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, July 22, 2024 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:

Kevin D. Guidry, President

Mary Jo Bayles, Vice President

John M. Cradure, Secretary/Treasurer

Jonathan L. Johnson, Assistant Secretary/Treasurer

Carl J. Krielow, Commissioner

Absent:

Thomas L. Lorenzi, Commissioner

Also Present:

Richert Self, Executive Director

Jon Ringo, Executive Counsel

Cameron Landry, Director of Administration and Finance

Channing Hayden, Director of Navigation

Todd Henderson, Director of Operations

Therrance Chretien, Director of Cargo and Trade Development

Michelle Bolen, Executive Administrative Assistant

Mr. Guidry called the meeting to order at 5:01 P.M.

Mr. Krielow gave the invocation. Mr. Cradure led the Board and audience in the Pledge of Allegiance.

Mr. Guidry made a statement reminding the public of the Port’s procedure for the public to address an agenda item to the Board.

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1. Approval of the June 24, 2024 Regular Meeting Minutes.

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Mr. Johnson offered a motion to approve the June 24, 2024 Regular Meeting Minutes. Mr. Krielow seconded the motion and it carried unanimously.

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2. Submission 2024 – 026 approving and levying for the tax year 2024 an ad valorem millage rate of 2.48 mills.

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Mr. Self stated staff is requesting Board adoption of a 2024 millage rate of 2.48 Mills. Each year the Tax Assessor looks at the properties in the District and they do an assessment. The assessment did not change substantially from 2023 and the millage rate remained the same at 2.48 Mills even though this is a revaluation year. Staff is requesting the adoption of the millage.

Mr. Cradure offered a motion to adopt Resolution 2024 – 026 to approve and levy for the tax year 2024 an ad valorem millage rate of 2.48 mills. Ms. Bayles seconded the motion and it carried unanimously.

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3. Submission 2024 – 027 authorizing the Executive Director to enter into a lease agreement with South Louisiana Rail Facility for the loading of rice and other products at the Turning Basin.

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Mr. Self said the South Louisiana rail facility seeks a lease on property at the Turning Basin to load barges and other vessels. The South Louisiana Rail Facility approached Port staff requesting that the Port construct a limited portion of the improvements in an amount not to exceed $5 million and structure of the lease payments and incorporate a rate so that the Port is reimbursed any amounts that it contributes plus a capital recovery figure.

Mr. Krielow offered a motion to adopt Resolution 2024 – 027 to authorize the Executive Director to enter into a lease agreement with South Louisiana Rail Facility for the loading of rice and other products at the Turning Basin. Mr. Cradure seconded the motion and it carried unanimously.

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4. Lake Charles Methanol Update Briefing Note.

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Ms. Linda Miller gave an update to the Board on the Lake Charles Methanol project. She presented a PowerPoint presentation.

Ms. Miller stated the first page is just a reminder to the Board about the project and to talk about the progress that they are making on the development of the project. It is a project that will make methanol. Right next to the land that is next to BT-1, it is a clean hydrogen and methanol project. They will take all of their CO2 and ship it to Denbury, which is now Exxon. This is proven technology. It is a world class project. They have a land lease option with the Port. Once they enter into the lease itself, it is a 40-year lease with two 10-year extensions. It is a very long-term proposition they have with the Port.

The next page is regarding the off-take agreements. They have all the off-take agreements for the sale of methanol done. They have all of our arrangements for natural gas with BP and Sempra is going to build on line. They have gotten one of their permits and are getting another permit. They are getting their land from CITGO, so that is all going along. They have a meeting next week with Exxon who has requested some changes to the agreement. Exxon came in bought Denbury. They had some technical changes they wanted to make. She believes they are very close on what that agreement is, but they will all meet in person, so that it's very clear that they have met each other and that they get that done. The basic agreement has been done since October of 2022.

The three things they have to finish are the permitting the structure for building the plant and the financing. She was here October 22nd and the next day spoke with Mr. Self and Mr. Henderson at the public hearing for the permit. The comment period closed May 1. They are expecting that permit had some correspondence recently with the LDEQ, so they want a little bit more modeling. Once they finish that. They expect the permanent air permit to be issued. Once it is issued, there will be 30 days that people can make an appeal to the Louisiana courts. The time period to appeal to the EPA is already passed. The other permits, which they work with the Port on quite a bit are also in good shape. They feel pretty good about the status of that.

Regarding financing, she has talked a lot in the past about the DOE. The DOE took a position that they wanted to wait until the project part of the revenues comes from tax credits and there were tax credits that were passed two years ago, but the regulations have not come out yet. They took the position they wanted to wait until those were clarified. Plus, they were also going to take six to nine months at least to update the environmental impact statement, so LCM have really focused on the bank alternative, which was mentioned in the past as a backup.

It is not the backup now. They have hired Morgan Stanley who has been hired to raise equity. Now, they are also raising debt. LCM has also hired Sutomo and Santandare and Three Banks to be structuring banks. They are in the process of getting their green light approvals. They should have them by next week at which time LCM is going to then launch the next phase of reaching out to 10 to 15 additional banks. All together they would make an underwriting of the of the project. They would then later have two subsequent distributions so that those banks could sell down their position, but they want to get this this first round get enough so that they have the entire amount of debt covered by the banks. It is a very similar structure that is involved with a lot of LNG plants either through the Port or through others. It is the very same process to get a bank facility and then over time as the construction moves along, you take it out with long-term bond financing. This is a very similar structure and the banks are very excited about the project because of its environmental characteristics. Many of the projects that are hydrogen projects like theirs, when hydrogen to methanol have been held up more than they have by the lack of legislation or lack of regulatory clarity, so there are really no energy transition projects like theirs. They have had a great reception.

The other piece that has gone a little bit slower, but still moving along well is a structure for the EPC. That whole market is still plagued by the remains of Covid and the schedules for long-term equipment are maybe six to nine months longer than they were when they were doing the pet Coke plant. Zachary, who was doing a lot of work on the Gulf Coast, went bankrupt and that spooked people. They have worked through those by putting together a structure that we put to the contractor and to the constructor in the last couple weeks and got a tremendous amount of buy-in, so now they are moving forward and papering that and getting the whole EPC structure in place. In the meantime, they have been putting together the bids for the project. They should have that in September. At that time, they will have a price for the plant. The contract itself should be complete before that. They are still working toward an end of the year close.

The last page is just a reminder of how much the Port will be paid at closing. The number that changes from time to time is the number that is interest of 5% on past due amounts. If you compared this to the prior presentation three months ago, that will be the only number that has changed.

She finished her report and asked for questions. Mr. Krielow asked regarding their contractor, Zachary, were they part of your EP&C. Ms. Miller stated they were not. He asked how does that affect in the…He is questioning what impact does that have on them because this is a project. Ms. Miller said Zachary went bankrupt because they were…What their contracts were worried about is one contractor is doing the construction and the other one is doing the engineering, the procurement and the planning. It is that gulf in between the two as to like what if modules are late or what if the constructor's work is not satisfactory. It is all of these things where things go wrong. In Zachary case they were working and being paid about $20 million less a week than they were actually paying and they were told they were going to be paid and they never were and they went to bankruptcy. LCM had to come up with some methodology that they could deal with this concept that someone could be out of pocket a lot of money and not have a quick means of getting reimbursed for that. That is how it has affected them. It is structural. Mr. Krielow said he appreciated that because he did not think there were any part of their original plan as far as contractors.

Mr. Krielow asked if she thinks the funding will be in place where in December they will move forward. Ms. Miller said that is what they are working toward. The funding will follow the construction. As the construction goes and those contracts go, so will the funding. They will follow that time period. Mr. Krielow said either funding or more interim funding that would allow them to go ahead and commit on an actual ground lease to move out of these options. Ms. Miller said that was correct. Mr. Cradure asked if their off-take was completely sold. Ms. Miller said it was 100%. Mr. Cradure asked where would their weak link be. It sounds like the financing is interested. They feel like they are going to get their permitting. Ms. Miller said she thinks the weak link are two weak links. One is they do not know what the project is going to cost yet and things seem to be pricey still these days. They are hoping they would come down. There are three things such as interest rates will come down. That would be a plus and the third thing is the tax credits. By the law, they do qualify for what is called 45V tax credits and that is the tax credit that has it has a draft regulation. The draft regulation basically no one liked it and it was definitely written by very pro environmentalists as opposed to practical people because they qualify for it by the law, but there were some shortcuts in in the regulations. Everyone they have met with such as Secretary of the DOE and John Podesta who is President Biden's Energy Aid. He has told them they will fix this but it is not fixed yet. There are other credits that they can take and that is actually what they are going to market on. They are called 45Q credits. The regulations are in place. There are two kinds of credits. One has been taking a long time, so no one has any concern about that. Unfortunately, that is only about a fifth of what the other credits are worth. However, there is a second 45Q credit that is on the books, but it has not been able to be used. The process has been flawed and the DOE is trying to work on improving the that process. That is another possibility for them. They hired a professional to analyze that for them. They analyzed it but wanted someone who is more of a professional in that area to analyze it for them. Mr. Cradure said the weakest links seems like the Federal government. Ms. Miller said they did move away from the DOE financing even though it was very advantageous, but for reasons of their process was just not fitting up with their process.

The Lake Charles Methanol Update Briefing Note was rendered to the Board and is on file in the Executive Offices.

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5. Forecast II Financials Briefing Note.

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

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6. FEMA/GOHSEP Briefing Note.

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Mr. Landry stated they received $300,000. There is $7.2 million in finance completion at GOHSEP and they have also submitted another $6.4 million, which is being reviewed right now. In the near future, about $13.6 million on the line and then going into monthly.

Continuing on with the good incoming cash news, the Berth 4, 5 and 6 project has Capital Outlay funds tied to it. Those funds are actually paid out as a percentage of the Port’s submissions so staff can spend the money submit and then we only get a portion a percent of what we submit that that rate was actually only at 18.6% so very small portion of those percentages. After some discussions. they were able to get that increase to 40% and that not only implies to future submissions, but they are going to pay out the other portion of the previous ones submitted. Applying that new percentage in over the next few weeks, the Port should receive about another $ 9.3 million on top of the $13 million that was submitted for GOHSEP. Staff is looking at $23 million yeah so cash flow cash flow ought to improve.

The FEMA/GOHSEP Briefing Note was rendered to the Board and is on file in the Executive Offices.

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7. Monthly Staff report from Director of Administration and Finance.

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

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8. Monthly Staff report from Director of Navigation.

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Mr. Hayden stated they have two issues continue for the begging for bucks. They are trying to get a meeting with General Peoples. Based on her schedule, it looks like it will be early September.

The second item is at the CORPS. Staff found out from the CORPS a couple of weeks ago they are going to send the dredge Wheeler down here to the Calcasieu Ship Channel to dredge at the end of August or beginning of September. It is going to have a total of about four weeks of her work. She does an excellent job on the outer bar. The Lake Charles Pilots are looking forward to it. That is going to be an advantage for the Port going into winter and keeping the outer open. Mr. Krielow asked that when the CORPS comes with their own dredge, does that get billed back against the funds that are dedicated to the channel or is that on them. Mr. Hayden said the channel funds have to pay for the dredge even though it is a government dredge they still to reimburse.

Mr. Guidry asked what is the depth that they are going to be dredging. Mr. Hayden replied that the depth is it they are dredge to minus on the outer bar, it is minus 43 mean low water close.

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

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9. Monthly Staff report from Director of Operations.

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Mr. Henderson said at City Docks they have handled four barges and one vessel of aluminum hydrate totaling about 42,000 tons, three ships of lumber totaling about 30,000 cubic meters and one cargo transfer that is about 14,000 tons.

On the schedule for City Docks, they have about 22,000 tons of aluminum hydrate. They have some more project cargo, about another 3,500 cubic meters and two barges of rough rice will be loaded out of the Industrial Canal.

At BT-1, staff loaded two ships of about 70,000 tons of raw coke, discharged a 59,000-ton shipment of barite and about 28,000 tons of rutile. About 230,000 tons of raw coke, 50,000 tons of barite, another 20,000 tons of rutile and about 8,500 tons of calcine scheduled soon.

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

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10. Monthly Staff report from Director of Cargo and Trade Development.

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Mr. Chretien said he is currently working with a company who wants to import barium sulfate. They are looking at doing about 15,000 tons every 45 days or so. They are looking for some storage a place to mill it, rail it and truck it out. Staff is trying to accommodate them at City Docks, but short of space right now. He and Mr. Henderson are working on that. Staff has also submitted the Port’s Industrial Park property for a RFP submitted by LED. It is a company looking to build a solar panel manufacturing facility. It is going to be done in two phases with up to 500 jobs and a $300 million investment.

They have an article and ad in this month's Lagniappe magazine and will be in a site selection magazine that is going to feature Louisiana's Spotlight for site selections for Port properties. They also have printing digital ads coming up for the Port’s Heavy Lift magazine article.

The Director of Cargo 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.

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The Director of Engineering, Maintenance and Development’s 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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Ms. Ginger Corley, the Port’s State Lobbyist, gave a report on the 2024 legislative session. The report was rendered to the Board and is on file in the Executive Offices.

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13. Monthly Staff report from the Federal Port Lobbyist.

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The Federal Lobbyist’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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

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There were no other matters to be discussed.

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15. Executive Session and appropriate action in any of the following matters:

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Mr. Guidry asked for a motion and second to enter into Executive Session.

Mr. Krielow offered a motion to enter into Executive Session. Mr. Johnson seconded the motion and it carried unanimously. The Board entered into Executive Session at 5:33 p.m.

* + IFG Port Holding, LLC vs LCHTD – Case: 2:16-cv-00146 U S District Court, Western District of Louisiana, Lake Charles Division.
  + Turning Basin Site Remediation – Dynamic Industries, Inc.
  + Damage to Berth 15 – Southern Ionics.

The Board returned from Executive Session at 5:51 p.m.

There being no further business to come before the Board, Mr. Guidry asked for a motion to adjourn. Mr. Krielow offered a motion to adjourn. Ms. Bayles seconded the motion and it carried unanimously. The meeting adjourned at 5:52 p.m.

All discussions held on the above items were recorded using the FTR Gold recording program.

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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KEVIN D. GUIDRY, President

ATTEST:

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JOHN M. CRADURE, Secretary/ Treasurer