

MEETING MINUTES FOR THE
BOARD OF DIRECTORS
OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
HELD AT
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM BUILDING
FOURTH FLOOR BOARDROOM
8401 UNITED PLAZA BOULEVARD
BATON ROUGE, LOUISIANA
ON THE 15TH DAY OF JUNE, 2012
COMMENCING AT 9:34 A.M.

REPORTED BY: ELICIA H. WOODWORTH, CCR

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Appearances of Board Members Present:

Harry Avant

Louis Reine

Alden Andre

Jason Elkoubi

A.J. Roy

Jay Rousseau

Staff members present:

Daria Vinning

Brenda Guess

Rick Broussard

Seth Brown

Susan Bigner

Sajni Patel

Melissa Moore

Felipe Martinez

LouAnn Greco

Steven Grissom

Larry Henson

Kathy Blankenship

Bob Cangelosi

Errol Smith

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MR. ROY:

I'll call to order the Board of
Directors Louisiana Economic Development Corporation.

Roll call, please.

MS. VINNING:

A.J. Roy.

MR. ROY:

Here.

MS. VINNING:

Jay Rousseau.

MR. ROUSSEAU:

Here.

MS. VINNING:

Alden Andre.

MR. ANDRE:

Here.

MS. VINNING:

Jason Elkoubi.

MR. ELKOUBI:

Here.

MS. VINNING:

Mike Saucier.

(No response.)

MS. VINNING:

1 Bal Sereen.

2 (No response.)

3 MS. VINNING:

4 Thomas cotton.

5 (No response.)

6 MS. VINNING:

7 Harry Avant.

8 MR. AVANT:

9 Here.

10 MS. VINNING:

11 Louis Reine.

12 MR. REINE:

13 Here.

14 MS. VINNING:

15 Robert Stuart.

16 (No response.)

17 MS. VINNING:

18 Six out of 11 members. We have a

19 quorum.

20 MR. ROY:

21 We have before us the minutes of the

22 April 20th Board. Meeting what is the pleasure of the

23 Board?

24 MR. ANDRE:

25 Move for approval.

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MR. ROY:
Motion for approval as presented.
MR. ROUSSEAU:
Second.
MR. ROY:
Second.
Any discussion?
(No response.)
MR. ROY:
Hearing none. All in favor aye.
(Several members respond "aye".)
MR. ROY:
All opposed, nay.
(No response.)
MR. ROY:
Without objection.
Also before us, the minutes of the
Screening Committee May 18th meeting.
MR. REINE:
What do we do with this?
MR. ROY:
I'm sorry?
MR. REINE:
Why do we have minutes? Explain to me
what a Screening Committee is.

1 MR. ROY:

2 Well, the Screening Committee is
3 generally the committee that approves deals that are up
4 to half a million now.

5 MR. BROUSSARD:

6 A million dollars.

7 MR. ROY:

8 A million dollars. So those are the
9 meeting for that meeting.

10 MR. REINE:

11 I move to accept the minutes.

12 MR. ROY:

13 Motion for approval as presented.

14 Is there a second?

15 MR. AVANT:

16 Second.

17 MR. ROY:

18 Any discussion?

19 (No response.)

20 MR. ROY:

21 Hearing none. All in favor, aye.

22 (Several members respond "aye".)

23 MR. ROY:

24 All opposed, nay.

25 (No response.)

1 MR. ROY:

2 Without objection.

3 And Mr. Avant, the chairman of the
4 Policy Committee, will tell us about our earlier policy
5 meeting.

6 MR. AVANT:

7 The Policy Committee met earlier and
8 we're bringing a Declaration of Emergency Rules and Fund
9 Allocation for approval. First of all, to establish the
10 rules for EDRED, which is Economic Development Site
11 Readiness Program. This will be added on in addition to
12 the financial assistance programs where EDAP and EDLOP
13 are, and EDRED will be additionally added to that. This
14 a program where we choose sites, LED will choose sites,
15 and do much of the legwork to get these sites ready for
16 development. And basically it's essentially for
17 economic development in the state. We're going to try
18 to eliminate some of the mitigating factors that cause
19 delay and enhance the State's ability to secure projects
20 and increase jobs in the state. That process has been
21 started, so it's a request of funds of 4-million dollars
22 from EDAP for the coming 12 months, and that would
23 probably be \$40,000 spent per site for 100 sites, is the
24 way that works out.

25 Also, there's a list of rules that we

1 were separately proposing for discussion and hopefully
2 approval today concerning the site developments.
3 Developments can come from private, public or another
4 economic development program.

5 At this time, I'm just wanting some
6 discussions, questions and comments from the Board on
7 the new addition.

8 MR. ROY:

9 Well, Mr. Avant, if it's appropriate,
10 I'll make the motion to approve, and perhaps we can have
11 some discussion since I made the motion to approve the
12 policy committee.

13 MR. ANDRE:

14 And I'll second.

15 MR. ROY:

16 Perhaps Steven wants to elaborate.

17 MR. GRISSOM:

18 I just wanted to make our team available
19 for any questions of the full Board if there are any
20 questions. We certainly within the Department view this
21 as a very high priority. We appreciate LEDC taking a
22 look at this new program and the funding allocation. We
23 think it will help us be much more competitive for
24 projects that are looking at options across multiple
25 states, and we think it will help the State with its

1 efforts to increase the number of jobs available for
2 Louisiana citizens.

3 MR. ROY:

4 Jay was, I think, the only Board member
5 that was not here, but, basically, this will allow us to
6 operate for the next 120 days; correct, without -- under
7 the Emergency Rule, and we're going to use that four
8 million over the next 12 months, as Harry said, towards
9 economic development. And at the end of the year, we
10 will renew it, but it will not detract from our current
11 EDLOP or EDAP programs.

12 We actually need approval of two
13 things today: We need approval of the policy that has
14 been presented, and we need approval to move the four
15 million into the program, so those are the two things
16 before us.

17 I'll someone else make the motions,
18 should they be so inclined. Anyone?

19 MR. ROUSSEAU:

20 You need a motion of approval of one or
21 two?

22 MR. ROY:

23 I guess we can do that in two motions --
24 I mean, in one motion. We can combine both of them, so
25 is your motion to adopt the policy as presented and to

1 fund it with 4-million dollars?

2 MR. ROUSSEAU:

3 Yes, it is.

4 MR. ROY:

5 We have a motion.

6 MS. GRECO:

7 Mr. Chairman, can also add, if you
8 wanted to include a directive with the staff to move
9 with promulgation in the same form?

10 MR. ROY:

11 Okay. Is that part of your motion?

12 MR. ROUSSEAU:

13 Yes, it is. Even though I wasn't here,
14 yes, it is.

15 MS. GRECO:

16 Thank you.

17 MR. ROY:

18 We have our motion. Is there a second?

19 MR. ANDRE:

20 Second.

21 MR. ROY:

22 Second.

23 Any discussion? Any other discussion?

24 (No response.)

25 MR. ROY:

1 Any other question, perhaps, comments?

2 Jay, you have anything else?

3 MR. ROUSSEAU:

4 No.

5 MR. ROY:

6 Hearing none. All in favor, aye.

7 (Several members respond "aye".)

8 MR. ROY:

9 All opposed, nay.

10 (No response.)

11 MR. ROY:

12 Without objection. Thank you.

13 MR. GRISSOM:

14 Thank you. We'll be sure to keep you
15 updated on the progress.

16 MR. ROY:

17 Secretary Treasurer's Report,
18 Ms. Blankenship.

19 MS. BLANKENSHIP:

20 Good morning. Secretary Treasurer's
21 Report as of June 15th: The Financial Assistance
22 Program, we have \$200,000 budgeted. Projects approved
23 today is \$65,625 for a balance of \$134,375. In Capital
24 Outlay, a budget of \$13,380,139 dollars. Projects
25 approved, 1,205,500, for a balance of 12,174,639. For

1 State Small Business Credit Initiative, we have a budget
2 of 8,433,468. Approved projects, \$4,043,567, for a
3 balance of 4,389,901. We'll be making an adjustment to
4 the Small Business Credit Initiative for the final 8/014
5 report, which when we close out fiscal year '12 at
6 August 14 for the June 30th fiscal year, two of the
7 Venture Capitals, Themelios and Louisiana Fund for each
8 a million will be just shown as reserved and not full
9 committed. We're going to change that to zero because
10 the treasury will not give us our second tranche until
11 we have signed agreements, and we're going to get those
12 shortly, but if we don't have the signed agreements
13 prior -- we don't think we're going to get them prior to
14 June 30th, that will show that the money is not
15 obligated on June 30th, and then when we get the second
16 tranche, we'll put it back.

17 Is that correct, Ann?

18 MS. VILLA:

19 Yes. The Treasury doesn't consider it
20 obligated or committed until the agreements are signed
21 and sent to Treasury and executed and approved by
22 Treasury, so in our discussions with them, they said
23 they that don't consider that as obligated, so we
24 shouldn't be considering it as obligated. We'll just
25 show it approved.

1 MS. BLANKENSHIP:

2 Okay. If you'll go to the next page
3 page, on the Fund Balance page, in column W at the row,
4 we're projecting a balance of 1,624,717. We haven't
5 adjusted it yet. The revenue projections still look
6 like they're about on target, so we'll adjust that when
7 the final year closes out. I did want to bring to your
8 attention that on the previous report, we had
9 anticipated a possible amendment to the EDAP Program,
10 which did not occur. So going back to -- I'm sorry.
11 Going back to the first page, on our EDAP balance for
12 next year, we did move the 2,040,005, but the previous
13 report had another proposed amendment for 2.7-million.
14 They didn't take that, so that wasn't an adjusted budget
15 from last month, so the other amendment did not go
16 through.

17 And we should have an additional -- in
18 fiscal year '13, HB2 Priority, 2-million dollars in
19 EDAP, which should be given a line of credit at the
20 October hearing at the bond commission.

21 MR. ROY:

22 Any questions or comments?

23 MR. REINE:

24 On page 3, you got actual and then
25 projections, at the top is income and 20 down is...

1 MS. BLANKENSHIP:

2 Correct; expenditures. And that's based
3 on like full expenditure authority, so we usually don't
4 expend our full budget, so it will probably be a little
5 bit more.

6 MR. REINE:

7 What do you do with the Vendor
8 Compensation Fund?

9 MS. BLANKENSHIP:

10 The Vendor Compensation Fund is on row
11 18, and that's -- we're projecting 9.5-million right now
12 and they're right about there, so it's showing a little
13 less right now. We're just a couple of percentage
14 points under from prior year, but if we stay on target,
15 we should meet that.

16 MR. REINE:

17 And I don't know if you changed it at
18 one point in time, wasn't Vendor Compensation money at
19 all or part dedicated to the Workforce Training Program?

20 MS. BLANKENSHIP:

21 Six and a half million of it was at one
22 point in years past, but the law had changed, and it was
23 in '01 or '02, I think, is when the department
24 reorganized the Vendor Compensation was consolidated and
25 it was to fund all LEDC programs, including the

1 Workforce Training Program, which is no longer funded.
2 It is now being used for the Fast Start Program, which
3 is our training program today. So it basically -- that
4 six and a half, if you will, think of it another way,
5 it's funding the Fast Start Program, which is on row 36,
6 which is five and a half.

7 MR. REINE:

8 And all of the zeros, those are -- last
9 year you did 719,000 in workforce training in Bossier.

10 MS. BLANKENSHIP:

11 Right. Those are some old -- under
12 Traditional Programs, that was from prior leftovers that
13 were carried forward because the contracts for were two
14 years, and sometimes they get extended to a third year,
15 so some of those prior year contracts that had rolled
16 forward. Our prior year actually in fiscal year '11 was
17 719, but I think there's one active or maybe two active
18 in current year, but it's going to be closed out this
19 year, so there might be a small balance in fiscal year
20 '12 for one workforce training program that I think is
21 still active from the old program.

22 MR. REINE:

23 Does this say Administrative and
24 Operating Expenses is going from 800,000 to 4.9 million
25 on 27?

1 MS. BLANKENSHIP:

2 Correct. There was a means of financing
3 swap for -- in years past the administrative expenses --
4 the budget office has basically done -- the Office of
5 Planning and Budgeting has basically done a means of
6 financing swap. We're paying more expenses from
7 LED --from the LED fund and from general funds. It's a
8 means of financing swap that the budget office has
9 directed. So basically what we were paying for projects
10 before, like I called them line item appropriations,
11 like the Bond Debt payments that we use to pay for CG
12 Rail, Union Tank and Northrop Grumman, all of the these
13 things were being funded from the LED fund, so now we're
14 they're not funding the debt service payments anymore.
15 They were moved to another agency as you see there.
16 They created a new schedule under our department
17 Schedule 20-931 and other requirements section of the
18 bill, and all of the bond debt payments and special
19 projects were being appropriated from the general fund,
20 not the LED fund. So they just moved the funding source
21 that -- what we were paying for the bond debt projects
22 is being used to fund big LED in other areas.

23 MR. REINE:

24 Say that one more time.

25 MS. BLANKENSHIP:

1 The bond debt payments for Union Tank,
2 CG Rail and Northrop Grumman are now beng paid in
3 another schedule, and it's Schedule 20-931 in HB1 in the
4 appropriations bill and they're all being funded by the
5 general fund, which has traditionally been funded by the
6 LED fund in years past. So instead of paying the bond
7 debt service payments and some of the line item
8 appropriations from the LED fund, a means of financing
9 swap was done. They're giving us general funds to pay
10 for those, and the funds that were being used to pay for
11 those are not paying for LED operating.

12 MR. ROY:

13 So, Kathy, does that mean in the end
14 that money is now -- that expenditure is now shown as
15 administrative operating expenses?

16 MS. BLANKENSHIP:

17 Correct. It's a means of financing
18 swap. So they took away money from LED general fund and
19 substituted it with LED fund. So LED had to give up
20 general fund and they substituted a means of financing
21 swap with the LED fund, but in essence, they really gave
22 us more general fund in the big picture because the LED
23 fund has been depleted, where we don't have the fund
24 balance any more. So in toto for the department, our
25 general fund has increased, so it's not -- we're not

1 paying as much with the LED fund because we don't have
2 that healthy fund balance that we've had in the years
3 past. So they're giving us general funds for our
4 project commitments and our bond debt payments in
5 another schedule, and they're maximizing the use of the
6 LED fund to pay for LED direct.

7 MR. REINE:

8 The total increase of 4.1-million
9 dollars, that's all bond payments?

10 MS. BLANKENSHIP:

11 There's other project commitments as
12 well. There's -- no. I would have to go back because
13 every year, the bond debt schedule changes. The amount
14 changes. I would have to get the fiscal year '12 budget
15 to show you which -- how much the fiscal year '13 -- I'm
16 sorry -- fiscal year '13 bond debt payments are for each
17 one of these, but, in essence, that's what they did. It
18 would have been the same if -- it's just another way to
19 reflect that. They could have left the project in this
20 schedule and funded it with LED fund and reduced the
21 operating expenses. They just -- we were trying to
22 consolidate all of the project commitments and the bond
23 debt payments outside of Office of the Secretary Office
24 of Business Development so that it makes our budget look
25 inflated, and it doesn't show our true operating. So we

1 moved all of these projects to another new schedule to
2 show our -- so from year to year historically, it will
3 more accurately reflect what our continuing operations
4 are, but the goal is to use the LED fund to its maximum
5 capacity to fund LED expenses.

6 MR. REINE:

7 But what concerns me is, is if I look at
8 administrative costs and operating expenses, and it
9 looks like what I envision it as a 4-million-dollar
10 increase in what it cost to run the department because
11 of the way you put it on paper. I don't understand, if
12 you got loan payments or something, you don't tack them
13 separate, instead of it looking like the cost of the
14 department goes from 800,000 to 4.9 million dollars
15 because it's under administrative and operation fees.
16 When I look at something that tells me how much you
17 spend to operate the department, it looks like it's a
18 huge adjustment.

19 MS. BLANKENSHIP:

20 It's discretionary as to what you can
21 say is being funded. I usually assign the LED admin
22 dollars to an area that I think is appropriate, and I
23 have applied a portion of this to our advertising
24 contract for advertising and marketing, so the bulk of
25 this money is being spent in our advertising contract.

1 MR. REINE:

2 The bulk of 4-million dollars.

3 MS. BLANKENSHIP:

4 Approximately the same amount would be
5 spent for admin because that wouldn't have changed, and
6 the means of financing substitution would be in another
7 category of that is being funded by general funds. I
8 assigned it to the Advertising and Marketing Program for
9 the ad contract is the bulk of it.

10 MR. REINE:

11 On line 38 and down, all of these
12 numbers go to zero.

13 MS. BLANKENSHIP:

14 Right. They're now -- all of project
15 commitments and bond debt payments are still -- we still
16 have obligations against many of those, and in addition
17 to these, there are others that are not being -- that
18 were not being previously funded from the LED fund.
19 They've all been moved to a new schedule in the back of
20 the bill in the Other Requirements Schedule 20-931 and
21 they're being funded with general funds.

22 MR. REINE:

23 How were they funded before?

24 MS. BLANKENSHIP:

25 Primarily from the LED fund. Since

1 almost inception, I would estimate at least six years of
2 bond debt payments we've been paying for CG Rail and
3 Union Tank and Northrop Grumman, we've been paying out
4 of LED fund. And these payment have gone down. In
5 previous years, they were as much as 3-million dollars
6 for one, so these payments have gone down over the
7 years, and they will drop off when they amortize out
8 but...

9 MR. REINE:

10 How much money and how much longer
11 does -- I don't know. I guess you're telling me now
12 they're a debt of the State and not LED. They're being
13 paid in general fund dollars.

14 MS. BLANKENSHIP:

15 Correct.

16 MR. REINE:

17 How much longer do we have left to pay
18 in funds for Northrop Grumman?

19 MS. BLANKENSHIP:

20 I can get that to you.

21 MR. REINE:

22 Are we going to be paying the debt
23 program years after they leave?

24 MS. BLANKENSHIP:

25 I think it's a 20-year agreement. I

1 can't remember if it's the 13th or 14th year that we're
2 in the agreement now. CG Rail will expire next year.
3 August of '12 is the last year of our bond debt payment
4 for CG Rail -- I'm sorry. I think St. CG Rail. I can't
5 remember which one, but one falls off next year, and
6 then after that, we'll have two to pay until the end of
7 the contract.

8 MR. REINE:

9 Are we going to be continuing to pay on
10 debt for Northrop Grumman after they shut down?

11 MS. BLANKENSHIP:

12 It's a bond debt payment. It's
13 required. There's no recourse.

14 MR. REINE:

15 So they have no obligation under these
16 arrangements to be in business, to be employing people?

17 MS. BLANKENSHIP:

18 I think there was a clawback, but --
19 yes. There's clawbacks in every agreement.

20 Northrop Grumman did pay. That's the
21 one that paid us the 34-million dollars back. They
22 already paid us 34-million dollars back, and it was
23 deposited into the LED fund last year. If you look on
24 row 17 and you see in column B the 34,585,000, that was
25 what Northrop Grumman returned, and then the Treasury

1 swept it and sent it to the general fund.

2 MR. REINE:

3 And they didn't use it to pay off the
4 bond?

5 MS. BLANKENSHIP:

6 We are using it to pay off the balance
7 of the bonds. The bonds are required to pay that debt
8 schedule, and the State is obligated to pay those bonds.
9 It's just being funded, you know, in accordance with the
10 fee schedule.

11 MR. REINE:

12 There's no provisions that pay off the
13 bond?

14 MS. BLANKENSHIP:

15 No. I think in the bond agreement,
16 there are certain points that you can ask for it to be
17 paid off early, but we haven't reached that point yet.

18 MR. REINE:

19 Okay. Thank you.

20 MR. ANDRE:

21 I have just one question. Help me,
22 please, page 1, at the bottom of the page one, I'm
23 reading Adjusted EDAP budget 13.3-3 House Bill 2 for FY
24 13 provides an additional -- does that mean to mean that
25 the budget for FY 13 is going to be 23.3 million?

1 MS. BLANKENSHIP:

2 Yes.

3 MR. ANDRE:

4 Thank you.

5 How does that compare with how we
6 started our legislative year; do you remember?

7 MS. BLANKENSHIP:

8 No, I don't have that. It should have
9 been close to 13 -- to 15 million. We started with 15
10 million this year.

11 MR. ANDRE:

12 In total?

13 MR. REINE:

14 And I think HB 1059, I take it that was
15 a budget fee bill?

16 MS. BLANKENSHIP:

17 The HB 1059 was a supplemental bill.
18 That was for fiscal year '12. That was the supplemental
19 bill.

20 MR. REINE:

21 They took two million?

22 MS. BLANKENSHIP:

23 Right.

24 MR. REINE:

25 And that's where we got the 13 million?

1 MS. BLANKENSHIP:

2 Right. That became at 53. That one is
3 signed already.

4 MR. ANDRE:

5 So am I correct that they're starting
6 out FY 13 with 23.3 million instead of 13?

7 MS. BLANKENSHIP:

8 We don't have the authority to spend it
9 until the Bond Commission gives us a line of credit. So
10 I wouldn't -- like when we come back in July or August,
11 I'm not going to reflect that until we get a cash line
12 of credit.

13 MR. ANDRE:

14 I understand.

15 MS. BLANKENSHIP:

16 And think then the Board approved today
17 for four million to come out, so you're going to have
18 less four million for the program.

19 MR. ANDRE:

20 I understand that. We're starting out
21 FY 13 with 23.3 million, and last year we started out
22 with 15?

23 MS. BLANKENSHIP:

24 Right. That's correct.

25 MR. ANDRE:

1 That's a significant increase. I'm
2 appalled. How did that happen?

3 MS. BLANKENSHIP:

4 Well, we always request funding of a new
5 10-million dollars every year in EDAP, and some years we
6 get it and some years we don't. And from year to year,
7 it's funded in different ways. Sometimes it's funded
8 with GO Bonds and sometimes it's funded with general
9 funds or LED fund or -- the new 10 million is GO Bonds.

10 MR. ANDRE:

11 And at what point do we know exactly
12 what it's going to be?

13 MS. BLANKENSHIP:

14 It usually --

15 MR. ANDRE:

16 This is tentative right now; right?

17 MS. BLANKENSHIP:

18 Right. I don't think the governor has
19 signed HB 2 yet, so unless there was a veto, it should
20 be -- we should get a line of credit in October, but
21 there's no guarantee. They can give us a partial line
22 of credit. Out of the 10 million, they could give us
23 zero or they could give us all 10 or they could give us
24 five.

25 MR. ROY:

1 How often has that happened in the past?

2 MS. BLANKENSHIP:

3 For the EDAP Program, we've never not
4 gotten a cash line of credit for the full amount at the
5 October hearing.

6 MR. ANDRE:

7 So it will be October before we know for
8 sure?

9 MS. BLANKENSHIP:

10 Right.

11 MR. REINE:

12 So HB 2 does contain all of the State's
13 bonding authority?

14 MS. BLANKENSHIP:

15 Does HB 2...

16 MR. REINE:

17 Contain all of the State's bonding
18 authority.

19 MS. BLANKENSHIP:

20 Yes.

21 MR. REINE:

22 I suspect it's going to be vetoed.

23 MR. ROY:

24 Any other questions or comments? Good
25 questions. Any comments?

1 (No response.)

2 MR. ROY:

3 Anything else?

4 (No response.)

5 MR. REINE:

6 Thank you.

7 Let me go back to this, is there a way
8 in administrative to list those bond payments separate
9 so that -- I'm just concerned I'm looking at something
10 that looks like reflects a significant amount of
11 increased administrative costs, and if we can...

12 MS. BLANKENSHIP:

13 You want me to break down the 4.9 of how
14 I'm assigning it within the department; is that what
15 you're asking?

16 MR. REINE:

17 Is there just another line you can put
18 it under instead of administrative if it's bond
19 payments?

20 MS. BLANKENSHIP:

21 Well, administrative is
22 administrative/operating. It's just...

23 MR. REINE:

24 It's a catchall. I understand. But if
25 you're talking about administrative, to somebody who

1 just looks at this, it's just administrative costs. If
2 you can put it separate --

3 MS. BLANKENSHIP:

4 I can discuss it with Ann as how to we
5 want to allocate it, to which operating expenses we want
6 to allocate it to out of our budget. The biggest
7 general fund item that we have that's easy to identify
8 is the ad budget, so that's how I assigned it.

9 MR. ANDRE:

10 I think it's a point well taken because
11 in years to come when you compare and your
12 administrative went up by that much.

13 MS. BLANKENSHIP:

14 Yes. Okay.

15 And I did have one other question for
16 you, the next time we meet and we have the fiscal year
17 13 budget, did you want to have a new section for the
18 Ready Program, the sites program.

19 MR. ROY:

20 I think that would be good.

21 MR. ANDRE:

22 Yes.

23 MR. BLANKENSHIP:

24 For the four million and however much --
25 okay.

1 MR. ROY:

2 I think on the lines of Mr. Reine's
3 comments, any breakdown of details could --

4 MR. REINE:

5 Obviously every agency is looking for
6 cuts, and for somebody who just looks at this, it looks
7 like the administrative costs just -- how would you
8 explain that? Just the bond payments, wouldn't --

9 MS. BLANKENSHIP:

10 Like we're not paying any bond payments
11 with the operating money. Yes.

12 MR. REINE:

13 If it's going to something else
14 administrative.

15 MR. ANDRE:

16 That's important.

17 MR. ROY:

18 Any other question or comments?

19 MR. ANDRE:

20 Move for approval of the report as
21 submitted.

22 MR. ROY:

23 Motion for approval of the report as
24 presented.

25 MR. REINE:

1 Second.

2 MR. ROY:

3 Second.

4 Any discussion?

5 (No response.)

6 MR. ROY:

7 Hearing none. All in favor, aye.

8 (Several members respond "aye".)

9 MR. ROY:

10 All opposed, nay.

11 (No response.)

12 MR. ROY:

13 Thank you , Ms. Blankenship.

14 Mr. Smith, accountant's report.

15 MR. SMITH:

16 LED staff report of May 31st, 2012:

17 Total Participation Loans as of May, 470,919. Total
18 Direct Loans as of the end of May, 7,824,414. MV Realty
19 is still past due. They'll be in forbearance until the
20 end of June. There's no change there. The only update
21 I have on MV Realty is the bank -- there's been no
22 action, so it appears to me as if this loan will soon be
23 foreclosed on.

24 Seth, did you get an update from...

25 MR. BROWN:

1 I'm getting the same response that Errol
2 is getting. It doesn't look good with this one. The
3 only thing is it would be counted as a loss. It was
4 participation, so we won't be writing a cash check for
5 that.

6 MR. ROY:

7 Come up here. I'm not sure what you're
8 saying is being recorded.

9 MR. BROWN:

10 I said, to reiterate, I'm getting the
11 same response Errol is getting. We call like bill
12 collectors. I get the assistant sometimes, and they're
13 working thing out still. It's in forbearance, but it's
14 not looking good. And it probably will be counted as a
15 loss on our loan balance, but the other side of that
16 coin is it was participation. We won't be writing out a
17 cash check. We won't wrote that check out several years
18 ago, so, I will...

19 Hope Credit Union. I'm sorry. Hope Credit
20 Union.

21 MR. ROY:

22 Are you saying we already charged it
23 off?

24 MR. BROWN:

25 No, I'm not.

1 MR. ROY:

2 So we wrote a check years ago?

3 MR. BROWN:

4 Right. There was an agreement, so if
5 I'm not mistaken, it was a 40/60 participation when it
6 was initially done, so it's the only participation we
7 have on the book.

8 MR. ANDRE:

9 So help us so we don't make the same
10 mistakes. What was the project for?

11 MR. BROWN:

12 This was from ABW Auto. It was a
13 dealership -- it was several dealerships. It was two
14 dealerships. It was Toyota and, I want to say it was a
15 Chrysler dealership. Chrysler is no more in the mix
16 with this one, if I'm not mistaken. I've been through
17 the file enough. It started off as being one business
18 owner and it was sold to another one about a year ago.
19 It was ABW and it became MV Realty when they redid it,
20 and I think they started some type of workout agreement
21 back in September of '11 with this one as well. The
22 initial owner has gotten out of the deal altogether.
23 They let themselves from the building and went on to
24 other endeavors, if I'm not mistaken. Then it went from
25 a professional football player to a professional

1 basketball player, Butch Carter. He had several
2 dealerships around the country. He took over this
3 dealership -- with virtually little to nothing, he took
4 over the dealership and tried to make a go at it, and we
5 all know what happened with the auto industry and
6 dealers and manufacturers. There was some complications
7 with that as well. But the loan officer, it started out
8 being Delta Enterprise Corporation, if I'm not mistaken,
9 that did this deal, and Hope Credit Union acquired them.
10 The loan officer has been very, very difficult to catch.
11 Errol has had trouble with him. I have had trouble
12 catching him. I tried several times a week, and
13 sometimes Errol would come into my office and we'll call
14 again. And I might catch his assistant sometimes.

15 MR. ROY:

16 Under the loan participation document,
17 who has the right to call the note? Only the credit
18 union?

19 MR. BROWN:

20 The credit union has the right to call
21 the note.

22 MR. ROY:

23 Do you know if they at least made an
24 attempt on them?

25 MR. BROWN:

1 They have not because it's still in
2 forbearance. We have until the end of June that the
3 third person would be under this provision.

4 MR. ROY:

5 We don't have any provisions in those
6 participations to --

7 MR. BROWN:

8 Well, technically, if you give them a
9 forbearance, it's not really late, late, you know. If
10 you give them a grace period to work something out, so
11 that -- you know, it's a nimble at this point until that
12 expires, and maybe we should start sending demand
13 letterers and things of that nature.

14 MR. ROY:

15 Do we have any right under the
16 participation agreement to participate in the loan?

17 MR. CANGELOSI:

18 All we have to do is buy it. We don't
19 want to buy it if it's already in default. If we bought
20 it, we would be in control, otherwise, the agreement
21 says the lender is the one is actually --

22 MR. REINE:

23 Is there any collateral on this loan?

24 MR. BROWN:

25 Yes. The real estate -- the auto

1 dealership real estate itself is the collateral that's
2 on the loan. We didn't buy into the floor plan. We
3 paid for the real estate itself.

4 MR. REINE:

5 What's the value of the real estate; do
6 you know?

7 MR. BROWN:

8 I have no idea at this point, Mr. Reine.

9 MR. REINE:

10 Where is it at?

11 MR. BROWN:

12 This is the Monroe area. This was done,
13 if I'm not mistaken, back in 2003, 2004, so it's been
14 about eight years.

15 MR. BROUSSARD:

16 Under the original terms, it was a
17 million-three in terms of collateral value. I think it
18 was land, building and improvements to the land and
19 building.

20 MR. REINE:

21 Again, do we own 60 percent of that
22 collateral, or we got the whole --

23 MR. BROUSSARD:

24 We have 40.

25 MS. GUESS:

1 Yes, 40.

2 MR. REINE:

3 Okay. The original loan amount was
4 \$489,000, and they haven't paid but 19,000 on it in
5 eight years, nine years?

6 MR. BROWN:

7 No. No.

8 MR. SMITH:

9 That wasn't the original amount. That
10 was the amount being taken over by the credit union.

11 MR. BROWN:

12 Hope.

13 MR. SMITH:

14 Yes, by Hope Credit Union.

15 MR. BROWN:

16 Actually by Butch when the owners
17 changed hands. It was that amount when Butch, I think,
18 took it over, somewhere in that area when Butch took it
19 over.

20 MR. BROUSSARD:

21 That was in 2009, and the amount of the
22 loan then was a million-three, hence the value of the
23 collateral. Our participation was \$507,000. It was
24 it's supposed to be a five-year term loan.

25 MR. BROWN:

1 So if it's 400,000 now, and we're doing
2 a 40 percent participation, we're looking at a loss
3 somewhere of \$160,000 on that deal.

4 MR. REINE:

5 This is our portion of the loan,
6 \$400,000?

7 MR. BROWN:

8 It's our portion that's on the book.
9 Excuse me. We only have one portion that's on the book,
10 so excuse me.

11 MR. ROY:

12 And along those lines, we have not -- to
13 my recollection, we have not done any participations
14 recently, but to the extent we ever do some again,
15 perhaps we should put in the agreement that if either
16 party fails to be paid, then either party can call the
17 note, or something along those lines. Because these
18 guys, as may be the case with a lot of lenders out
19 there, engaged in forbearance and we aren't getting paid
20 and there's nothing we can do about it except buy the
21 notes.

22 MR. BROWN:

23 Chairman Roy, I'm not sure if it's not
24 in there or if it is. This is a file about the size of
25 a file cabinet. I've been through it on one or two

1 occasions. There was a situation where the original
2 owner was on the deal by itself. He tried doing some
3 type of workout, and one of his partners got off and I
4 went through the it, so I'm trying to regurgitate
5 something that's been three years ago what those terms
6 were, but as I can remember that file, it's a drawer, so
7 I'm going to go back and look at it and see what
8 recourse in the original participation agreement we had.
9 And like I said, this was done back in 2004, somewhere
10 in that ballpark, you know, so it's been eight years. I
11 came aboard in 2007, so I'll find out and I'll report
12 back to you --

13 MR. ROY:

14 Okay.

15 MR. BROWN:

16 -- the Board about this one.

17 MR. ROY:

18 Mr. Smith, what other news do you have
19 for us?

20 MR. SMITH:

21 Okay. Hopefully good news.

22 Total EDLOP and EDAP loans as of May
23 31st, 1,762,752. They're all current. As of May 31st,
24 we have 18 guaranteed loans, all are current, for
25 7,323,527. Allowance for Loan Loss Participation and

1 Direct, balance as of May 31st, reserve 519,581. Loan
2 Balance 8,295,333. Allowance for EDLOP Loan Loss,
3 balance as of May 31st, 264,412. Loan balance,
4 1,762,752. Allowance for Guarantee Loan Loss as of May
5 31st, 18 percent of 7,323,527 is 1,318,235.

6 Also, moving over to State Small Business
7 Credit Initiative, to date, we've approved eight loans.
8 Four are closed, as of May 31st, and four have not
9 closed. And the balances are as follows: The total is
10 4,186,766. Our current amount, 905,187. We have Great
11 Southern Galvanizing, that loan has been closed. They
12 have not drawn anything on that for whatever reason, so
13 that's where we are. Thank you very much.

14 MR. ROY:

15 Any questions or comments?

16 (No response.)

17 MR. ROY:

18 All right. Hearing none, I'll entertain
19 a motion to accept the Accountants Report.

20 MR. AVANT:

21 So moved.

22 MR. ROY:

23 Motion.

24 MR. ANDRE:

25 Second.

1 MR. ROY:

2 Second.

3 All in favor, aye.

4 (Several members respond "aye".)

5 MR. ROY:

6 All opposed, nay.

7 (No response.)

8 MR. ROY:

9 All right. Mr. Elkoubi, the President's
10 Report.

11 MR. ELKOUBI:

12 Thank you, Mr. Chairman. I think it's
13 been, I think, a couple of months now since I've had an
14 opportunity to provide a report to the quorum. Maybe In
15 the month of May, so I've got several things to report.
16 I'll try to be as brief as possible.

17 As I've shared before, Louisiana is now at
18 its highest rank ever in every single major state
19 ranking of state business climates in the country, and
20 we've got some more news recently in early May. Chief
21 Executive Magazine, which is a magazine that's read by
22 chief executives and other business decisionmakers that
23 does a survey every year where they basically ask their
24 readership "What do you think are the best and worse
25 states for business?" And they take a balance of those

1 responses and net it out and basically do an average of
2 the states. When we took office eight -- four years
3 ago -- dog years -- we were ranked number 45 in the
4 country out of this Chief Executive Magazine. We've
5 moved up steadily over the last four years. We were
6 67th last year, and the report that came out a month or
7 so ago put us at number 13, so we moved up 32 spots in
8 four years. Obviously, a lot of the rankings we've
9 looked at are driven by some of the data, the
10 fundamental data, in terms of economic performance, in
11 terms of tax and regulatory structure. We've moved up
12 considerably in those rankings as well, but on the
13 reputation that Louisiana has along chief executives and
14 other business decisionmakers, we've seen very, very
15 rapid and steady improvement over the last four years.
16 That put us in the best place we've ever been in this
17 raking, as well as every other.

18 There was some discussion earlier about
19 the legislative session. Obviously a number of
20 government issues for LEDC and LED, but I wanted to
21 comment on some of the other policies that have impacted
22 the economic development. When I was here a couple of
23 months ago, I presented to you an analysis that we did
24 of another ranking in this case Forbes Best Places for
25 Business Ranking, so the potential to move up even

1 further in that ranking based on continued improvements
2 and education in terms of Louisiana. The governor's
3 package to reform education was is adopted, I think as
4 we've all seen, so we're very optimistic about the
5 potential for continued improvements. There's also
6 LED's legislative package, including the creation of
7 targeted new incentive programs, was adopted, and over
8 the next few months, we'll be in the process of
9 basically implementing those programs. These are all
10 things that are very targeted on the types of industries
11 we're trying to cultivate here. They can only be used
12 in competitive site selection situations for business
13 expansion situations and will give us some tools that we
14 can use to improve our competitiveness for sectors where
15 other states have been able to offer some flexibility
16 and some incentives that we currently do not have in
17 place or at least do not have in place until these
18 programs are passed by legislature an by the government.

19 There's been a number of major economic
20 development project announcements over the last couple
21 of months. I would like to mention just a couple of the
22 highlights because there are many. In early May,
23 Sempra, a company that's developing a national transport
24 export facility in Southwest Louisiana, announced that
25 it basically had its final commercial agreement for

1 building a \$6-billion facility. Obviously, that's going
2 to be a major move of productivity for Southwest
3 Louisiana and across the State. Also, earlier, there
4 was an announcement that a company called Ronpak, which
5 manufacturers basically the materials that many
6 retailers and others use, restaurants use to package
7 products, that they will be expanding their national
8 manufacturing operations in Shreveport. They announced
9 in early May that they would actually be relocating
10 their headquarters, their corporate headquarters, from
11 New Jersey to Shreveport, so very nice move there as
12 well.

13 A number of other things across the
14 State that I just want to share with you as well and
15 mention some of those: Metal Sharp Notes announced that
16 they plan to dock their -- in Jefferson Parish, but a
17 lot of activity across the State. Also, a couple of
18 significant events, to recognize the business success,
19 in mid-May, LED and the Small Business Administration
20 had a reception at the Governor's Mansion to recognize
21 small businesses across the state, small business award
22 winners. A very nice ceremony. Also, just earlier this
23 week, we recognized some of Louisiana's leading
24 manufacturers with the Lantern Awards, also at the
25 Governor's Mansion.

1 So a lot of activity, a lot to
2 celebrate, and I'll be happy to try to answer any
3 questions you might have.

4 MR. ANDRE:

5 Have you, on the permitting issue at
6 Nucor -- is that the project...

7 MR. ELKOUBI:

8 The question is about permitting issues
9 at Nucor. I'm not familiar with the details of that
10 situation, but I don't know if there's somebody upon
11 staff who might want to try to comment on that.

12 MR. GRISSOM:

13 Sure. One of our team members recently
14 visited the site. The project's moving forward and
15 shared a number of pictures of certain facilities and
16 storage facilities, in particular, that are underway and
17 in progress, so it appears the project is moving forward
18 in spite of some of the uncertainty out there with the
19 litigation.

20 MR. REINE:

21 Let me ask you, I've heard a lot of
22 concern from elected officials in that area about lack
23 of local participation of workers and small businesses
24 with Nucore; have you had any conversations about that?

25 MR. GRISSOM:

1 We can certainly check into it, so I'll
2 reach out to our team member who visited with the
3 company recently.

4 MR. REINE:

5 If you would. I've had conversations
6 with several of the elected officials who were quite
7 certain that local residents are not participating
8 and/or not offering opportunities into the construction
9 of the process, as well as a lot of businesses don't
10 have any stake, which I think we put up quite a
11 considerable amount of money as a state to attract them
12 here. If our citizens are not participating in the
13 venture, I don't know if it's money well spent.

14 MR. GRISSOM:

15 Certainly. We'll check into that.
16 Thank you.

17 MR. ROY:

18 Any other questions or comments?

19 (No response.)

20 MR. ROY:

21 Mr. Elkoubi, I appreciate it.

22 Under Other Business, Ms. Bigner on
23 Louisiana Fun II LP update.

24 MS. GUESS:

25 Mr. Chairman, I'm going to incorporate

1 Susan's updates and my updates so we can delineate some
2 time.

3 MR. ROY:

4 Okay.

5 MS. GUESS:

6 As mentioned earlier in the Secretary
7 Treasurer's Report and the other report, that we are
8 still in the process of working out the agreements for
9 two of our Venture Capital Seed Funds that were approved
10 early on this year. Of the three that were approved,
11 we've successfully negotiated and executed, rather, the
12 contract between New Orleans Startup Fund, so we've
13 closed or are about to close one of those three projects
14 for Venture Capital, and we're very close in getting the
15 final language for the other two. So we hope to report
16 to you in July that we have all of our Venture Funds in
17 place.

18 We also have for you have -- I have for
19 you now, just to give you a little update on what we've
20 been doing by December when we first got it, but the
21 response has been really, really great. We made a trek
22 to North Louisiana at the end of last month and we -- to
23 our banking community and to our commercial and
24 non-commercial entities across the state. The response
25 has been really overwhelming and much appreciated.

1 We've been working through our small business
2 development centers around the state, and so we are
3 pleased to say that they are putting together a -- the
4 bankers from respective areas from the credit unions, we
5 ended up going to Shreveport and put together by the
6 Shreveport Small Business Development Center had
7 representatives from local credit unions that were also
8 in attendance at that meeting, so it's moving along real
9 good.

10 We also have an upcoming bankers workshop,
11 if you will, for Community Trust Bank in Ruston in two
12 days, and in the next couple of weeks, next week, we
13 also have one with other bankers in the Ruston area that
14 are not affiliated with Community Trust Bank that we
15 will be talking to them separately. We know that
16 historically the interest for participation in any of
17 our loan programs have traditionally been below I-49
18 concentrated heavily in New Orleans, Baton Rouge,
19 Lafayette, New Iberia, but we are trying to get some
20 momentum in getting some loans out of the North and
21 Central Louisiana area, and we feel that making some
22 communication and making headway with some of the banks
23 that are basically influential in that area, Community
24 Trust being one, Red River Bank is the other one that
25 we're working with, and we're hopeful that we will get

1 those banks on board very shortly. So I'm saying that
2 overall, since December when we first started our
3 marketing efforts, and we're only into our sixth month
4 of marketing the program, we are making great strides
5 currently. Recently, during a visit to New Orleans area
6 and in a meeting with the Hispanic Chamber in New
7 Orleans, we had a request from the executive director of
8 the Hispanic Chamber, Ms. Darlene Kattan, to provide
9 some information for her constituents in their language.
10 Thanks to our bilingual staff member Felipe Martinez, we
11 have been able to convert this one page that I passed
12 out to you for our Hispanic audiences in New Orleans and
13 statewide, so I think we're going to be going back
14 holding another round of meetings with them in New
15 Orleans to make certain that we reach all of our
16 targeted groups throughout the state on this initiative.
17 And this is also a little marketing piece that we would
18 like for you-all to take a look at that we've updated
19 since then, and it will give you some idea. This is the
20 kind of material that we're passing out to our bankers
21 as we speak to them. We also have an entire banker's
22 packet that we hand to them that include a checklist for
23 the actual application, some forms that treasury
24 requires that's included as part of the application,
25 certain certifications that we are mandated by the

1 federal government to include in our packages and
2 so-and-so. It's been -- we are very, very proud of the
3 project that we have here.

4 So just wanted to give you a brief
5 overview and update. I'll be happy to any questions you
6 have.

7 MR. ROY:

8 Question or comments?

9 (No response.)

10 MR. ROY:

11 Themelios Ventures, are you going to
12 comment on all of this?

13 MS. GUESS:

14 Well, those two are -- Themelios and LA
15 Fund II, it was on there with the update. That's where
16 we're still working on the wording for our allocation --
17 I'm sorry -- working with our subscription agreement
18 with them, and that's where we are on those because they
19 were then approved back earlier in the year. We're
20 going to keep them on our Secretary Treasurer's Report
21 as being approved and permitted and we feel that we'll
22 have finalization on those two at the end of that.

23 Another thing I failed to mention, I
24 want to just give you an update on our marketing, but
25 also, as earlier mentioned, we've done eight projects

1 thus far and have given you a total of about \$4-million
2 that we've spent. Right now, we have five projects in
3 house pending to the total of about \$2.4-million, so
4 we've been very busy. The staff just went up yesterday
5 and participated in a marketing effort with the rest of
6 our business incentive staff, and each time they come
7 back, they bring a loan or one shows up shortly after
8 that after development. In addition to the ones that
9 have already been approved, we've got a healthy -- and
10 then we also have one other Venture Capital Seed
11 application that I believe just came in and we'll be
12 providing on an ongoing basis possibly next month a more
13 comprehensive list on the types of project, where
14 they're located and the amounts of what we have already
15 approved and especially those that we've updated.

16 MR. ROY:

17 Very good.

18 Any other questions or comments?

19 (No response.)

20 MR. ROY:

21 Do we have any other business?

22 (No response.)

23 MR. ROY:

24 Hearing none, I'll entertain a motion to
25 adjourn.

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MR. REINE:

So moved.

MR. ROY:

Motion to adjourn.

MR. ANDRE:

Second.

MR. ROY:

Second.

All in favor, aye.

(Several members respond "aye".)

MR. ROY:

All opposed, nay.

(No response.)

MR. ROY:

Adjourned.

(Meeting concludes at 10:33 a.m.)

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STATE OF LOUISIANA:

This verification is valid only for a transcript accompanied by my original signature and original blue seal on this page;

I, Elicia H. Woodworth, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this testimony was taken, do hereby certify that the witness, to whom oath was administered, after having been duly sworn by me upon authority of R.S. 37:2554 did testify as hereinbefore set forth in the foregoing pages;

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

Baton Rouge, Louisiana, on this date _____.

Elicia H. Woodworth, CCR
Certificate No. 27014