank you very much.  
14 Any other business? Rick?

15 MR. BROUSSARD:

16 Yes, sir. The next board meeting  
17 is scheduled for January 20th, 2012. At that

18 time we will elect the board officers, the  
19 chairman and the vice chairman position. We  
20 will establish the committees as well.

21 MR. ROY:

22 And, Brenda, am I correct that we  
23 are going to hear more about the program, new  
24 programs at that time?

25 MS. GUESS:

0079

1 Yes. We are in the process. We  
2 should have finalized by the January meeting  
3 the master agreement on all the documents  
4 associated with the SSBCI Program. And we  
5 may be looking to determine whether we might  
6 need to entertain those documents going  
7 before Policy Committee before they come to  
8 the Board, so we will have that discussion.

9 The only other thing that we have,  
10 I would like to introduce to our board  
11 members our newest team member, Ms. Melissa  
12 Moore.

13 Melissa joins us coming from  
14 Capital One Bank, with underwriting and  
15 lending experience. And she also brings an  
16 area of compliance to us, after having worked  
17 with the FDIC. And that is going to be very  
18 important in working with us with our Federal  
19 program.

20 Right now she is going to be giving  
21 a 100 percent of her efforts to the SSBCI  
22 program, and we hope to get her involved at a  
23 later time in the other programs.

24 But Melissa has a bachelor's degree  
25 in agricultural economics from Southern

0080

1 University and a master's in agricultural  
2 economics -- in consumer economics from the  
3 University of Illinois. So we like to  
4 welcome her aboard.

5 MR. ROY:

6 Very good. Did you say you worked  
7 with the FDIC, or you worked for the FDIC?

8 MS. MOORE:



9 I worked for the FDIC. I was in  
10 the Houston office.  
11 MR. ROY:  
12 Did you? Very good. I know you.

13 Anything else?

14 (No response.)

15 MR. ROY:

16 Hearing that's it, motion to  
17 adjourn.

18 MR. ROUSSEAU:

19 Motion to adjourn.

20 MR. SAUCIER:

21 Second.

22 MR. ROY:

23 Motion and a second. Very good.

24 Merry Christmas.

25

0081

1 REPORTER'S CERTIFICATE.

2

3 I, Rebecca T. Fussell, Certified Court  
4 Reporter, in and for the State of Louisiana, do  
5 hereby certify that the proceedings were  
6 hereinafter set forth in the foregoing pages;

7 That the testimony was reported by me in  
8 stenographic machine shorthand by Computer Aided  
9 Transcription, transcribed by me, and is a true  
10 and correct transcript to the best of my ability  
11 and understanding.

12 That I am not of counsel nor related to any  
13 person participating in this cause and am in no  
14 way interested in the outcome of this event.

15 This certification is valid only for a  
16 transcript accompanied by my original signature  
17 and original seal on this page.

18

19

20

21

---

REBECCA T. FUSSELL, CSR

22

23

24

