

LOUISIANA AGRICULTURAL FINANCE AUTHORITY (LAFA)

November 3, 2011

9:30 AM

Veterans Memorial Auditorium

5825 Florida Boulevard

Baton Rouge, LA 70806

CALL TO ORDER

The meeting was called to order by the Chairman, Louisiana Department of Agriculture and Forestry (LDAF) Commissioner Mike Strain at 9:35 A.M.

ROLL CALL

The roll was called by René Simon.

Present: Commissioner Strain, Robert Allain, Jerry Hunter, Richard Muller, H. Marcell Parker, Jr., and Linda Zaunbrecher

Absent: Ted Gauthier and William Hawkins

Mr. Simon stated six members were present and there was a quorum.

Others Present: René Simon, LDAF; Pete Rudesill, LDAF; Rachel Laborde, LDAF; Melanie Tullier, LDAF; Melanie Barnett, LDAF; Corinne Brousseau, LDAF; Yolanda Dupuy, LDAF; Tabitha Gray, LDAF Executive Counsel; Ashley Dupree, LDAF Legal Counsel; Paul Blair, LDAF; Luis Santacoloma, Lake Charles Cane LLC; Mario Cortes, Lake Charles Cane LLC; Mauricio Santacoloma; Lake Charles Cane LLC; Mark Pousson, Jefferson Davis Parish Police Jury; Glenden Marceaux, Jefferson Davis Parish Farmer; Charles Wendt, Legislative Auditor's Office; Boyd Boudreaux, President/CEO of Jefferson Davis Parish Bank; Bob McKee, Canal; Stanley Carter, High Sierra.

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES FROM PREVIOUS MEETING

Commissioner Strain asked the Authority members to review the minutes from the June 17, 2011, meeting.

Motion: A motion was made by Mr. Allain to approve the minutes from the June, 17, 2011, meeting. It was second by Mrs. Zaunbrecher and passed unanimously.

REVIEW OF FINANCIAL STATEMENTS

Commissioner Strain, Ms. Brousseau, Mrs. Dupuy and Mr. Simon reviewed LAFA's Financial Statements and answered the members' questions regarding fund balances. Mr. Muller requested that the reports show additional information by which change in financial position can be judged. More particularly, he requested that the reports show current, previous quarter and previous year results. Mr. Simon and staff agreed to make the changes.

Motion: A motion was made by Mr. Parker to accept the Financial Statements. It was second by Mr. Hunter and passed unanimously.

COMMISSIONER'S REPORT

- Commissioner Strain announced that since the last meeting, Mr. Allain had been elected Senator for his District.
- Commissioner Strain, Mr. Simon, and Mrs. Barnett gave an update on the Louisiana Farm and Agribusiness Loan and Grant Recovery Programs, and LAFA/Louisiana Department of Wildlife and Fisheries' Grant program that LAFA is administering. In the Farm Program, 6 farmers out of 1088 farmers to whom loans were granted have not paid and have been turned over for collection. In total, \$71.2 million has been issue to recipients of all programs.
- Mr. Simon updated the members on the status of the hardening of the main building. He noted that the building would be weatherproofed to withstand a wind event up to 150 MPH. FEMA provided the Authority a grant of \$1.75 million to fund the improvements. Upon further inspection, the roof was found to be in worse condition than originally reported and has to be entirely replaced. An additional 1.4 million dollars are being requested from FEMA to complete the additional work needed. Mr. Simon and Mr. Rudesill assured the board that the engineers had been selected and that the contract was in accordance with Public Bid Law.
- Mr. Simon updated the members on the status of the lease of the Lacassine Industrial Park (LIP) front office to Progressive Tractor Company.
- Mr. Simon updated the members on the status of the mineral lease in Allen Parish which was awarded to Merit Energy.
- The members were updated on the status of the restructuring of the 2007 Construction Bond that is with Capital One Bank. The board was advised that the \$4.8 million obligation would be financed at an interest rate of 4.57% with payment due September 15th until 2026.
- Mr. Rudesill updated the members on the status of the Indian Creek Recreation Area sewerage upgrade. The plans, which were engineered by JV Burke, have not been approved by the Rapides Parish Board of Health. They should be put up for bid around December. He also stated that the Mayor of Woodworth has offered to make arrangements to have Indian Creek Recreational Area place on city water for an average cost of \$256 per month quaranteed for 3 years. He also advised that there would be no charge for the line extension or for tap in fees.
- Mr. Simon reported on the construction of the Lacassine Industrial Park rail spur.
- Mr. Simon advised the board that the repairs of the Forestry Division's Mack trucks is on schedule as planned.
- Mr. Mark Pousson reported on the South Louisiana Rail Facility, noting that it was going to be bid in December.

OLD BUSINESS

Discussion and strategy on the pending lawsuit involving LAFA

Texans Credit Union v. LDAF, Louisiana 19th JDC, East Baton Rouge Parish, Docket No. 583476

Commissioner Strain and Mr. Simon briefed the board on the current status of the case. He noted that the State Supreme Court had denied the Authority's writ application on the question of whether failure to obtain Bond Commission approval caused the Commission's guaranty to be unenforceable. The Commission has only an application for a rehearing available to it at this time. Commissioner Strain stated that he hoped that in a short period of time to have a final resolution on the issue. The loan amount in question is for about \$3 million.

Lake Charles Cane LLC's Request for Approval of Renegotiated Terms with Jeff Davis Bank

Mr. Luis Santacoloma addressed the board on behalf of Lake Charles Cane LLC's request for an extension of time to pay the loan due Jeff Davis Bank. Mr. Boyd Boudreaux, President/CEO Jeff Davis Bank, advised that he had been in discussions with Mr. Santacoloma on a refinancing plan that was acceptable to the bank. He and Mr. Santacoloma explained to the board the arrangement they had discussed and requested that the board approve the new payment terms. It was noted that the only security for this loan of \$2.74 million is LAFA's guaranty. Following a discussion by the members, a motion was made by Mr. Muller as follows:

Resolved, that LAFA approve the renegotiated terms of LCC's loan with Jeff Davis Bank to be as follows: (1) an immediate payment of \$10,000; (2) the equity facility to reduce the principal of the loan completed by December 31, 2011; (3) payment of \$500,000 within fifteen days from the closing of the equity facility; (4) an additional payment of \$429,000 due forty-five days from closing of the equity facility; and (5) the balance of the loan to be amortized quarterly over the next two years, with the loan completely paid off in two years and forty-five days. It was seconded by Mr. Parker. The motion was passed unanimously by all members present. Mr. Allain was absent for the vote.

Lake Charles Cane, LLC's Request to Renegotiate Payment terms of Purchase of Syrup Mill

Mr. Cortes, Mr. Luis Santacoloma, and Mr. Mauricio Santacoloma appeared before the board to propose restructuring the terms for payment of LCC's obligation to LAFA resulting from its purchase of the syrup mill in the Lacassine Industrial Park.. Presently, LCC owes LAFA \$68.1 million which is to be amortized over 40 years with interest at the rate of 3% interest per annum.

Mr. Cortes explained that he and the Santacoloma family had been in Louisiana for 5 years trying to make the project a success. He noted that the family had extensive experience with raising sugar cane in Columbia and that it had invested about \$80 Million in cash in an effort to establish a sugar cane crop that would support an ethanol plant with the syrup mill being an integral part. They have experienced a decline in

production due to weather and other factors and have made some mistakes. Since the original business plan was implemented, they determined that building an ethanol plant would be a mistake – there isn't enough sugar cane in the area to make it work so they had to buy land to grow their own. They expected to receive \$100 Million in Go Zone bonds to fund the construction of the ethanol plant, but that didn't work out.

To date, LCC has paid \$1.3 Million to Jeff Davis Bank and \$4.0 Million to Hancock Bank. The project turned out to be “big and impractical”. The new business plan which concentrates on growing sugar, processing it to syrup, and refining the syrup, takes advantage of high sugar prices and a favorable trend in increased prices. Also, Louisiana is among the best locations in the world to grow sugar cane. In order to compete, LCC needs (1) equity, (2) partners to grow more sugar cane, (3) repair and maintenance of the syrup plant; and (4) refinancing of its credit facility with LAFA.

Mr. Cortes then presented to the board for consideration the following proposal: a payment of \$100,000 by the end of 2011, with equal payments for 2012 and 2013. In 2014, the payment would increase to \$1 million for the next 92 years with interest at the rate of 0.695% per annum.

The board questioned Misters Cortes and Santacoloma about LCC's and its sister companies' holdings in Louisiana. They advised as to the number of acres that they owned or had under contract to plant sugar cane, what they were presently doing with their crop and the syrup plant, what their plans were to make the project a success and their prospects for attracting equity to enable their business plan to work.

Mr. Muller asked Mr. Cortes if the purchase of the syrup plant involved investment tax credits or other tax incentives. Mr. Cortes explained that LCC had the benefit of \$18 Million in accelerated depreciation as a result of having purchased the syrup plant as a qualified Go Zone project. He added that the company had not used any of the accelerated depreciation because it did not have any profits to shelter, and that the loss created by the accelerated depreciation had been carried forward and was available for use at some future date when the project became profitable.

Mr. Hunter asked Mr. Cortes to describe the present condition of the syrup plant. Mr. Cortes gave a brief description and concluded by stating it will cost \$20 Million to get the plant back in operation in 2012.

Commissioner Strain advised that he was concerned that LAFA did not have the right to restructure the LCC obligation as LCC proposed and that to do so might violate the provisions of the Louisiana Constitution which prohibit giving public assets to private parties.

There followed a discussion among the members of the board; after which, the following resolution was offered by Mr. Allain, seconded by Mrs. Zaunbrecher, and unanimously carried:

Resolved, that Commissioner Strain be authorized to hire an economist to review the proposal made by LCC and to suggest alternative approaches for to amortizing LCC's obligation to LAFA based on market and production factors, and that he be further authorized to request an opinion of the Attorney General as to if the LAFA Board has the authority to adjust the interest rate and other terms of repayment..

A motion was made by Mr. Allain to table discussion regarding the proposed restructuring of LCC's obligation to a later meeting of the board. The motion was seconded by Mr. Muller and passed unanimously.

NEW BUSINESS

Kitty Hawk Energy's Right of Use Agreement for Allen Parish Property

Mr. Simon discussed with the board Kitty Hawk Energy's request for Right of Use for the Allen Parish Property. Kitty Hawk Energy is requesting permission to access their property by going through LAFA's property in Allen Parish.

Canal Refining Company's Proposal to Lease Property at the Lacassine Industrial Park

Mr. Bob McKee of Canal Refining Company came before the board to request contract negotiations for a lease of 17 acres at the Lacassine Industrial Park. Mr. Muller asked if such a lease had to be advertised or if it could simply be negotiated. The Authority's legal counsel advised that the lease could be negotiated without formality. After discussion, Mr. Parker made a motion to begin contract negotiations. Mr. Muller seconded the motion and it was passed unanimously. Mr. Allain was absent for the vote.

ADJOURNEMENT

Motion: A motion was made by Mr. Hunter to adjourn the meeting at 12:12 P.M. It was seconded by Mr. Muller and passed unanimously.