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MEETING MINUTES FOR THE BOARD OF COMMERCE AND
INDUSTRY OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
HELD AT
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
BUILDING
FOURTH FLOOR BOARD ROOM
8401 UNITED PLAZA BOULEVARD
BATON ROUGE, LOUISIANA
ON THE 11TH DAY OF APRIL, 2014
COMMENCING AT 9:31 A.M.

REPORTED BY: DESIREE DELATTE, CCR, RPR



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1 **Appearances of Board Members Present:**

2 A.J. Roy

3 Alden Andre

4 Quentin Messer

5 Cal Simpson

6

7 **Staff members present:**

8 Melissa Sorrell

9 Brenda Guess

10 Rick Broussard

11 Seth Brown

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MR. ROY:
I call to order the Board of
Directors meeting for Louisiana Economic
Development Corporation. Roll call, please.
MS. SORRELL:
A.J. Roy
MR. ROY:
Here.
MS. SORRELL:
Jules Rousseau.
(No response.)
MS. SORRELL:
Alden Andre.
MR. ANDRE:
Here.
MS. SORRELL:
Quentin Messer for Secretary
Moret.
MR. MESSER:
Here.
MS. SORRELL:
Nitin Kamath.
(No response.)
MS. SORRELL:
Cal Simson.



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1 MR. SIMPSON:
2 Here.
3 MS. SORRELL:
4 Robert Stuart, Jr.
5 (No response.)
6 MS. SORRELL:
7 Susan Tham.
8 (No response.)
9 MS. SORRELL:
10 Harry Avant.
11 (No response.)
12 MS. SORRELL:
13 Louis Reine
14 (No response.)
15 MS. SORRELL:
16 We don't have enough for a quorum.
17 We have four members present.
18 MR. ROY:
19 We have enough for a screening
20 committee, and I'll turn that over to Mr. Andre.
21 MR. ANDRE:
22 Call to order Screening
23 Committee. We don't need a roll call for
24 that, right? Okay.
25 The company that we have before us is



1 Johnson Drywall Solutions. We have the
2 principals here.

3 MR. MESSER:

4 Good morning, gentlemen and
5 ladies. I have with me Mr. Brian Wilkinson.
6 He's with Iberia Bank. And I have Mr. Derek
7 Johnson, who's one of the owners of Johnson
8 Drywall Solutions, Inc.

9 This morning Iberia Bank is
10 requesting a loan guaranty for a Louisiana
11 small business owner under Louisiana Small
12 Business Loan and Guaranty Program in
13 conjunction with SSBCI. This project
14 satisfied LEDC Board of Directors' criteria
15 for a startup business with a proven concept
16 and an experienced management team and a
17 sought-after niche in the market. This
18 project should create 20 jobs.

19 Johnson Drywall Solutions is
20 located in Walker, Louisiana. It was
21 established in September of 2013. It is a
22 startup. It's owned by husband and wife,
23 Jodi D. Johnson and Derek Johnson.

24 The loan amount they're
25 requesting this morning -- the loan amount



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1 the bank has extended them is \$378,000.
2 That is composed of a term loan for real
3 estate of \$128,000 and a line of credit for
4 \$250,000. The line of credit will be backed
5 by receivables 90 days or less, and a LEDC
6 commitment would be three years on
7 guarantee, once again utilizing SSBCI funds,
8 you know.

9 Mr. Johnson has extensive
10 experience in drywall and heating and has
11 done project all over, including the
12 brand-new new 19th District Court of Baton
13 Rouge Circuit Court. He was over that
14 project. He has managed anywhere from 80 to
15 100 people for a project. He is the
16 quintessential small business owner. I'm
17 going to let him speak more if you guys want
18 to hear about his business and Mr. Wilkinson
19 about the financing as well.

20 Having said that, staff
21 recommends approval for Johnson Drywall
22 Solutions, Inc., for the request of a loan
23 guaranty not to exceed \$283,000 based on
24 75 percent of a \$378,000 term loan and
25 revolving line of credit. The program will



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1 utilize SSBCI funds, once again, for the
2 entire 36 months on the revolving line of
3 credit and term loan. This is subject to
4 the bank's commitment letter and the
5 following terms and conditions:

6 The bank may charge a maximum
7 interest rate up to five percent above New
8 York prime, fixed, or variable.

9 The in solido personal
10 guaranties of Jodi D. Johnson and Derek
11 Johnson will be required.

12 The term loan shall be secured
13 by a valid first mortgage on the property
14 located at 30047 Industrial Drive, Walker,
15 Louisiana, and a commercial UCC on the
16 revolving line of credit with receivables,
17 90 days or less. Additional cross pledge
18 collateral shall be on all real estate and
19 FF&E owned by the principals.

20 Collateral documentation will
21 include a valid real estate appraisal and/or
22 a list of all purchases with serial numbers,
23 receipts, and copies of invoices with
24 purchase prices. Collateral to loan ratio
25 must meet 1:1 coverage. Borrower shall



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1 provide insurance coverage on collateral, in
2 other words, real estate, FF&E or to the
3 lender with the bank and LEDC named as loss
4 payee.

5 LEDC will share in a pro-rata
6 position with the bank on all collateral
7 securing this loan.

8 Subordination of all existing
9 stockholder debt and future stockholder debt
10 to the bank and LEDC for the period of
11 LEDC's involvement in the loan.

12 Additionally, cessation of all current
13 portions of long-term debt payments to
14 stockholders and a moratorium on future
15 payments to stockholders, which may be
16 reinstated with written approval of the bank
17 and LEDC.

18 Forty-eight hours prior to
19 closing, the bank shall provide copies of
20 all closing documentation for review to the
21 LEDC legal staff. After closing, the bank
22 shall provide LEDC with signed copies of the
23 loan closing documents, recording data and
24 acknowledgments evident, and all other
25 documents requested under the general terms



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1 and conditions of the loan commitment
2 letters.

3 Presentation of documentation
4 appropriate for the legal structure of the
5 borrower certifying that the business is
6 legally entitled to do business in Louisiana
7 and is currently in good standing.

8 Copy of Disclosure of Ownership
9 form or a written statement indicating names
10 of board members and stockholders.

11 Principal and interest shall be
12 paid monthly on the term loan. Interest
13 shall be paid monthly on the revolving line
14 of credit for 36 months.

15 The LEDC loan guaranty
16 terminates in three years on revolving line
17 of credit and three years on the term loan.

18 For the first year, company
19 prepared financial statements on the
20 business are due on a quarterly basis within
21 ten days of the end of the period reported.

22 They are to be forwarded to the bank.

23 C.P.A. compiled statements prepared in
24 conformance with Generally Accepted
25 Accounting Principles are due within 90 days



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1 of the end of the year. The bank will
2 review all statements when received and
3 forward copies with comments to LEDC as
4 needed.

5 For the remaining two years, on
6 an annual basis, borrowers will provide the
7 bank with C.P.A. compiled financial
8 statements prepared in performance with
9 GAAP. In addition, personal financial
10 statements, federal tax returns, and renewal
11 of the insurance necessary to protect the
12 bank and LEDC are to be forwarded to the
13 bank annually. The bank will review this
14 information and forward copies with comments
15 to LEDC as is needed.

16 There shall be no draws,
17 bonuses, dividends, employee advances, or
18 director's fees paid to the company
19 officers, stockholders, or owners, except
20 where allowed by the bank during the term of
21 the LEDC guaranty.

22 Bank shall report to LEDC the
23 current loan status prior to the 25th
24 monthly.

25 If key man life insurance



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1 policies shall be carried on Jodi or Derek
2 Johnson for the duration of the guaranty,
3 Iberia Bank and LEDC shall be named as the
4 loss payees.

5 The loan has not been made in
6 order to place under the protection of the
7 approved state program prior debt that is
8 not covered under the approved state program
9 and that is or was owed by the borrower to
10 the financial institution lender of an
11 affiliate of the financial institution
12 lender.

13 The loan is not a refinancing
14 of a loan previously made to that borrower
15 by the financial institution lender of an
16 affiliate of the financial institution
17 lender.

18 All conditions listed by the
19 bank and LEDC for the closing must be met
20 within 90 days of the LEDC decision, in
21 other words, July 10, 2014, or the next
22 subsequent Board meeting by the expiration
23 of the bank's commitment letter, or LEDC's
24 guaranty commitment may be withdrawn.

25 The LEDC guaranty commitment is



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1 being extended based on the financial
2 information submitted. Any material adverse
3 change in the financial condition of the
4 company, principals, or guarantors prior to
5 closing may cause the withdrawal of the LEDC
6 guaranty commitment.

7 Any questions or comments?

8 MR. ANDRE:

9 Could we hear from Mr. Johnson?

10 MR. JOHNSON:

11 Yes.

12 MR. ANDRE:

13 Would you please describe the
14 business you're starting up? The question I
15 have is you were with Marsh Drywall before?

16 MR. JOHNSON:

17 Yes, that is correct.

18 MR. ANDRE:

19 And you're separating your
20 relationship with them?

21 MR. JOHNSON:

22 Yeah. I no longer work with
23 them, but -- well, I no longer work for
24 them, I should say, but I do still work with
25 them on projects. They went back to Texas.



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1 That's where the company is based of. I
2 live here in Louisiana. I was running their
3 Louisiana division. Well, I created it and
4 ran it for the last six years for them, and
5 we still work together on larger projects,
6 projects that I'm not equipped yet to bond,
7 or maybe even cash flow, but that is really
8 the extent of it.

9 I mean, as far as what we do is
10 -- we do commercial construction, drop metal
11 stud framing, insulation, drywall,
12 acoustical ceilings, sometimes acoustical
13 wall panels. Some of the projects I've
14 finished in the past locally here was the
15 19th Judicial Courthouse in downtown Baton
16 Rouge. I just finished Our Lady of the Lake
17 east tower addition, the tenth story. We've
18 also done numerous military projects over at
19 Fort Oak Barksdale Air Force Base.

20 MR. ANDRE:

21 I guess I'm confused. You will
22 be bidding against your former employee?

23 MR. JOHNSON:

24 No. They're no longer in
25 Louisiana.



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1 MR. ANDRE:
2 You will not be --
3 MR. JOHNSON:
4 Correct.
5 MR. ANDRE:
6 -- bidding against them for
7 projects here?

8 MR. JOHNSON:
9 That's correct. And when they
10 were here, it was only me and the people
11 that were below me, both project managing
12 and estimating the projects here in
13 Louisiana, and, basically, when they left, I
14 took the select few, the best of the best
15 guys that we had working for us, and now
16 they are under Johnson Drywall Solutions
17 from supervision to even fuel personnel.

18 MR. ANDRE:
19 Mr. Wilkinson, do you have
20 anything to add?

21 MR. WILKINSON:
22 I guess the only thing I would
23 add, you know, from the bank's standpoint,
24 you know, in working with Mr. Johnson during
25 the time we have, I can tell you, you know,



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1 we feel extremely excited and comfortable
2 with the position. You know, unfortunately,
3 he's not indicated all the new, various
4 projects he does have out there.

5 Within, I guess, the time of
6 working with Mr. Brown here, we've also got
7 some additional contracts somewhere netting
8 over guaranteed over a \$1,000,000-plus
9 throughout the contract upon completion, so
10 it excites us, you know, from taking from an
11 individual starting up, you know, latter
12 part of last year, hopefully estimating
13 somewhere in the neighborhood of a
14 \$4,000,000-company by year end.

15 This is kind of the ultimate
16 goal, so that does excite us. That's why we
17 are willing to extend offers out there to
18 them with the support from LEDC. I think
19 it's definitely one of these opportunities
20 that's, you know, the funds and the guaranty
21 are going to provide additional growth
22 within the various communities.

23 He's also completed the new
24 Walk-Ons facility, and he did indicate as
25 well, he also did -- in Gonzales, Louisiana,



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1 he did a project for -- what was the
2 company.

3 MR. JOHNSON:

4 Yeah. For Milton Womack, the
5 premiere cinema that's being built there.
6 We're also working on the LSU locker room
7 renovations with our Cal Constructors. We
8 are currently in the middle of construction
9 of the new -- it's called the Advantage
10 Charter Academy, the new charter school in
11 Baker, Louisiana.

12 MR. WILKINSON:

13 So I guess from the bank's
14 standpoint, again, we're just excited for
15 the opportunity to continue to work with Mr.
16 Johnson. I got an extremely positive vibe,
17 you know, first day I ever met. You know,
18 most clients that I do work with don't
19 present themselves in such a manner in which
20 he did. I've got a complete package, all
21 indicative resume.

22 He really took time and effort,
23 you know, willing to spend time knowing that
24 there are some risk variables out there, and
25 that does speak, you know, high upon his



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1 character as well, that he does, you know,
2 believe in his company well enough and, you
3 know, is willing to commit to taking the
4 time necessary, you know, to get a deal
5 done.

6 MR. ANDRE:

7 Questions or comments from
8 anyone in the committee?

9 MR. ROY:

10 I have one. You mentioned the
11 document says that purchase price of the
12 building is \$160,000 and that the property
13 appraisal is for \$340,000. Is that the same
14 property that we're talking about that you
15 purchased for \$160,000 that appraises for
16 \$340,000?

17 MR. JOHNSON:

18 Yes, sir.

19 MR. MESSER:

20 They're currently in that --

21 MR. ROY:

22 Explain that, because normally
23 we take the lower of the two and factor in
24 the two.

25 MR. JOHNSON:



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1 We're going to go off the
2 purchase price of \$160,000.

3 MR. ROY:

4 Okay.

5 MR. MESSER:

6 They're currently in the
7 building right now, and I think there's a
8 good relationship or rapport between the
9 buyer and seller in that, you know.

10 MR. ROY:

11 So do you have perhaps a lease
12 purchase or something?

13 MR. JOHNSON:

14 Yes. We have a lease agreement
15 with the option to purchase at the end of
16 lease. That's actually in writing. Per
17 conversations, he said that any time we can
18 purchase it.

19 MR. ROY:

20 So you've enjoyed the
21 appreciation of the property over time?

22 MR. JOHNSON:

23 Yes. Exactly.

24 MR. SIMPSON:

25 Is there any noncompete from



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1 your prior employee, or with them pulling
2 out, did they leave you?

3 MR. JOHNSON:

4 No. There's no noncompete,
5 and, like I said, actually, you know, the
6 jobs that they had left in Louisiana, we've
7 worked out where I've contracted underneath
8 them to complete those projects, and we also
9 will work together in the future on larger
10 projects.

11 MR. ROY:

12 Tell me, why did they move out
13 of this market?

14 MR. JOHNSON:

15 The owner is in his 60s, and it
16 just got too far for him to try to come
17 here. He also has two offices in Texas --
18 one in the Tyler area, one in Dallas -- and
19 it just got too much having to go back and
20 forth, and he decided he wanted to kind of
21 downsize so he could start moving towards
22 retirement.

23 MR. ANDRE:

24 Who are your main competitors?

25 MR. JOHNSON:



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1 My main competitors locally
2 would be Thornco, Thornco Drywall, Lloyd
3 Moreau, sometimes in this area, Tommy Pace
4 Construction, and the only other one is TSC,
5 I believe.

6 MR. SIMPSON:

7 One follow-up. I didn't quite
8 finish my full line of thinking. You have
9 in here that the additional equity in the
10 building will be used to secure the line of
11 credit. You're comfortable with that
12 \$340,000 appraisal?

13 MR. MESSER:

14 That's an abundance of caution.

15 MR. ROY:

16 Hence the reason for the
17 guaranty, perhaps.

18 MR. WILKINSON:

19 Well, to add to it. I mean,
20 obviously, we've got a start-up entity, so
21 conventional financing, you know,
22 construction. We're trying to orchestrate
23 enough collateral to appease both the LEDC
24 side of things as well as the bank's risk
25 standpoint. So in hopes, I mean, you know,



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1 I don't know the latest, but the last one I
2 saw on the accounts receivable was well over
3 the the \$300,000-plus mark.

4 MR. MESSER:

5 It's currently \$91,000, what I
6 saw. That was 90 days or less, you know, so
7 -- and looking at the jobs in this pipe,
8 he's going to need around that least what
9 he's requested.

10 MR. JOHNSON:

11 Yeah. Our current project that
12 we started on a week ago, the charter
13 academy in Baker, it's a \$470,000 contract.
14 The job is to be completed by July 7th, so
15 it's a fast-paced project. We're actually
16 -- right now, we're actually ahead of
17 schedule by a week and a half.

18 MR. ROY:

19 You're comfortable with that
20 appraisal you have discounted?

21 MR. WILKINSON:

22 Appraisals, unfortunately, I
23 don't control. So you know, in hopes that
24 yes, the values will be there.

25 MR. MESSER:



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1 I move forward to the
2 recommendation.

3 MR. ANDRE:

4 Okay. We have a motion
5 there. Second?

6 MR. SIMPSON:

7 Second.

8 MR. ANDRE:

9 Any comments from the public?

10 (No response.)

11 Hearing none, all in favor.

12 (Several members say "aye.")

13 Any members opposed?

14 (No response.)

15 Thank you. Keep us posted on
16 your progress. Good luck to you.

17 MR. JOHNSON:

18 Thank you.

19 MR. MESSER:

20 Thank you.

21 MR. WILKINSON:

22 Appreciate it.

23 MR. ANDRE:

24 Are there any other nominations
25 for this committee?



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(No response.)
Meeting adjourned then. Thank
you.

(Meeting concludes at 9:50 a.m.)

REPORTER'S CERTIFICATE

I, **DESIREE DELATTE**, Certified
Court Reporter in and for the State of Louisiana,



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1 as the officer before whom this meeting for the
2 Board of Commerce of the Louisiana Economic
3 Development Corporation was taken, do hereby
4 certify that this meeting was reported by me in
5 the stenotype reporting method, was prepared and
6 transcribed by me or under my personal direction
7 and supervision, and is a true and correct
8 transcript to the best of my ability and
9 understanding;

10 That the transcript has been
11 prepared in compliance with transcript format
12 guidelines required by statute or by rules of the
13 board, that I have acted in compliance with the
14 prohibition on contractual relationships, as
15 defined by Louisiana Code of Civil Procedure
16 Article 1434 and in rules and advisory opinions
17 of the board;

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

21

22 Dated this 6th day of May, 2014.

23

24

25



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<u>\$</u>	<u>8</u>	<u>approval</u> 6:21 8:16	<u>C</u>
\$1,000,000-plus 15:8	80 6:14	approved 11:7,8	C.P.A. 9:23 10:7
\$128,000 6:3		area 19:18	Cal 16:7
\$160,000 17:12,15 18:2	<u>9</u>	Avant 4:10	call 4:22,23
\$250,000 6:4	90 6:5 7:17 9:25 11:20	<u>B</u>	called 16:9
\$283,000 6:23		back 12:25 19:19	carried 11:1
\$340,000 17:13,16	<u>A</u>	backed 6:4	cash 13:7
\$378,000 6:1,24	Academy 16:10	Baker 16:11	ceilings 13:12
\$4,000,000-company 15:14	Accepted 9:24	bank 5:6,9 6:1 7:6 8:3, 6,10,16,19,21 9:22 10:1,7,12,13,20,22 11:3,19	certifying 9:5
<u>1</u>	Accounting 9:25	bank's 7:4 14:23 16:13	cessation 8:12
10 11:21	acknowledgments 8:24	Barksdale 13:19	change 12:3
100 6:15	acoustical 13:12	Base 13:19	character 17:1
19th 6:12 13:15	add 14:20,23	based 6:23 13:1	charge 7:6
1:1 7:25	addition 13:17	basically 14:13	charter 16:10
<u>2</u>	additional 7:17 10:9 15:7,21	basis 9:20 10:6	cinema 16:5
20 5:18	Additionally 8:12	Baton 6:12 13:15	Circuit 6:13
2013 5:21	advances 10:17	bidding 13:22 14:6	clients 16:18
2014 11:21	Advantage 16:9	board 5:14 9:10 11:22	closing 8:19,20,21,23 11:19 12:5
25th 10:23	adverse 12:2	bond 13:6	collateral 7:18,20,24 8:1,6
<u>3</u>	affiliate 11:11,16	bonuses 10:17	comfortable 15:1
30047 7:14	agreement 18:14	borrower 7:25 9:5 11:9,14	comments 10:3,14 17:7
36 7:2 9:14	Air 13:19	borrowers 10:6	commercial 7:15 13:10
<u>6</u>	allowed 10:20	brand-new 6:12	commit 17:3
60s 19:15	amount 5:24,25	Brian 5:5	commitment 6:6 7:4 9:1 11:23,24,25 12:6
<u>7</u>	and/or 7:21	Brown 15:6	committee 4:20,23 17:8
75 6:24	Andre 4:20,21 12:8,12, 18 13:20 14:1,5,18 17:6 19:23	building 17:12 18:7	communities 15:22
	annual 10:6	built 16:5	company 4:25 10:18 12:4 13:1 17:2
	annually 10:13	business 5:11,12,15 6:16,18 9:5,6,20 12:14	competitors 19:24
	appraisal 7:21 17:13	buyer 18:9	compiled 9:23 10:7
	appraises 17:15		
	appreciation 18:21		



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complete 16:20 19:8		effort 16:22	financial 9:19 10:7,9 11:10,11,15,16 12:1,3
completed 15:23	<hr/> D <hr/>	employee 10:17 13:22 19:1	financing 6:19
completion 15:9	Dallas 19:18	end 9:21 10:1 15:14 18:15	finished 13:14,16
composed 6:2	data 8:23	enjoyed 18:20	fixed 7:8
concept 5:15	day 16:17	entire 7:2	flow 13:7
condition 12:3	days 6:5 7:17 9:21,25 11:20	entitled 9:6	Force 13:19
conditions 7:5 9:1 11:18	deal 17:4	equipped 13:6	form 9:9
conformance 9:24	debt 8:9,13 11:7	established 5:21	Fort 13:19
confused 13:21	decided 19:20	estate 6:3 7:18,21 8:2	Forty-eight 8:18
conjunction 5:13	decision 11:20	estimating 15:12	forward 10:3,14
construction 13:10 16:8	Derek 5:6,23 7:10 11:1	evident 8:24	forwarded 9:22 10:12
Constructors 16:7	describe 12:13	exceed 6:23	framing 13:11
continue 16:15	director's 10:18	excite 15:16	fuel 14:17
contract 15:9	Directors' 5:14	excited 15:1 16:14	funds 6:7 7:1 15:20
contracted 19:7	Disclosure 9:8	excites 15:10	future 8:9,14 19:9
contracts 15:7	District 6:12	existing 8:8	<hr/> G <hr/>
conversations 18:17	dividends 10:17	experience 6:10	GAAP 10:9
copies 7:23 8:19,22 10:3,14	division 13:3	experienced 5:16	general 8:25
Copy 9:8	document 17:11	expiration 11:22	Generally 9:24
correct 12:17 14:4,9	documentation 8:20 9:3	Explain 17:22	gentlemen 5:4
Court 6:12,13	documents 8:23,25	extend 15:17	goal 15:16
Courthouse 13:15	downsize 19:21	extended 12:1	Gonzales 15:25
coverage 7:25 8:1	downtown 13:15	extensive 6:9	good 5:4 9:7 18:8
covered 11:8	draws 10:16	extent 13:8	growth 15:21
create 5:18	Drive 7:14	extremely 15:1 16:16	guarantee 6:7
created 13:3	drop 13:10	<hr/> F <hr/>	guaranteed 15:8
credit 6:3,4,25 7:3,16 9:14,17	drywall 5:1,8,19 6:10, 21 12:15 13:11 14:16	facility 15:24	guaranties 7:10
criteria 5:14	due 9:20,25	factor 17:23	guarantors 12:4
cross 7:17	duration 11:2	federal 10:10	guaranty 5:10,12 6:23 9:15 10:21 11:2,24,25 12:6 15:20
current 8:12 10:23	<hr/> E <hr/>	feel 15:1	guess 13:21 14:22 15:5 16:13
	east 13:17	fees 10:18	guys 6:17 14:15
		FF&E 7:19 8:2	



H	Judicial 13:15	locker 16:6	months 7:2 9:14
Harry 4:10	July 11:21	long-term 8:13	moratorium 8:14
hear 6:18 12:9	K	longer 12:22,23 13:24	morning 5:4,9,25
heating 6:10	key 10:25	loss 8:3 11:4	mortgage 7:13
high 16:25	kind 15:15 19:20	Louis 4:13	move 19:12
hours 8:18	knowing 16:23	Louisiana 5:10,11,20 7:15 9:6 13:2,3,25 14:13 15:25 16:11 19:6	moving 19:21
husband 5:22	L	lower 17:23	N
I	ladies 5:5	LSU 16:6	named 11:3
Iberia 5:6,9 11:3	Lady 13:16	M	names 9:9
include 7:21	Lake 13:16	made 11:5,14	needed 10:4,15
including 6:11	larger 13:5 19:9	main 19:24	neighborhood 15:13
indicating 9:9	lease 18:11,14,16	man 10:25	netting 15:7
indicative 16:21	leave 19:2	managed 6:14	niche 5:17
individual 15:11	LEDC 5:14 6:5 8:3,5,10, 17,21,22 9:15 10:3,12, 15,21,22 11:3,19,20,25 12:5 15:18	management 5:16	noncompete 18:25 19:4
Industrial 7:14	LEDC'S 8:11 11:23	managing 14:11	numbers 7:22
information 10:14 12:2	left 14:13 19:6	manner 16:19	numerous 13:18
institution 11:10,11, 15,16	legal 8:21 9:4	market 5:17 19:13	O
insulation 13:11	legally 9:6	Marsh 12:15	Oak 13:19
insurance 8:1 10:11,25	lender 8:3 11:10,12,15, 17	material 12:2	offers 15:17
interest 7:7 9:11,12	letter 7:4 11:23	maximum 7:6	officers 10:19
invoices 7:23	letters 9:2	meet 7:25	offices 19:17
involvement 8:11	life 10:25	meeting 11:22	opportunities 15:19
J	list 7:22	members 4:17 9:10	opportunity 16:15
jobs 5:18 19:6	listed 11:18	mentioned 17:10	option 18:15
Jodi 5:23 7:10 11:1	live 13:2	MESSER 5:3 17:19 18:5	order 4:22 11:6
Johnson 5:1,7,19,23 6:9,21 7:10,11 11:2 12:9,10,16,21 13:23 14:3,8,16,24 16:3,16 17:17,25 18:13,22 19:3, 14,25	loan 5:10,12,24,25 6:2, 22,24 7:3,12,24 8:7,11, 23 9:1,12,15,17 10:23 11:5,13,14	met 11:19 16:17	owed 11:9
Jr 4:4	locally 13:14	metal 13:10	owned 5:22 7:19
	located 5:20 7:14	middle 16:8	owner 5:11 6:16 19:15
		military 13:18	owners 5:7 10:19
		Milton 16:4	Ownership 9:8
		monthly 9:12,13 10:24	



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<hr/> P <hr/>	12:4 19:1	received 10:2	school 16:10
package 16:20	pro-rata 8:5	recommends 6:21	screening 4:19,22
paid 9:12,13 10:18	program 5:12 6:25 11:7,8	recording 8:23	secured 7:12
panels 13:13	project 5:13,18 6:11, 14,15 14:11 16:1	refinancing 11:13	securing 8:7
part 15:12	projects 12:25 13:5,6, 13,18 14:7,12 15:4 19:8,10	Reine 4:13	select 14:14
past 13:14	property 7:13 17:12,14 18:21	reinstated 8:16	seller 18:9
payee 8:4	protect 10:11	relationship 12:20 18:8	separating 12:19
payees 11:4	protection 11:6	remaining 10:5	September 5:21
payments 8:13,15	proven 5:15	renewal 10:10	serial 7:22
people 6:15 14:10	provide 8:1,19,22 10:6 15:21	renovations 16:7	share 8:5
percent 6:24 7:7	pulling 19:1	report 10:22	signed 8:22
performance 10:8	purchase 7:24 17:11 18:2,12,15,18	reported 9:21	SIMPSON 4:1 18:24
period 8:10 9:21	purchased 17:15	request 6:22	sir 17:18
personal 10:9	purchases 7:22	requested 8:25	small 5:11 6:16
personnel 14:17	<hr/> Q <hr/>	requesting 5:10,25	solido 7:9
place 11:6	quarterly 9:20	required 7:11	Solutions 5:1,8,19 6:22 14:16
pledge 7:17	question 12:14	response 4:5,8,11,14	SORRELL 4:3,6,9,12, 15
policies 11:1	questions 17:7	resume 16:21	sought-after 5:17
portions 8:13	quintessential 6:16	retirement 19:22	speak 6:17 16:25
position 8:6 15:2	quorum 4:16	returns 10:10	spend 16:23
positive 16:16	<hr/> R <hr/>	review 8:20 10:2,13	SSBCI 5:13 6:7 7:1
premiere 16:5	ran 13:4	revolving 6:25 7:2,16 9:13,16	staff 6:20 8:21
prepared 9:19,23 10:8	rapport 18:8	risk 16:24	standing 9:7
present 4:17 16:19	rate 7:7	Robert 4:4	standpoint 14:23 16:14
Presentation 9:3	ratio 7:24	roll 4:23	start 19:21
previously 11:14	real 6:2 7:18,21 8:2	room 16:6	starting 12:14 15:11
price 17:11 18:2	receipts 7:23	Rouge 6:13 13:16	startup 5:15,22
prices 7:24	receivables 6:5 7:16	ROY 4:18 17:9,21 18:3, 10,19 19:11	state 11:7,8
prime 7:8		running 13:2	statement 9:9
Principal 9:11		<hr/> S <hr/>	statements 9:19,23 10:2,8,10
principals 5:2 7:19 12:4		satisfied 5:14	status 10:23
Principes 9:25			stockholder 8:9
prior 8:18 10:23 11:7			



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stockholders 8:14,15 9:10 10:19	ultimate 15:15
story 13:17	underneath 19:7
structure 9:4	utilize 7:1
Stuart 4:4	utilizing 6:7
stud 13:11	<hr/> V <hr/>
subject 7:3	valid 7:13,21
submitted 12:2	variable 7:8
Subordination 8:8	variables 16:24
subsequent 11:22	vibe 16:16
supervision 14:17	<hr/> W <hr/>
support 15:18	Walk-ons 15:24
Susan 4:7	Walker 5:20 7:14
<hr/> T <hr/>	wall 13:13
taking 15:10 17:3	wanted 19:20
talking 17:14	wife 5:22
tax 10:10	Wilkinson 5:5 6:18 14:19,21 16:12
team 5:16	withdrawal 12:5
ten 9:21	withdrawn 11:24
tenth 13:17	Womack 16:4
term 6:2,24 7:3, 9:12,17 10:20	words 8:2 11:21
terminates 9:16	work 12:22,23,24 13:5 16:15,18 19:9
terms 7:5 8:25	worked 19:7
Texas 12:25 19:17	working 14:15,24 16:6
Tham 4:7	writing 18:16
thing 14:22	written 8:16 9:9
time 14:25 15:5 16:22, 23 17:4 18:17,21	<hr/> Y <hr/>
tower 13:17	year 9:18 10:1 15:12,14
turn 4:20	years 6:6 9:16,17 10:5 13:4
Tyler 19:18	York 7:8
<hr/> U <hr/>	
UCC 7:15	



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