

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, August 27, 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, President
- 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
- 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 5:01 P.M. and asked Mr. Dixon to give the invocation. Mr. LeBlanc 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. Those requesting to speak are Mr. Joe Thornton of FMT, Mr. Raymond Dallas with the ILA, Mr. Tony Guillory of the ILA and Mr. John Peters with the ILA.

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1. Approval of the July 23, 2018 Regular Meeting Minutes.
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Mr. Dixon offered a motion to approve the July 23, 2018 Regular Meeting Minutes. Mr. LeBlanc seconded the motion and it carried unanimously.

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2. Submission 2018 – 024 accepting the lowest responsive bid of All-State Belting, LLC in the amount of \$345,830 for new conveyor belting.
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Mr. Rase stated this was belting that they use mainly at BT – 1. Each year, as they go through belts, they have the long lead items, which these are in inventory. As a belt needs changing, they take it out of inventory and put it into use on the machine that needs the belt. They will then go through the process of re-ordering a belt so that they have enough on hand that they can fix any issues that come up at BT-1. This is the lowest bid they have that actually meets the specs for the belting that is required by the different machines.

Mr. Eason stated it would be safe to say it would be cost prohibited for the Port to get shut down for any length of time. Mr. Rase agreed and said that for some of the belts it is six months to a year getting an order to be completed. They try to have enough on hand to handle what they need to and have a little extra left over.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 018 accepting the lowest responsive bid of All-State Belting, LLC in the amount of \$345,830 for new conveyor belting. Mr. Guillory seconded the motion and it carried unanimously.

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3. Submission 2018 – 025 accepting the lowest responsive bid of Python Corporation in the amount of \$199,534 for the base bid for the Berth 7 Concrete Repairs.
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Mr. Rase said they have gone out and gotten the bids to repair the aprons at Berth 7 and maybe a little bit on the inside of the shed. Most of it is done on the apron where the ship actually ties up to and the part that is exposed between where the ship ties up in the shed is the general area that will be worked on. They have had steel plates and different things out there covering failures for quite some time. They're getting ready to replace those and they have received a responsive bid from Python to do that work. Staff is asking the Board to approve this tonight.

Mr. Darbone offered a motion to adopt Resolution 2018 – 025 accepting the lowest responsive bid of Python Corporation in the amount of \$199,534 for the base bid for the Berth 7 Concrete Repairs. Mr. Dixon seconded the motion.

Mr. LeBlanc asked Mr. Rase about the big discrepancy from the lowest bid to the next bid. What were the major factors that caused that much of a difference? Mr. Brinkman replied that the engineer's estimate was based on the most difficult means and methods, which would be working exclusively under the dock for those under the dock repairs. It is anticipated that this contractor has different means and methods, different approaches to handling this, which is cost-effective for them and allows them to get the low bid.

Mr. LeBlanc asked if they cannot meet the standards that the Port needs, because it is a pretty wide range from the lowest bid with the next bid is almost \$175,000 more. Does the Port have some teeth in there that that can hold those contractors? Mr. Brinkman replied that if they cannot perform, the Port has the standard contractual language in the public bid contracts to put them in default and move on. Mr. Krielow asked if they had a bond as well. Mr. Brinkman said yes they did. It is a performance bond. Mr. Krielow asked if they had a verified bid. Mr. Brinkman asked if he was talking about the contractor. Mr. Krielow replied yes to verify since there was such a discrepancy. Mr. Brinkman replied that the engineer does before they give their blessing. It is their risk.

The motion carried unanimously.

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4. Submission 2018 – 026 authorizing the District to enter into a Professional Services Agreement with Duhon & Pleasant for the design of Shed 7 Roof Improvements at City Docks.
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Mr. Rase said this is something staff brought to the Board several meetings ago. They think they are going to end up with a covering to go over the shed. They have hired Duhon & Pleasant to take a look at the shed roof and make sure what it can stand or not stand. This is the package that was put together to go out for the bid. It is a pre-engineering package.

Mr. Lorenzi offered a motion to adopt Resolution 2018 – 026 authorizing the District to enter into a Professional Services Agreement with Duhon & Pleasant for the design of Shed 7 Roof Improvements at City Docks. Mr. LeBlanc seconded the motion and it carried unanimously.

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5. Submission 2018 – 027 authorizing the Executive Director to submit Capital Outlay requests for the implementation of certain Port improvement projects.
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Mr. Rase stated each year there is a chance to enter the capital outlay fray to see if the Port can get some money to go towards some projects that they find to be useful in the future. They have used this particular request several times, although Capital Outlay has not been really funded with enough funds to reach the Port. They want to go back with the same two items, which are dredging at the Port's own docks and mobile crane operation at BT-1 when the expansion goes forward with Lake Charles Methanol. Staff is asking to prepare the documentation to send to Capital Outlay, but they have to have the Resolution from the Board in order to do that.

Mr. Guillory offered a motion to adopt Resolution 2018 – 027 authorizing the Executive Director to submit Capital Outlay requests for the implementation of certain Port improvement projects. Mr. Dixon seconded the motion and it carried unanimously.

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 6. Business, Environmental and Intergovernmental Committee Meeting  
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Mr. Leblanc stated the Committee met on August 22, 2018 to discuss the bagged cargo at City Docks. They reviewed competitive free trade and commerce at City Docks prepared by Port staff. They had several speakers who shared their thoughts and ideas that would make City Docks competitive for the future. They heard from the ILA representatives, one of the legislators, A. B. Franklin and one of their customers. One of the things that was made clear by the Port's customers was they were concerned if the Port changed their current process, the Port could lose some of their quality from their current stevedoring contractors at the Port. After a year of reviewing all of these comments, facts and debates on the comprehensive study, the Port's staff has compiled, he made the following motion:

A RESOLUTION directing the staff through the Executive Director to implement a plan to increase competition among two licensed stevedoring companies at City Docks.

WHEREAS, the Board, through Resolution 2018-002, directed the Executive Director to Draft a plan to increase competition among licensed stevedores at City Docks; and

WHEREAS, the staff submitted a Report to Address the Direction Policy of Competitiveness, Free Trade, and Commerce at City Docks and the POLC, By All Stevedoring Companies on July 18, 2018; and

WHEREAS, the Report included two options for implementation to be discussed and decided by the Board

WHEREAS, the Board has reviewed the Report submitted by Staff.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE LAKE CHARLES HARBOR AND TERMINAL DISTRICT IN REGULAR SESSION CONVENED THAT:

SECTION 1: It is the policy of the Board of Commissioners for the Lake Charles Harbor and Terminal District that Option 1, generally described on pages 15-17 of the Report submitted by Staff, will increase competition among stevedores at City Docks and is in the best interest of the District.

SECTION 2: The Board of Commissioners hereby directs the Executive Director to implement Option 1 for a period of one (1) year beginning in February of 2019 with a full report submitted to the Board in or near February of 2020. The Executive Director is hereby authorized to extend Option 1 for an additional year at his discretion. The Executive Director is hereby authorized to negotiate and enter into an exclusive agreement for one (1) year with the current contractor (Federal Marine Terminals) for the handling of commercial cargo and FMT shall continue to bid USDA cargo. The

Executive Director shall direct staff to implement a Request for Proposals (RFP) for one additional licensed Stevedoring Company as described in the Report. Selection of an additional Stevedore pursuant to the RFP shall be subject to Board approval. All cargo other than bagged agricultural cargo shall continue to be open for bid by any licensed stevedore.

Mr. Eason seconded the motion.

Mr. Darbone asked if they had an opportunity to vote on another motion for Option Two. How do they just move into Option One without a discussion to be able to vote on what they want?

Mr. LeBlanc stated they will have a discussion on Option One now. Mr. Darbone stated the idea, he thought, was for them to be able to vote today on whether or not they want Option One or Option Two. Mr. LeBlanc stated that is what he proposed. Mr. Darbone asked if Mr. LeBlanc proposed Option One. LeBlanc stated yes he did. Mr. Darbone said they were asking for a discussion on Option Two as well. He asked Mr. LeBlanc if they would have that opportunity to do that. Mr. LeBlanc replied that he thought so.

Mr. Guillory stated they would have to do a substitute motion. Mr. Lorenzi asked if that was requested. He stated he had the language in front. Mr. Krielow asked if it has been seconded yet. Mr. Eason stated he seconded the motion. Mr. Krielow stated he did not know the president could second a motion.

Mr. Dees stated the presiding officer has, at his discretion, the ability to vote or not vote. He does not lose the right of a Board member just because he is serving as a president. Mr. Krielow asked that has it not been the policy of this Board that the presiding officer did not vote unless there is a tie. Mr. Dees stated it is his discretion to decide when he votes or does not vote. He can vote. Mr. Krielow replied that so, they have a new rule. Mr. Dees said no. Mr. Ringo stated it is Robert's Rules of Order. Mr. Dees stated the Board's By-Laws say the Board is governed by Robert's Rules of Order. Robert's Rules of Order say, "The President, at his discretion, can act as any other voting member." Mr. Krielow stated he agreed, however, this Board has had a long standing policy that the body chair did not vote unless there was a tie. That is the way it has always been. (Inaudible section). Mr. Eason said he was exercising his discretion.

Mr. Krielow asked if they were open for discussion. Mr. Eason said they were.

Mr. Krielow asked about the letters that went out to the Board members from staff from solicited letters supporting Option One from customers. He wanted to go ahead and let the Board be fully aware of what has transpired. What the position...Briefly, he wanted to talk about the letter that was not brought up in the Business Committee meeting out of respect, but he is going to do it this way. They will focus on it. The current stevedoring company, FMT, who operates City Docks sent a letter to the Governor and Commissioner of Agriculture in August 2017. It was a letter basically – you can read it. It speaks for itself. – complaining about state funds being used on rough rice export facilities, thus reducing the amount of milled rice that they handle at City Docks. One of the glowing, a couple of glowing remarks in it are that FMT's position is that state funds should not be used to create an unfair marketed

advantage. So, if they are going to give an exclusive, whether it is to FMT or XYZ, they are creating an unfair market advantage over the other stevedoring companies and the other people that want to work at this public facility.

In that same letter, in the spirit of proving their point, they outlined what the tonnage was from 2015, 2016 thru the date of the letter in 2017. In 2015, they had 177,000 tons. In 2016 they had 67,000 tons. Through the date of the letter, they had done 28,000 tons of bagged cargo at City Docks. In 2012, that is an excerpt from the exclusive agreement with FMT, the second sheet he gave everyone. As part of the RFP, the companies that were looking to quote City Docks bagged cargo were asked to insert a guaranteed minimum tonnage. FMT's guaranteed minimum tonnage was 200,000 tons. By their own admission, they failed to meet that tonnage. For sure, two of the years and possibly a third. Staff, at his request, has put together what those shortfalls have been. The concerning point to him in this whole situation is that the Port has an exclusive agreement with a company that knows, knowingly knows, that their tonnage is below what their guaranteed minimums were. They failed to come forth and make payment to this Port. The Port has sat, staff has sat idly by and not enforced the provisions of their very own document.

When he first got on this Board, he asked Mr. Dees to give him a copy of all of the contracts and agreements. He has quite an extensive (inaudible). It is a great playbook because it tells you what the terms and conditions and what dates things have to be followed up. There are 93 contracts and agreements and 99 leases. Probably more than that now, maybe less. He has questions to several people involved in this. One would be to FMT. Why did they not come forth and honor their own agreement. Two, to the Port's legal counsel, who has the responsibility to overseeing these documents and has repeatedly told this Board that he has to enforce every term and condition of the agreements and contracts the Port has or else this District would be taken advantage of by other tenants. In this case here, they have a minimum tonnage guarantee that has gone on for almost three years without being enforced. He questions the staff first, because they represent the Board. As to why this tonnage has not been enforced in the bagged rice business, however on bulk grain side, they are in some litigation that involves this very issue of minimum guarantee tonnage that the Port, through legal counsel, has decided to enforce and demand payment.

Here they are on one hand saying they are going enforce it and the other hand they are going to turn a blind eye. He asked Mr. Dees how this fell through the cracks. This is the second incident in the last six months that this Board has acted on that had improper advice from staff. The terms of the Board approved agreements are not being followed and not being enforced. He has concerns, not only in this situation, but even on others. He asked Mr. Dees to explain to him how FMT fell through.

Mr. Dees stated the FMT contract has a minimum 200,000 ton requirement. The listing that Mr. Krielow refers to, also provides for each of the contracts to be assigned for management by a particular member of the staff. This agreement was assigned to Mr. Henderson. Periodically those contracts are approved and they are implemented. He cannot manage every contract. That would be impossible. They have a system where they delegate to other members of the staff that the contract has a defined term for cargo. In that defined term, it relates the definition of cargo as being bagged goods only. He thinks what happened in this situation is the

accounting department and Mr. Henderson, who was assigned the contract, misinterpreted what that defined term is, cargo. When he looked at the totals, the 200,000 was being met. Then when they got down into it the last week or so, the bagged cargo is what is supposed to be counted. That is where the shortfall is. In the last year of the contract... The contract also runs from February 1 – January 31. It makes it a little bit more difficult and more challenging than just working on a calendar year. That was also an issue. When you calculate only the bagged cargo and not their other tonnage, then they are short. It has been communicated by Mr. Rase that they will be invoiced. Nothing has been lost. Nothing has been lost to the Port. There is an agreed-upon payment if the minimum is not made, which is \$2.25.

The other contract mentioned that has a minimum in it and an exclusive the tenant is not paying. Mr. Krielow stated they paid under protest. Mr. Dees replied that he elected to plead force majeure. Mr. Krielow stated they did pay under protest. Mr. Dees stated he thought one year. He does not know the details. Mr. Krielow stated that was public record. Mr. Krielow stated he had a couple of other points and he would let everyone else come in.

He stated this takes him to finance now. Regarding the auditors, should they not be auditing all of these leases and agreements and contracts for the terms and conditions to be sure that the Port is not liable for some costs or due some money to be able to get a clean audit. He is asking that because in his business, he deals with contracts all of the time. He deals with auditors. When they come in to do an audit, they give him a shopping list of what they want to look at. First thing on the list is contracts, leases and rental agreements during from the time period that the audit is going to be performed. They go through there and they go through every piece of that contract to see if anything has changed recently on any contract and report all of that in the footnotes. He asked the question to all of the staff.

Mr. Self stated that in a normal audit situation they do not go through and audit every single document through every agreement. They have a scope of their audit. They do testing. They go through different types of analytical tests that they go through to get a comfort level with whoever it is that they are auditing. At some point he is sure they have looked at the agreement and studied the agreement. He is not going to say they go through that agreement and reread and check everything every year.

Mr. Krielow asked would Mr. Self not think it would be prudent for them as a Board to ask the auditors what have they used (inaudible) of all the agreements (inaudible). He really believes had he not brought this to the attention of staff, then this would have gone unseen unsung. Serving people when they sit here as a Board and lie on that he actually feels like he is put in a position that he has to go find the answer.

Mr. Self replied that they have controls in place. This one did fall through the cracks. He is absolutely right about that. There was a lady that was overseeing the contract and tracking those minimums. She retired and from the point of when she retired to the new person taking over, it did fall through the cracks. He stated he thought he had told him that emails that he sent last week. But, they have controls in place and honestly he feels comfortable with the controls. He does agree that this one fell to the cracks, but he does feel comfortable with the controls that they have. The directors as Mr. Dees said, and as Mr. Krielow mentioned, there are over probably 200 contracts and agreements. Those contracts and agreements are spread

amongst all of the directors. There is no way one individual could take all of them and be responsible for every CPI, minimum tonnage, renewal response. It is just not possible. In early 2005 staff attributed all of the agreements to the directors. Each of the directors have probably close to 30 agreements for which they are responsible.

Mr. Darbone asked Mr. Self if he has a reason as to why staff on our finance side did not keep up with the numbers. His question is should not have FMT on their finance side be able to keep up with whether or not they owed the Port funds or are if they don't owe the Port funds. Mr. Self replied that was not going to speak for FMT, but from a Port perspective if someone does not invoice him, he will not pay them. Mr. Eason stated that is where he is going with this. He asked Mr. Self if he had invoiced them as of yet. Mr. Self stated not as of today, but they are going to invoice them. Mr. Self stated he cannot speak for FMT. Mr. Darbone said if he never invoiced them, if he was FMT, Mr. Self would never would think about paying for another two or three years. Mr. Self replied if they have some legal invoices so such as that, he is not... Mr. Lorenzi stated they might want to consider rewording the contract. Mr. Self stated he would be accruing some things from an accounting perspective to make sure the financial statements are correct, but he is not going to call the law firm and say, "Hey please invoice me because I want to write you a check."

Mr. Krielow stated he would finish up.

Mr. Dixon asked what did staff do to correct this and how long will it take staff to get that into motion? Mr. Self replied that he spoke to Mr. Rase and Mr. Rase's recommendation is that they go through and ask each of the directors to go back through their contracts and just review those minimums, make sure that they are monitoring the CPI adjustments and all of the facets. The legal sheet that Mr. Krielow mentioned a few minutes ago is a pretty good document. It is a master contract list of all of the agreements. It does not have every single facet, but it is a pretty good source to go to. In addition, Mr. Rase has recommended that we each director go through each of their contracts and make sure there is nothing else out there.

Mr. Krielow stated regarding the motion that is on the floor, he would just like to finish up by saying he understands there have been moving pieces in the last few days trying to change opinions. Everyone has to do what they have to do. Personally, he believes this Port belongs to the people. It should build business for the public. (Inaudible) the very worst, the operator that has the exclusive agreement out here said state funds and assets should not be used to bring an unfair marketing advantages. What harm would it do to open it up to two stevedoring companies for full and open competition? If the customers that recently gave fresh letters that support Option One do not want to do business with the other stevedoring company, it is their choice. There is no harm no foul. But, at least it has been opened up and opened an opportunity and they are not opening it up to something set for failure. Option One is set up for failure. Option One is strictly USDA. They have sat through countless hours of meetings listening to Mr. Rase tell them how the USDA cargo is gone away. To set it up where can only compete on USDA cargo, they know, staff knows no one is going to be interested in that because there is not enough to make the full picture work. Having said that, he would encourage everyone to rethink their thoughts and look seriously at Option Two.



Mr. LeBlanc stated he would respond to that as well. As the Port's customers have said and they talked about this earlier and were focused on the Port's customers. He stated he thought Mr. Krielow brought up Supreme and some of the other ones that said they did not have a fair shake at actually having a competitive bid. And then Port has their customers that come up to them and say they want option number one. They feel if the Port goes with Option Two or opens it up the quality of the service that the stevedoring companies the Port will reach out to will diminish the quality of work they have here. He said if they open up Option Two, the Port has some of these customers have the ability to take their rice and move to somewhere else. The Port will lose those customers. By saying the Port goes to Option Two it will open up what he is hearing all of the information is Option Two will further diminish the amount of cargo the Port will get. If they have a poor operator that comes in here and does a poor quality job all of a sudden they will look for somewhere else to go move their rice. Mr. LeBlanc stated that they said in the beginning that they wanted to open it up for competitiveness. They said they could get X amount more. He has heard this time and time again. They can get us more and more rice. Well, they have been given an option, which is Option One. They will be given an opportunity. Let us see. They will have the same right to bid on the rice that will be coming in from USDA that the other stevedore has. Let us see what the Port gets out of that at the end of the year. At the end of the year, if it has changed the Port can open it up again. They can take a look at it. They have an option on there where they can extended another year. If the Port does not get anything out of this deal, they can go back to doing exactly what they were doing. He sees it as a win-win for the Port. He does not see it as a loss. They all wanted to talk about competitiveness. They are opening it up to competitiveness. Now it's being said they are not competitive in everything now. They have to take a good close look at what they were going to do. Option One brings them to the table. It is a compromise that they work through. It will give the Port a starting point. Let us go with that and see what happens. They have heard from their stevedoring companies that they can bring in more rice. Let's see what we can get at the end of the day.

Mr. Eason stated there were a couple of speakers who wish to address the Board. He called Joe Thornton of FMT.

Mr. Thornton stated he would like to address what Mr. Krielow said about the shortfall or the minimum tonnage guarantee. FMT was made aware this on Friday. They are a responsible tenant. Once they receive the invoice, they will certainly research that. There is a stipulation when they received the notification on Friday. There is a stipulation in the contract that the minimum tonnage guarantee can be altered or waived entirely if there are circumstances outside of the contractor's control. As Mr. Krielow said, everyone has pointed out staff has done a great job here in the past year of pointing out the economic reasons of why the bagged business is down. Certainly they believe those factors are outside of their control.

Regarding the exclusivity, he wanted to make a few statements. First, when FMT was asked to come here, they made a significant investment. When they were asked to get involved with the bags, they made a further significant investment. The exclusivity had a lot to do with that. It made that investment make sense. If the exclusivity goes way or is amended, then FMT is going to reevaluate their business model and what they have to do. They will reassess their investment that they made here in Lake Charles regarding staff and equipment and leases to the Port in order to be more competitive. Again, they know other people may not have the

commitment to Lake Charles that they currently do. If they are going to have to compete with that, they will have to address that as well.

He also pointed out that back in 2012, Mr. Tom Flanagan made a trip to Montréal when FMT was first made notice that they were going to move to Lake Charles. At that time he met with senior management of FMT and appealed and pleaded to FMT to not to come to Lake Charles because there was not enough revenue to support two stevedores. The situation has not gotten any better since then. It is gotten worse. He just wanted to make that point and thanked the Board for their time.

Mr. Eason next called upon Mr. Raymond Dallas to address the Board. Mr. Dallas stated he hoped he didn't repeat himself from last Wednesday's Business Committee meeting and if he does he apologizes but some interesting things have come to the forefront. His main interests are the many men and women that work through city docks, longshoremen. They are here for one reason and one reason only, more work. Whatever that might take is what they want to do. They have made sacrifices, they have taken cuts. They make the same money per hour as they have made since 1984. He does not know what more they can do to try to get more work inside the city gates. They had an opportunity to get project cargo and some past commissioners and some present commissioners were more than happy to go along with competition. That work went to stevedores that were not going to use their labor. They lived with that problem. They are past it. Whether they continue to get project cargo, they will do what they have to do to get more jobs. He is curious as Mr. Matt from FMT had made a comment last Wednesday, the Port could do a little better job, infrastructure wise, to prepare for all of these hard times.

He is in no way wanting to try to bash anyone, but he just has to ask if the Port was really concerned for jobs for the longshoremen, why did the Port not make plans for containerization spots? Crowley Maritime south of town. The Port has great docks here. They are not being fully utilized to create more jobs, more containers to prepare for the future. The longshoremen knew ahead of time that that project cargo was coming here for Sasol, Axiall, LNG and he was hoping they would get a lot more. But, he also knows that they lost over 80 ships to other Ports. He is sure there is more than one reason, but the one that jumps out at him is lack of space. The Port has made some adjustments. They have made a rock yard out there. They are sitting in a beautiful office building here that could have been a great laydown yard. He is no expert on the Port staff's business. He is hoping he is not saying he is. But he knows without a doubt, that they work for man-hours not wages. They work for man-hours to put insurance for their families. He would question anybody in any industry that goes 35 years without, and they have taken cuts, any monetary raise. He knows they do not set contracts with the Port. That is the stevedores. He wants to clear that up and not misspeak. Long story short, he would hope the longshoremen, one day, would be just as important to this administration and to the Board members as they are to the longshoremen. He thanked the Board.

Mr. Eason called upon Mr. Tony Guillory to address the Board. Mr. Guillory stated he was sitting here and thinking that Mr. Dallas had said they had not had a raise since 1984. That is a very long time for anyone. He thinks Option Two is a great option. He does not know if anyone has been at the bottom of the ship as he has back in 1970 and it is hot. It is hard and these

guys are willing to do the work. This room would be full right now if most of them would not be in Beaumont working. They have called him from Beaumont. They come home. They spend their tax dollars here. They live next to him. This room would be full. He is asking the Board to please consider getting these guys to work.

Mr. Eason called upon your John Peter to address the Board. Mr. Peter stated everyone is talking about competition like competition is a bad thing. Competition is not a bad thing it is a good thing. We have all competed. We have all competed on whatever level you do not feel good about yourself as a man you compete against someone who is crippled or has some kind of impairment. He says that because he does not feel the Option One is fair playing field. It is not fair. When you take and limit one stevedoring company to a small piece of the pie, but you are giving another stevedoring company a bigger piece of the pie, it is not fair. He asked if all of them would find it in their hearts and in their souls to go with Option Two. He thinks it is better, not just for the Board but for the longshoremen. He thanked the Board.

Mr. Darbone asked to speak. He said that when he came on Board as a Commissioner, he felt like this district and the job of creating jobs in this district was his job. He feels there are opportunities to create more jobs, not less jobs as they can. They ought to be, as Commissioners, thinking about their district and thinking about growing jobs. If they were to look at Option Two and give this dock an opportunity to be competitive, let us give it a chance. He thought he stated last week that they have been handling the job this way for years and have not seen any results in creating more jobs. If the Board keeps doing that they will be getting the same results. Let us open it up see how many opportunities they can get by competing. If it does not work, just like Mr. Elcie said, they can always go back. He thinks they ought to give themselves the opportunity to create jobs so they can create opportunities for people in the district. He thinks that is what the Board's job is.

Mr. Lorenzi stated his recollection when they started this process was that they were told that under the statute they as the Board do not have opportunity... All they can do is set policy. If there was anything that was within one year, Mr. Rase has the ability to make that decision and it can be an exclusive contract. He has not actually seen the resolution, but if he heard it right it was for one year. He is not really sure that even if what is proposed was to pass, that it has any effect. He questioned if has been submitted for review or to determine whether it has any efficacy to begin with. Secondly, again he thinks all they are actually doing is attempting to set policy. They are still back where they began, which is that there are those that are trying to emphasize that there needs to be more competition, which is what David was just saying. The counterargument, which is that the exclusivity is essential to maintain essentially what the mills are saying they want to have, which is FMT's quality as opposed to chaos of the past as he appreciates it. But, he still does not understand, as far as the resolution that is on the floor, how or why they would even be voting for it if it does not advance a policy that can be implemented if it was to pass. If it is only a one year policy, then as he appreciates the enabling statute, it does not bind anyone to do anything. In fact if anything, the Board has voted to do something that under the enabling statute, is prohibited from doing, which is attempting to order the director to do something that he only has the exclusive authority to do. He does not want to be part of that because he thinks they would be violating their own rule. He stated that they either need to ask for a legal opinion regarding the resolution or they need

to move to table this until they can get an opinion regarding whether it is a valid resolution because it concerns him.

Mr. LeBlanc stated he would amend the motion to make it a two-year agreement. He stated to Mr. Eason to amend the resolution to make it a two-year agreement. Mr. Eason seconded the motion. Mr. LeBlanc stated it would be a two-year agreement instead of a one year agreement so they will meet the obligations of their legal obligation so would be a two-year commitment set up a one year. They would not have a one year option or they could still have a one year option after that and leave the one year option on it. He asked counsel if they could do this. Mr. Eason stated it was his understanding that they did not need to do anything statutorily as Mr. Rase has the right to grant a one-year exclusive to anyone. Anything different than that, which is what they are doing tonight, required Board approval. He asked Mr. Dees if that was correct. Mr. Dees replied that it was really not that complicated. The statute gives Mr. Rase the ability to contract with the stevedore up to a year. What the Board has done is adopt a policy that says how they would like him to do that. The motion is to implement that policy of contracting with a stevedore. The motion could be for one year and they are still in compliance with the statute. You have not restricted him other than by their policy of saying as report was presented in this is how they want him to do it. They could do one year or do two years. There is not a restriction in the statute that says he can do it anyway he wants to do it, it just gave him authority to enter into stevedoring contracts for up to a year. The Board is telling him, they have a policy that says they wanted it done in this fashion. He is willing to do that. Again, they could do it one year or they could do it two-years. Mr. Eason stated the original motion is valid. Mr. Dees agreed it was. Mr. LeBlanc said that if Mr. Lorenzi has... Mr. Lorenzi stated the statute says he can do it exclusively. Mr. Dees replied that no, it does not mention the word exclusive. It just says "on terms that he deems in his best interest." He has submitted a report to the Board that says these are options that meet the Board's policy he thinks operationally will work. That is the other division here. The Board has a policy directed by law. The Executive Director has to worry about operations. He has recommended to the Board how the Board's policy can best be implemented and that is Option One or Option Two. Mr. LeBlanc stated that what they debated in the motion was for Option One, but if Mr. Lorenzi has an issue with it being only one year, he made the amendment that they would go to two years. Mr. Eason asked if it could be either way and be acceptable to policy. Mr. Dees stated it could be either way. Mr. Eason asked if he had a preference the motion. Mr. LeBlanc stated he would like some more discussion on one or two years. He felt that if they gave a one-year, it would give them the option to look at it for one year, talking with some other commissioners, give them one year so they could take a look at it. If you lock it in for two years, they have this contract for two years. If Mr. Lorenzi feels that it is not legal to do it one year, he wants to make sure that they do this appropriately so they do not have to come back and do this again next meeting.

Mr. Eason stated that legal counsel is telling them it can be done either way. He asked Mr. Dees if that was correct. Mr. Dees stated that was right. Mr. Lorenzi stated that if Mr. Dees says it is valid for one year then he will accept that as long as it is on the record, but that is not what his recollection was. Mr. LeBlanc said he would stick with the amendment.

Mr. Guillory said he would rather go with one year. Mr. LeBlanc stated he would withdraw the amended motion and stick with the one year on Option One with the one year option at the discretion of the Director to option it out after one year.

Mr. Darbone asked Mr. Guillory if he had something he wanted to say. Mr. Guillory replied that he would rather go with one year the simple reason being if it does not work, then they are not locked in for long term and then they can come back. To him, one year is plenty long enough to show what you are going to do. If you cannot do it in one year, you cannot do it in two years. He would rather see them go to one year.

Mr. Eason said he called staff today on this. They are doing something different for the first time in he does not know how many years back. They have had an exclusive stevedoring company as far back as he can remember, and someone correct them if he is wrong. What they are doing tonight is different than they have done in the past. Is that correct? Mr. Rase said that yes, there has always been, and he has said it several times, some form of exclusivity at the Port as far as cargo handling goes, not necessarily stevedoring, but as cargo handling goes. At one time it was exclusive to stevedoring. That was only because of the initial group that was in here back in the 50s. There is some form of exclusivity, just like in Beaumont there is one company that has to handle all the cargo that comes in and goes out. They do not have the stevedore but they have to handle it coming in and going out. Port Arthur has the same situation. Jacinto Port actually has one stevedore that handles the whole cargo coming in and going out and stevedoring. Exclusivity is not that foreign to the trade. It is maybe foreign to people up here, but it is not foreign to the trade. They have gotten FMC rulings on what they did with exclusivity and giving the one stevedore the total piece of work. He was asked to get something done and he thinks they have presented the Board with two options. He thinks either one works fine operationally. From his perspective and what his customers want is probably what should drive what they do here at the Port. Mr. Eason stated he wanted to add that he asked questions also, because there are a number of letters of support that have come in. So, Supreme Rice, Farmers Rice Mill and Archer Daniels Midland all wrote very favorable responses to Option One. He asked what the percentage of the Port's customers business comes from just those three. He said he was told somewhere between 80 and 90%. He asked if that was correct. Mr. Rase said it was. He said obviously they are listening to what their customers are saying also. Mr. Rase stated that this was the bagged cargo business.

Mr. Darbone stated they had a letter last month from the same Farmers Rice Mill's general manager who wanted competition to create more jobs and they have that letter as well. He does not know what happened between last meeting and this meeting that made him want to change his mind, but they do have a letter on file. Mr. Eason said that the most recent dated one says Option One from the general manager, Mr. Bernhard. Mr. Rase said yes, Nick Bernhard.

Mr. Krielow stated he realized there was a lot of jockeying to get support one way or the other, but be that what it may, if it is going to be a one-year deal and if they want to see if it is going to work or not, as Mr. Lorenzi said, put all the cards on the table and Option One does not do that. Option One fails. Option Two gives everybody the same deck of cards to play with, the same labor force to work with and customers do not want to use the other or whoever it is that comes in as the second number, they do not have to because it is free trade. It is their

prerogative to not use them. He would implore everyone to think seriously before they pass a resolution that is on the floor and look seriously at Option Two for the people who have asked them to work on their behalf on this Board.

Mr. Guillory stated he knows they want to try to get this going. What is so different that they cannot combine Option One and Option Two together where it will satisfy everyone? What is sticking in Option One and two? He understands what Mr. Krielow is saying and he is not sure he agrees with that, but can they work something out. He would defer action on this, because all that has gone on now needs to be in committee somewhere in trying to put this together. He thought they were much further than this then where they are today. Instead of coming up with two options come up with one option that would work for everyone.

Mr. Eason stated they have studied this for eight months. Mr. Guillory agreed. Mr. Eason said these were the two options that seem to be compatible to staff after reviewing this for eight months. He asked Mr. Rase if that was correct. Mr. Rase stated it was. Mr. Rase said there are three options: they stay like they are, and then the other two. He does not see, this is the Board's decision it is not his, something in between that would be very beneficial unless they go back to some exclusivity on the cargo side where all of the cargo comes in just like Port Arthur or Beaumont have. But, that does not really solve the problem. He has said it many times, he does not think the pie is any bigger and it is not going to get any bigger, it is just how it is sliced up and who stays when it is finished being sliced up. The Board has the ball. If they want to vote then vote and if they want to defer they can defer.

Mr. Darbone asked if they could make a vote on Option Two. Mr. Eason stated they have a motion on the table.

Mr. LeBlanc called the point of order that he would like to go ahead and vote. Mr. Eason stated they have a motion and a second and would need a roll call vote.

Mr. Krielow asked Mr. LeBlanc to read the resolution as written by staff. Mr. LeBlanc replied he could and read the resolution. Mr. Leblanc stated it was written by staff, but he interpreted it and brought some things he wanted in the resolution. It was his resolution that he brought to staff and asked them to make sure it was appropriate for the fineness of the actual resolution to make sure they had it the way it was written and it would be written in a legal term where it would be acceptable for the Board.

Mr. LeBlanc read the Resolution:

WHEREAS, the Board, through Resolution 2018-002, directed the Executive Director to Draft a plan to increase competition among licensed stevedores at City Docks; and

WHEREAS, the staff submitted a Report to Address the Direction Policy of Competitiveness, Free Trade, and Commerce at City Docks and the POLC, By All Stevedoring Companies on July 18, 2018; and

WHEREAS, the Report included two options for implementation to be discussed and decided by the Board

WHEREAS, the Board has reviewed the Report submitted by Staff.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE LAKE CHARLES HARBOR AND TERMINAL DISTRICT IN REGULAR SESSION CONVENED THAT:

SECTION 1: It is the policy of the Board of Commissioners for the Lake Charles Harbor and Terminal District that Option 1, generally described on pages 15-17 of the Report submitted by Staff, will increase competition among stevedores at City Docks and is in the best interest of the District.

SECTION 2: The Board of Commissioners hereby directs the Executive Director to implement Option 1 for a period of one (1) year beginning in February of 2019 with a full report submitted to the Board in or near February of 2020. The Executive Director is hereby authorized to extend Option 1 for an additional year at his discretion. The Executive Director is hereby authorized to negotiate and enter into an exclusive agreement for one (1) year with the current contractor (Federal Marine Terminals) for the handling of commercial cargo and FMT shall continue to bid USDA cargo. The Executive Director shall direct staff to implement a Request for Proposals (RFP) for one additional licensed Stevedoring Company as described in the Report. Selection of an additional Stevedore pursuant to the RFP shall be subject to Board approval. All cargo other than bagged agricultural cargo shall continue to be open for bid by any licensed stevedore.

Mr. Eason stated that was for one year. Mr. LeBlanc replied it was for one year with a one year option.

Mr. Raymond Dallas asked the Board before they vote if he could ask a question. He knows this is unusual in their format, but these are trying times. He wants to ask the Board, staff and stevedores a question. Last year they were awarded 90,000 tons of commercial cargo, Iraqi rice. He heard a rumor and thinks it is true that they are going to get 30,000 more any day now. His question is, did the Port or any stevedore do anything to get that business here?

Mr. Thornton, FMT, stated they went to see ADM Rice twice so far and are making marketing calls for them to recognize the Port. They are steadily trying to maintain that relationship. But, this is an international sale. It has to do with the price of the rice in the United States and political forces that are lobbying on behalf of USA Rice. They visited USA Rice to lobby Iraq. He said it is being said that Iraq is about the last big customer out there.

Mr. Dallas thanked him. His point was this cargo is coming here, pretty much like the project cargo. It just happens, he thinks. He thinks he is right. On the other hand, USDA is bid out. They had 2,300 tons last year of USDA. They are fixing to get 120,000 tons of private sale, Iraqi. So, if they are talking about competition, and they want to make it fair and level, he thinks he has made his point. Option One is... Do not get him wrong, he wants all of the

stevedores to come in and use the longshoremen. He is not trying to go against Mr. Thornton or Mr. Flanagan at all. He is just saying to look at the reality of this option. What is it really going to do? It is not going to change much. He thanked the Board.

Mr. Eason began asking for a roll call on the motion:

Mr. Lorenzi	No
Mr. Darbone	No
Mr. LeBlanc	Yes
Mr. Eason	Yes
Mr. Guillory	Yes
Mr. Dixon	Yes
Mr. Krielow	No

The motion passed with a vote of 4 yeses to 3 nos.

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

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8. 2018 Business Expo and Showcase Briefing Note  
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The 2018 Business Expo and Showcase Briefing Note was rendered to the Board and is on file in the Executive Offices.

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9. July 2018 Financials Briefing Note  
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The July 2018 Financials Briefing Note was rendered to the Board and is on file in the Executive Offices.

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

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

- 13. 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.

- 14. 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.

- 15. 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.

- 16. Executive Session and appropriate action in any of the following matters:  
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Mr. Eason asked for a motion and second to enter into Executive Session. Mr. LeBlanc offered a motion to enter into Executive Session. Mr. Krielow seconded the motion and it carried unanimously. The Board entered into Executive Session at 6:07 p.m.

- Suit against the Port of Lake Charles – Suit No. 2013-001091-14<sup>th</sup> JDC, State of LA.
- Suit against the Port of Lake Charles – Suit No. 2014-004268-14<sup>th</sup> 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 and entered into Regular Session at 6:42 p.m.

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 17. Other Matters which may properly come before the Board.  
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There being no further business to come before the Board, Mr. Eason adjourned the meeting at 6:42 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.

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MICHAEL G. EASON, President

ATTEST:

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ELCIE J. GUILLORY, Secretary/ Treasurer