

Minutes of the Regular Meeting of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 5:00 P.M., Monday, October 22, 2018 in the Boardroom of the Port of Lake Charles located at 1611 West Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

- Michael G. Eason, President
- John LeBlanc, Vice President
- Elcie J. Guillory, Secretary/Treasurer
- David J. Darbone, Assistant Secretary/Treasurer
- Dudley R. Dixon, Commissioner
- Carl J. Krielow, Commissioner
- Thomas L. Lorenzi, Commissioner

Absent:

None

Also Present:

- Bill Rase, Executive Director
- Richert Self, Deputy Executive Director/Director of Administration and Finance
- Michael Dees, General Counsel
- Jon Ringo, Assistant General Counsel
- Donald Brinkman, Director of Security/Engineering, Maintenance and Development
- Channing Hayden, Director of Navigation
- Todd Henderson, Director of Operations
- Dan Loughney, Director of Marketing and Trade Development
- Michelle Bolen, Executive Administrative Assistant

Mr. Eason called the meeting to order at 5:00 P.M. and asked Mr. LeBlanc to give the invocation. Mr. Dixon led the Board and audience in the Pledge of Allegiance.

Mr. Eason asked if there was any public comment regarding any items on the agenda. Mr. Tim Flavin asked to speak regarding the Lake Charles Methanol agenda item.

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1. Approval of the September 24, 2018 Regular Meeting Minutes.
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Mr. Dixon offered a motion to approve the September 24, 2018 Regular Meeting Minutes. Mr. Guillory seconded the motion and it carried unanimously.

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2. Submission 2018 – 033 authorizing the Executive Director of the Lake Charles Harbor and Terminal District to prepare and submit an application to the Louisiana Port Construction and Development Priority Program for assistance in the implementation of a port improvement project; providing for the necessary documentation of the need for the port improvement; and providing for other matters in connection therewith.
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Mr. Rase stated this was the standard way they need to kick-off as they go for the Ports Priority Program. They have to have a letter from the Board saying that they want to try to move this project forward. The Port does not have any of the paperwork done, but the letter is the main thing that has to get in front of them. They would like to take several of the back warehouses – they use a company, Firestone Bridgestone, who use several different warehouses in the interior and back side. Their warehouses are very small, about 25,000 square feet on each side of the shed. They are in quite a few of them. Staff would like to get them modernized and move the project forward in order to have a shed that will be very useful for them in the future. Also, if need be, the Port can use it for other types of business. This is the first step with the letter to send in to the state for funding.

Mr. Darbone offered a motion to adopt Resolution 2018 – 033 authorizing the Executive Director of the Lake Charles Harbor and Terminal District to prepare and submit an application to the Louisiana Port Construction and Development Priority Program for assistance in the implementation of a port improvement project; providing for the necessary documentation of the need for the port improvement; and providing for other matters in connection therewith. Mr. LeBlanc seconded the motion and it carried unanimously.

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3. Submission 2018 – 034 authorizing an Addendum Number Six to Real Estate lease Option Agreement with Lake Charles Methanol, LLC.
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Mr. Rase stated this the sixth amendment and extension that Lake Charles Methanol is requesting through March 2019. This is the project associated with BT-1. It is about a \$4.2 - \$4.4 billion project. They need to secure the property from the Port and also DOE has a \$2 billion loan guarantee that they have to get renewed. In the process they will be renewed to the same period as the port. There is not much else he needs to say. Everyone is familiar with the project. Staff is asking the Board to approve this extension so they can move forward.

Mr. Eason called upon Mr. Tim Flavin, Flavin Realty, 2704 Nottaway Lane, to address the Board. Mr. Flavin stated he appreciated the Board's service and representing this area and the importance that the Port is in this area. He is a local real estate broker and contractor in Lake Charles area since 1972 when they were transplanted from Illinois to Lake Charles with a father that was a mechanical engineer. After four years of being in that position, he ended up starting a real estate company. After all of those years, what they have found is that a

community is either growing or it is dying. It never stays still. You are either growing or dying. This area has been blessed recently with a tremendous amount of growth. He's here to speak generally, as far as being a proponent of growth and opportunities. They have had a number of citizens come to them and ask when they are going to bring jobs to this area, high-paying jobs so they can keep their kids and grandbabies here. Like they are responsible for bringing jobs. They do not understand that they represent the companies that do come here and help them try to navigate.

Whenever he saw this on the agenda, he had someone here at the Port has recently been sending the agendas to them, and when he saw this he just wanted to speak in general because of the importance of extending it. There are a number of local citizens that are investors in this project. As long as it has taken to get here, and he knows the Board knows with all the regulations and the hurdles it takes to get there, another small extension and he wanted to voice in favor of the Board doing this. He thanked the Board.

Mr. Krielow stated he would like to address the Board on this topic. He knows they have had numerous discussions. He too is a proponent for growth, business and industry and creating jobs. This is what their purpose is here on this Board. As this some of them know as they were here before him, this project has been in some form of moving forward for over 12 years. The Port, in the initial group of investors that were promoting this, ended up writing off \$2 million of bad debt for uncollected lease funds since Lake Charles Cogen vacated the project in 2014 and please correct him if he is wrong. In 2016, Lake Charles Methanol picked the ball up with a group of new investors to move forward and option a shovel ready site. Since that time, they paid around 16 months of option payments, and again prior to his being on this Board, he thought there was something worked out where the payments were deferred and staff, through accounting, created a method to defer these payments and run through a contra account that, in essence, if the project never happens, the money is never owed to the Port. While that is a good vehicle in economic development and participating in moving a project forward, it bears the question in his mind of how long do they do this? How many six month extensions do they do? Do you keep doing where this money is going into a deferred account that the Port will never realize if the project does not come to fruition?

In addition to that, the Port has spent roughly \$1.1 million on improvements to mitigation and easements for the benefit of Lake Charles Methanol project that if it goes forward, the port will be reimbursed. In June whenever they were asked to extend it for a four month period, he was supportive of that. He was supportive because although they were some 16 months behind on their deferred payments, they came forward and made a payment to the Port that equated somewhere around 3 ½ months of payments. It is like they caught it up to justify giving them a four month extension. But, to continue tying up public assets and essentially financing the seed money by deferring payments that if it never happens, never get collected, to the investors and developers they really have no risk at this point going forward. He knows they have invested a lot of time and a lot of money into where they are here today, but he is talking about \$4.2 billion project. If a project of that magnitude cannot justify the investors putting up the seed money to hold onto the most prized possession of the project, which is the land they are building on, he does not see how they as a – this is his opinion and everyone has their opinion - public body and steward of public funds can justify twofold - tying up the asset that who knows who would come in and develop on it if it was on the market. It is a

shovel ready site. Secondly, using taxpayer money to finance a development project. The third thing to that is they have other people that do business with this Port. They are required to put out the letters of credit, a financial guarantee to guarantee their payments of leases or whatever. He asks and he guesses it is not obtainable, but in a meeting last week, he asked if they could come forward either with some sort of a financial guarantee or something in writing that would assure that the Port would collect these funds and not necessarily impede the cash flow of the development. If they extend this to March, the Port will have had the \$2 million written off in the initial group of investors and have roughly \$1.8 million with improvements and deferred payments tied up in the new Lake Charles Methanol group of investors. In round numbers, the Port has tied up a piece of development property of \$4 million in the project. Having said that, he asked if they are able to come forward with some sort of financial guarantee for the deferred payments?

Mr. Rase replied that the short answer would be no. He does not think that they can or are in position to do that. He thought that was expressed to each of the Board members at the meeting. He does not think so, but one thing is, and he asked Mr. Self to correct him, what they are doing on the accounting system is an accounting practice. It is not something that they made up to do. Mr. Self stated this was a standard procedure. It is not something they created for Lake Charles Methanol. Just to be conservative, just due to their concern of the nature of whether or not it is collectible. All they are doing is reserving the amounts. They are invoicing Lake Charles Methanol and then reserving it just to be conservative. Mr. Krielow stated that in the end if the project does not go to fruition, that money has been written off and will not be collected – is that correct?

Mr. Self replied that it is not impacting...Mr. Krielow said the money has been charged off so it does not show up on the financial statements. It will not impact the financial statements, but at the end of the day, the Port does not collect the funds.

Mr. Self said it will not impact the financial statements. If they do not go forward, it will not impact the financial statements, only because they address it from a conservative standpoint, which is standard practice in the accounting field. They are basically concerned about the collectability of it. It is not something – they have done that with others too. It is not just a Lake Charles Methanol created thing. They did this. It is just a standard practice. By nature, accountants are typically conservative and do not want to be overly aggressive and book revenue that they would think they are not due and not collect.

Mr. Krielow replied that he understood that and he did not want to be put in the position that they were when Jeffery's pulled the plug on it the last time they had to charge off \$2 million. Mr. Self stated that was correct. Mr. Krielow stated from that point he thinks that is correct. But, at the end of the day, the money is not getting collected by the Port. It is being deferred. Mr. Self said that was correct. Mr. Krielow stated that essentially it is getting written off as they are moving forward if the project does not go to fruition.

Mr. Self replied that is not really being written off as it goes forward. It is not really a true accounting. It is being reserved.

Mr. Rase stated that his whole point was that is not something that staff just decided was the way to do this. It is an accounting practice. Mr. Krielow said it was an accepted practice.

Mr. Eason said it was a legal accepted practice.

Mr. Rase said that on the option, what they did agree to do, is pick up the \$2 million if they go forward, which they did not have to do. But, they did do that. It has yet to be decided whether the Port gets that \$2 million or not, but they have written it off at this point. Regarding the improvement, he wants to make sure everyone understands on lease options, they do not require a Letter of Credit or any of those things for the option. They require that for the lease agreement. He does not know if any of the other items since he has been here that they require for the option that they post a Letter of Credit or some other backup to the option payment. He wants to make sure they are all talking about the same thing. This is a project that if they do not have the land, it is over. That is the bottom line. He does not see it as a large risk to the Port to continue this ability to have the rent deferred. That being said, he does not get to vote. He knows he is tied tightly to the project and he appreciates that Mr. Krielow recognizes that. He knows that he is because he sees that the upside is so huge. It is bigger than any project that he knows of to date for the Port. He is looking at the upside and he knows there is a downside. But again, he does not get to vote. He just wanted to clear up a couple of items.

Mr. Krielow stated that he supports the project. He understands Mr. Rase being so close and involved in it. It has been something that has been going on since Mr. Rase has been the Director. He does appreciate that. He would love to see it and wants it to go forward. It would be great. However, he just does not like the mechanism that they are moving forward with. For those reasons, that is why he has apprehension about supporting the continuing with the deferred payment. If they had some method at all in place to guarantee that, it would give him a lot more comfort in a fiduciary capacity than just to keep going on doing these six months extensions, deferring payments and keeping the property tied up. Having said that, he wants everyone to understand where he is coming from and he is not just being an obstructionist to economic development. He has a problem with the method they are doing it.

Mr. Dixon asked Mr. Self how many times they have done this before. Mr. Self replied that they do this anytime. He cannot think of anything specific times or clients. But, if they anticipate that there is going to be some doubtful – or concerned about their financial wherewithal to pay, if there is a bankruptcy. It has happened. He asked Mr. Dees if he remembered. Mr. Self stated there were some bankruptcies in the past where they ended up writing some things off or reserved them. But, contractually they continue to invoice. He cannot think of the specific ones, but just as a practice as a general nature in that case, the CPAs, when they come in to do an audit, they are going to require the Port to do that anyway. If he does not do that, they are going to say the Port needs to reserve an allowance for this because they either may not have the financial wherewithal to pay it or they may not pay, but at least you are deferring if they cannot pay it.

Mr. Dixon asked if they were going all the way through March of 2019. He was answered yes.

Mr. LeBlanc stated this thing is deferred and the Port will get their money if the project does come to fruition. He looks at it on the upside as well. He looks at the jobs that will be created. It is a \$4.2 billion project that is backed by DOE. It is backed by the state of Louisiana. They

have an upside of creating at least 200 permanent jobs if it does come to fruition. The upside is what can they make from this lease in the next five years if this project does come to pass.

He looks at it as they have a piece of property that has improvements on it that will get the benefit if something happens and if it does not happen, the Port receives the benefits of all the improvements that they have done with this property. That way it becomes that much more marketable for the Port. If this project in March goes away and cannot go any further, they have a piece of property that is ready to be marketed. They do not have to pay for the improvements. It is already to go. He sees some upsides to the things they have in hand now. He is not a big fan of kicking it down the road, but when he saw that DOE has given them an extension and, the support that Lake Charles Methanol received to get their financing done, it is a no brainer for the Port and give them an extension to get another opportunity to get their finances in order and come back to the Port and say, ok, they will give the Port everything they owe in arrears that they have not paid. Here is the check. Here is the monthly lease payment now that the project has started. He thinks it is worth it to him, because he sees the upside of what the possibilities are. If they say no, let us not do it, and then all of a sudden they have a company that has \$4 billion in commitments. All of a sudden it is like then the Port will have to take a hope and a prayer that someone else is going to want to come. No one has come and kicked the door down to come look for another piece of property like this yet. If they do then the Port ought to take a good look at it and see if they can. If someone comes to the Port tomorrow and says they have a project that wants to go on that piece of property, the Port needs to go back to Lake Charles Methanol and tell them they have one of two choices this time. Either come up with the payments to keep your hold or they can give it to someone else if they cannot do this by the end of March. Those are his thoughts. He would like to see them given an extension to come up with the financing they need.

Mr. Krielow asked if the commitment from DOE will extend in place or is it the chicken and the egg. They have to get a commitment on the land before DOE is going to look at extending the commitment. Mr. Rase replied that they have a verbal commitment from them that is supposed to be ratified on the 30th or 31st of October. Without DOE they do not go forward either.

Mr. Dees stated that the way he drafted the Resolution is the Port would not sign the extension without written confirmation that DOE has extended too. It says, in accordance with the terms of the submission. That is one of the key features is DOE has to extend or there is no project.

Mr. Eason said the word they are dancing around with tonight is fiduciary standard. He requested two documents. One was the definition of fiduciary standard that the Board is held to. He received that from the Port's Legal Counsel, which was a 1987 Supreme Court decision in Louisiana that said the statute that they are held to as a public body is any vote that they would take where they could see a personal gain or benefit as a result of that vote on this Board. That is one of many definitions to fiduciary.

The second document he requested was the Economic Impact Study of what this project does. He applies the fiduciary standard that he has operated under for 36 years, which is a much higher standard than what he just referenced for public bodies. He uses those

standards to apply to this project to take a look at it. One of the things one has to take a look at under any fiduciary duty is, are they accepting a proven risk to the benefit of who you are representing. It is what he took a look at from the Economic Study. Lake Charles Methanol has already paid \$700,000 approximately since they took over the project, in addition to the \$2 million they assumed should it close. He will not beat a dead horse with DOE's \$2 billion guarantee. It is 50% of the project. It does carry an investment grade rating by S&P. They are 93% funding in hand. He has been involved in a lot of these types of projects where he works. That is pretty strong. The last piece of it is the investment manager. That is not unusual to see negotiations at the very end, especially at the end of a year, which is where they are today.

He stated Governor Edwards wrote a letter, which he read, from two years ago in support of this project to DOE. He endorsed his commitment to this project last week verbally. Seven hundred thirty-eight jobs. They always talk about jobs at the Port. Seven hundred thirty-eight jobs will be created during the construction period. Forty-one million dollars in wages in Southwest LA. That is a big number. Economic impact to the state is \$1.2 billion. That is a big number also. Two hundred twenty permanent jobs in Southwest LA. He keeps hearing that word jobs since he has been on this Board. Two hundred twenty permanent jobs. Ninety-three percent funding is in place. Environmentally friendly. The CO₂, carbon monoxide, is going to be recaptured and resold to the oilfield industry. It is going to recover around 13.5 billion barrels of oil as a result of using the CO₂ that is produced from this process. If they close, the Port of Lake Charles receives a check for somewhere in the neighborhood of \$5.0 million at close. The Port will received \$1.6 million a year in revenues during the construction project annually. Mr. Self said during construction but it goes up. Mr. Eason said in the fifth year during operations \$17 million per year to the Port. Mr. Self stated that was correct. Mr. Eason said this was a 42% increase over where they sit today. That is a pretty handsome number there. They make due diligence decisions everyday on this Board, whether they upgrade a dock, dredge, buy the old Global Industries property that they did a few years ago and is now leased for another project that is in place hopefully. None of the projects that he knows of that they have here at this point, have 50% of the money guaranteed by the federal government in a loan. That is a pretty strong statement. He asked the million dollar question to Mr. Maley of Lake Charles Methanol, last week if he had personal funds at risk. That is one of the things one does for due diligence. When you take a look at projects. Do they have skin in the game? Yes, he does. He also asked Mr. Maley is every other vendor also deferring their charges from this point like the Port was doing. He said yes they were. The Port is also the smallest percentage of the deferred costs on the question he asked him the other day. He is going to vote to support this. He does not think there is a community in the United States that would not trade places for to be able to have something 93% funded. With those kind of economic numbers going forward it would be a pretty easy decision for anyone to trade places with the Port. He is going to support this project.

Mr. Darbone said he listened to some of the things that Mr. Krielow talked about. It kind of makes sense. He understands his apprehension. He sits here every month and is a proponent for jobs to make sure guys can find work and keep working. It is kind of a tough thing to make a decision, but you look at the risk and the reward. It is tough for him to vote

against job creation. It is a toss of the coin. They do not know what is going to happen. He feels like they need to give it a shot – another six months shot at this point.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 034 authorizing an Addendum Number Six to Real Estate lease Option Agreement with Lake Charles Methanol, LLC. Mr. Guillory seconded the motion.

The Board voted as below:

Mr. Eason	Yea
Mr. LeBlanc	Yea
Mr. Guillory	Yea
Mr. Darbone	Yea
Mr. Dixon	Yea
Mr. Krielow	Nay
Mr. Lorenzi	Yea

With a six to one vote for the motion, it passed.

 4. October 17, 2018 Administration, Audit, and Personnel Committee

The Committee met on October 17, 2018 to discuss the Forecast III and the Executive Director and General Counsel performance evaluations.

Mr. Self presented the Forecast III to the Committee and then presented it to the full Board at the October 22, 2018 regular meeting. No action was taken.

The Committee met in Executive Session to discuss the Executive Director and General Counsel performance evaluations. The Committee returned from Executive Session but did not take action at the meeting.

Mr. Dixon said that what they have done is on the next agenda at the November meeting that they will end up contemplating some action taken by this Board as to if they will increase the amount of items that they evaluate the executive with as they have 17 items that are written by law that they have to judge him. There are three more that are trying to be added to that. They were suggesting that maybe that be put in for 2019 rather than 2018. Mr. Krielow stated he thought they were not going to add the three items. Mr. Lorenzi stated that was his understanding as well. Mr. Dixon said they removed them for this time, but he thought they were going to put it on the agenda. Mr. Krielow said to talk about it later. Mr. Dixon agreed. Mr. Krielow said also they may change the way the evaluation is done. His understanding is they had agreed on an evaluation quantification type deal. He asked Mr. LeBlanc if that was correct. Mr. LeBlanc agreed. Mr. Krielow said they had agreed on a procedure of a timeline to

have the information to the Administration Committee so that each member would have an opportunity to do the evaluation and then give the Executive Director and General Counsel an opportunity for rebuttal of any of the items that were on there before the final evaluation was done.

Mr. Dixon stated he was trying to keep from talking about what they talked about in the Executive Session, but if they want to do that that was fine. Mr. Krielow stated that Mr. LeBlanc prepared a motion and thought that is what they had talked about to come forward with a motion on setting the policy.

Mr. Ringo stated that this is strictly a Board issue. How they evaluate the Executive Director and General Counsel is under their purview. If they want to make any changes, they can. If you want to bring it up at the next meeting you can. Mr. Dixon stated he was just suggesting that they do this at the November meeting and that everyone would be aware of what they are going to do and that they will be prepared to vote on it at that meeting with an agenda item.

Mr. Eason asked if he wants to defer any action on this to the next meeting. Mr. Dixon agreed.

Mr. Dixon stated the reason is because they have asked for a lot of information. They wanted evaluations from other ports. He has not seen that information as of yet. When that is in, it needs to go to all of the Board members so they can see what the evaluations are happening in other ports.

Mr. Eason asked if any action needs to be taken. Mr. Ringo replied that they did not if they were going to defer it.

Mr. Darbone asked if there was a timeline for when the evaluation is supposed to be done. Are they done at a certain time every year? On a certain month? Mr. Ringo stated they are done in the November/December timeframe. That is what they are going to do going forward is to try to get it done in November so that any changes to compensation or benefits can be put in the budget for the next year. Mr. Krielow stated there was an old procedure that was done in 2012 and has not been used since 2012, which he finds some dates when the information would be provided so that everyone would have an opportunity to review. Mr. Darbone said that his question is will they have and be able to confirm whether or not they are going to use this before they make the evaluations next month.

Mr. LeBlanc did not think they could use this evaluation process for 2018. Mr. Dixon stated the hopefully by then they will have some confirmation from other ports on how they do their evaluations, which every Board member should receive so they can get an idea as to what is taking place.

Mr. Guillory said that based on what the Committee Chairman said he would like to see what the other ports use before they move forward with this. He offered a motion to defer this action until the next meeting.

Mr. Rase said regarding the other ports, they have contact the other deep water ports. They have gotten verbals from 3 or 4 of them. The other two of them are sending information. They should have that out by next week. But, when they send it, and they have asked them to reply

as quickly as they could. They are waiting on the written information. He would tell them that by the next ten days he would hope whatever information they can collect they can give to them.

Mr. Dixon asked for a second to the motion. Mr. LeBlanc seconded the motion and it carried unanimously. Mr. Dixon seconded the motion and it carried unanimously.

5. Executive director Quarterly Expenses Briefing Note

The Executive Director Quarterly Expenses Briefing Note was rendered to the Board and is on file in the Executive Offices.

6. Forecast III Briefing Note

The Forecast III Briefing Note was rendered to the Board and is on file in the Executive Offices.

7. Monthly Staff report from Deputy Executive Director Monthly Report.

The Deputy Executive Director's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

8. Monthly Staff report from Director of Navigation.

The Director of Navigation and Security's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

9. Monthly Staff report from Director of Operations.

The Director of Operations' Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

10. Monthly Staff report from Director of Marketing and Trade Development.
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The Director of Marketing and Trade Development's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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11. Monthly Staff report from Director of Engineering, Maintenance, and Development and Security.
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Mr. Brinkman stated that on the security side, they were successful on their partnership with the CPSO and received a million dollar Port Security Grant.

The Director of Engineering, Maintenance, and Development and Security's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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12. Monthly Staff report from the State Port Lobbyist.
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The State Port Lobbyist's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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13. Executive Session and appropriate action in any of the following matters:
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Mr. Eason asked for a motion to enter into Executive Session. Mr. LeBlanc offered a motion to enter into Executive Session. Mr. Dixon seconded the motion and it carried unanimously. The Board entered into Executive Session at 5:46 p.m.

- Suit against the Port of Lake Charles – Suit No. 2013-001091-14th JDC, State of LA.
- Suit against the Port of Lake Charles – Suit No. 2014-004268-14th JDC, State of LA.
- IFG Port Holding, LLC vs LCHTD – Case: 2:16-cv-00146 U S District Court, Western District of Louisiana, Lake Charles Division.
- LCHTD vs IFG Port Holding, LLC – Case: 2:16-cv-00785 U S District Court, Western District of Louisiana, Lake Charles Division

The Board returned from Executive Session at 6:40 p.m. No action was taken in Executive Session.

14. Other Matters which may properly come before the Board.

There being no further business to come before the Board, Mr. Eason adjourned the meeting at 6:41 p.m.

All discussions held on the above items were recorded using the FTR Gold program, and saved on the District's main file server in the District's office.

Please note that when the votes are shown as unanimous, it is the policy of the Board that the President does not vote except in the event of a tie vote by the rest of the Board and/or unless otherwise indicated.

MICHAEL G. EASON, President

ATTEST:

ELCIE J. GUILLORY, Secretary/ Treasurer