

MINUTES

IN-HOUSE COMMITTEE MEETING

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

June 10, 2013

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

CAPITAL ANNEX BUILDING

SECOND FLOOR, ROOM 220

1051 NORTH THIRD ST

BATON ROUGE, LOUISIANA 70802

MEMBERS PRESENT

Anne Villa
Robert Cangelosi
Rick Broussard
Frank Favaloro
Celia Pugh
Seth Brown
Christian Pennington
Susan Bigner

CALL TO ORDER

Meeting was called to order by Rick Broussard 10:04 a.m.

Daria Vinning called roll, and a quorum was present.

1. SMALL BUSINESS LOAN & GUARANTY PROGRAM/SSBCI
 - a. Pump & Control, LLC

Rick called the meeting to order at 10:04 to consider the loan guaranty for Pump & Control, LLC submitted by Farmers Merchant Bank.

Seth Brown stated Farmer Merchants and Bank Trust Company is requesting a loan under the loan and guaranty program. The project satisfies the LEDC Board of Directors' criteria for an expanding business with:

- a proven concept, an experienced management team
- Sought after product in a niche market

The job will create 6 new jobs and 24 retained job. Pump and Control was established in July of 2007 as a limited liability company. The company specializes in selling offshore equipment, particular pumps and vacuum. The company purchases pumps from overseas and with little or no modifications they sell them in the United States. In addition, the company is also constructing mud buckets for the oil field. They are constructing at a cost of \$5,000.00 and selling them at a cost of \$16,000. It is very lucrative. The company's is owned by Brian Paul Atkinson, John Powell Atkinson, Chad D. Atkinson and James M. Snider. Mr. John Powell is the father of Brian and Chad. They

each personally have a 25% in the business. The owners are pledging a personal “insildo” guarantee and corporate guarantee for their affiliates.

The bank is asking for a \$200,000.00 loan to finance receivables under \$375,000 in receivables which is an 80% borrowing base. The owners are financing receivables 90 days or less. Bob Cangelosi asked for clarification on amount of loan. Seth Brown stated \$200,000 when in fact the corrected loan amount is \$300,000. Seth Brown stated there is another correction, the bank’s equity in this he meant the borrower equity in this is \$75,000.00.

The credit will support the newly generating receivables. The terms of the loan will be three years at 7% fixed. The bank will decline the line \$100,000 each year over the three year period until it’s gone. Rick Broussard stated he had never heard of the bank bringing down a loan balance. A conversation was held by Seth Brown, Rick Broussard and Anne Villa. Anne Villa stated that our guaranty was that way and the conversation was furthered discussed.

Susan Bigner stated that she was concerned about if our guaranty was going to decrease each year along with the banks guaranty so is it 50% of the \$200,000.00 and 25% of the \$100,000.00. Seth Brown stated that quite naturally we only pay out what is outstanding of what’s out there to start with so we automatically our guarantee we do have a revolving line of credit the percentage decrease a third and like you said it will be a \$25,000.00 dollars decrease I mean 25 % the first year making it a 50% guarantee on \$200,000.00 the next year which in essence if they would go belly up at that amount that’s a \$100,000.00 pay-off for us.

Susan stated she wanted to make sure she understand everything said, so she stated even though they are declining a \$100,000.00 each year, how do you want, I mean if they are going to decline from \$300,000.00 to \$200,000.00. Seth Brown stated, right, our guaranty is going to decline to 50% so we will only guarantee a \$100,000 of the \$200,000, Seth Brown state you are correct. A further discussion was held by Seth Brown, Susan Bigner and Anne Villa. Seth Brown stated that hypothetically let’s say the company didn’t do and it’s \$300,000.00 next year it would be a adverse affect from what they wanted to do from us if it were to go south because we are talking a 50% guarantee and it would be a \$150,000.00 we would have to pay out so our advantage is to LEDC advantage to let the bank do so at the discretion. Seth Brown asked Bob Cangelosi did he understand what he was saying.

Anne Villa stated it needs to be outlined and Susan Bigner agreed. Rick Broussard it is outline in the commitment letter. Susan Bigner stated it needs to be, the guaranty needs to state that we will only do 50% of \$200,000.00 in year two and 25% of \$100,000.00 in year three. Seth Brown stated it’s understood, and Rick Broussard stated they’ve done percentages on the numbers. Seth Brown stated it’s understood, it’s clear and concise on the guarantee that’s cut and dry.

Susan Bigner stated she understands that but she thinks it’s a condition that the bank needs to be very much aware of and it needs to be put in writing. Seth Brown stated it is in writing and ask Bob Cangelosi what he thought. Bob Cangelosi stated he could put it in his letter and Seth Brown states yes. Susan Bigner stated she would feel more comfortable if he would be that in the letter because not only for the banks commission but so that when we are audited, the auditors are also aware it is in our file stating that these are conditions that we will agree upon because if year two they decide to do the \$300,000.00, Rick Broussard said but then it’s in the commitment letter if they want because it’s a new loan, right?

Anne Villa stated that it is not how we are requiring it is how the bank’s is structuring their loan. Seth Brown and Rick Broussard stated right it’s their loan. Anne Villa then stated so it’s not really a requirement for our approval and Bob Cangelosi stated that’s correct so Anne Villa stated that it’s the way the loan is structured with the bank so therefore she doesn’t think it should be part of their requirement because we are not say hey we approve this based upon this, that’s just how the bank has its loan structured. Anne Villa stated he could reinforce the fact that we understand your loan is structured this way which will lead to us guaranteeing this percentage further discussion was held.

Susan Bigner stated that if that was the way the group wants to go she understands that and she will go with that but she does not necessarily agree with that, she thinks it needs to be spelled out. Seth Brown stated he understood what Susan Bigner is saying but this bank is very methodical about what they do. If you look at their memo their security is tight. Their very good at litigating their risk so there’s an understanding with this bank that what their percentage of their guarantee is when they get that and sign. They’ve done more than one guarantee with us and they know it’s on a percentage it’s not a bank that’s their first go round us.

Susan Bigner stated not only that but you have term in here a couple of times rather than a revolving line of credit and that to me because you got term of bank commitment is a 3 year term loan rather than a revolving line credit. Rick Broussard stated it's a type of bank commitment revolving line of credit of accounts receivable. Seth Brown stated I mean I made an error with that ok, Susan Bigner stated no, no, no, I'm not fussing at you Seth, I'm just stating, Seth Brown stated they don't see that I will clean that up if it needs to be cleaned up.

Susan Bigner also stated that there is no stating that our guaranty will decrease and I'm not picking ok, it's just the accountant in me and the um, Anne Villa stated that she would just enforce it that based upon the bank's loan structure, but I would make it as a commitment to our approval because it's not a commitment of our approval but I would just reinforce because it's not a requirement but just as an understanding this is a way your loan is structured which would then mean this is a way our guaranty will be structured.

Susan Bigner stated she would feel more comfortable with that and that she didn't necessarily mean it needs to be a requirement but it does need to be mention in a letter. Anne Villa stated right. Seth Brown stated this is an argument about mathematics, Ann Villa stated it don't think it's argument and Rick Broussard stated it's not an argument. Anne Villa stated Susan started out as saying that we should require our understanding of the way the loan structure is going to dictate this is the way our guarantee will work sense it's the way it's structure. Seth Brown stated he doesn't mind putting in there so we can move on but we always payout on an outstanding balance and we make that clear. Rick Broussard stated let's move on Seth.

Seth Brown stated this bank is able to service a debt of 1.49 to 1 in other words they have a \$1 and 49cents to every \$1 debt they have outstanding. Based upon \$170,532.00 they can conservatively service debt at 1.25 to 1 with an income at \$117,000.00. This company is very strong, they have other business relationships with the bank, so having said that base on the analysis of the review staff recommends Pump and Control, LLC for a guaranty and offer the following conditions and covenants before you if the in-house committee decides to approve this request, any questions or discussions? Rick Broussard stated let's go over some of these conditions that we've put in there.

1. The bank may charge a maximum interest rate of 5.0% about New York prime, fixed or variable rate but they asked for fixed.
2. The "in solido" personal guaranties from John Atkinson, Chad Atkinson, Brian Atkinson, and Jimmy Snider as well as corporate guarantees of Exco Industrial, Inc. and subsidiaries and Mercury Rents, Inc.
 - a. Bob Cangelosi stated the first two guarantors John and Chad have a net worth in excess of 2 million and 4 million dollars. Seth Brown stated their pretty solid.
3. The bank shall be secured by a valid first lien with a UCC-1 filing on receivables 90 days or less.
4. The collateral to ratio must meet 1 to 1 coverage.
5. LEDC will share pro-rata position with the bank on all collateral securing this loan.
6. Subordination of all existing stockholder debt, and future stockholder debt and future stockholders debt, to the bank and LEDC for the period of LEDC's involvement in the loan. Additionally, cessation of all current portions of long-term debt payments to stockholders, and a moratorium on future payments to stockholders which may be reinstated with written approval of the bank and LEDC.
7. Forty-eight hours prior to closing, the bank shall provide copies of all closing documentation for review to the LEDC legal staff. After closing, the bank shall provide LEDC with copies of the loan closing documents, recording data and acknowledgments evident, and all other documents requested under the general terms and conditions of the loan commitment letters.
8. Presentation of documentation appropriate for the legal structure of the borrower certifying that the business is legally entitled to do business in the State and is currently in good standing.
9. Interest shall be paid monthly on the loan outstanding balance for 12 months. Upon maturity, the balance shall be paid in full.
10. The LEDC loan guaranty terminates in three (3) years from the date of approval.
 - a. Bob Cangelosi asked a question about the date of the initial loan. Rick Broussard stated to Seth Brown to change the language to read 3 years from the date of the initial loan. Bob Cangelosi stated that the loan guaranty terminates 3 years from the date of the initial loan date.
 - b. Seth Brown re-read the statement and it reads as, the LEDC loan guaranty terminates in three (3) years from the initial loan date.
11. For the first year, company prepared financial statements on the business are due on a quarterly basis within ten (10) days of the end of the period reported. They are to be forwarded to the bank (including a balance sheet, an income statement, and notes to the statement, etc). C.P.A. compiled statements prepared in conformance with Generally Accepted Accounting Principles (GAAP) are due within 90 days of year end. The bank will review all statements when received and forward copies with comments to LEDC as needed.

12. For the remaining two years, on an annual basis, borrowers will provide the bank with C.P.A. compiled financial statements prepared in conformance with GAAP. In addition, personal financial statements, federal tax returns, and renewal of the insurance necessary to protect the bank and LEDC are to be forwarded to the bank annually. The bank will review this information and forward copies with comments to LEDC as needed.
13. There shall be no draws, bonuses, dividends, employee advances, or director's fees paid to company officers, stockholders or owners, except where allowed by the bank, during the term of the LEDC guaranty.
14. Bank shall report to LEDC the current loan status (balance, subsequent due date, etc.) prior to the 25th monthly.
15. The LEDC guaranty commitment is being extended based on the financial information submitted. Any material adverse change in the financial condition of the company, principals, or guarantors prior to closing may cause the withdrawal of the LEDC guaranty commitment.
16. The loan has not been made in order to place under the protection of the approved state program prior debt that is not covered under the approved state program and that is or was owed by the borrower to the financial institution lender or to an affiliate of the financial institution lender.
17. The loan is not a refinancing of a loan previously made to that borrower by the financial institution lender or an affiliate of the financial institution lender.
18. Key man life insurance policies shall be carried on John Powell Atkinson during the duration of the LEDC guarantee naming Farmers Merchant Bank and LEDC as the loss payees.
19. All conditions listed by Bank and LEDC for closing the loan must be met within 90 days of the LEDC decision, i.e., September 9, 2013, or the next subsequent Board meeting, by the expiration of the bank's commitment letter, or LEDC's guaranty commitment may be withdrawn.

Rick Broussard asked Anne Villa did she have any questions. She stated no she did I didn't see it earlier; Anne asked why is Key Life Insurance Policy just on John? Seth Brown stated John Paul is the key man in the business. The bank deems him as number one.

Seth Brown reiterated that the bank has a strong relationship and they have their personal accounts with them and they have they corporate accounts with them.

Rick Broussard asked any other questions for anyone Susan? Susan Bigner stated no she th inks it's a good project and she was just concerned about that one issue. Rick Broussard stated that they would include some language to reiterate. Rick Broussard asked Christian did he have any questions and he stated no it looked good to him. Susan Bigner stated she thinks it a good project and she moves for approval. Rick Broussard stated they have a motion on the table for approval everybody say I any Nays, approvals have it.

Rick Broussard stated this concludes the In-House committee meeting so we will adjourn.