

PUBLIC NOTICE

DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. will be held on Wednesday, January 30, 2013, in the Abilene Life Sciences Accelerator, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED:


Richard Burdine, Asst. City Manager for Economic Development

AGENDA

January 30, 2013
1:30 p.m.

Abilene Life Sciences Accelerator
1325 Pine St.

1. Call the meeting to order.
2. Welcome to new board member, Dave Copeland.
3. Approval of minutes from the January 22, 2013, board meeting.
4. Preliminary Status of Funds report for December 2012.
5. Officer elections: President, Vice President and Secretary/Treasurer
6. Executive Session: Pursuant to Tex. Gov't Code Sec. 551.087, an executive session may be held (1) to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision (1). After discussion in executive session, any action or vote will be taken in public.

Pursuant to Tex. Gov't Code Sec. 551.072, an executive session may be held to discuss the possible exchange, lease, or value of real property associated with a project to be funded by the DCOA since deliberation in open session would have a detrimental effect on the DCOA's negotiations with a third party. After discussion in executive session, any action or vote will be taken in public.

Pursuant to Tex. Gov't Code Sec. 551.071, an executive session may be held to consult with the DCOA attorney regarding pending or contemplated litigation or a settlement offer regarding DCOA funded projects or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Government Code. After discussion of the contemplated legal matters in executive session, any action or vote will be taken in public.

7. Discussion and possible approval of a resolution authorizing financial assistance to Fehr Foods, Inc. for 2013 capital investment in building improvements and equipment upgrades.
8. Discussion and possible approval of a resolution authorizing additional funds for renovation of 4109 Vine Street.
9. Adjournment.

CERTIFICATE

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of Abilene, Texas, on the _____ day of _____, 2013, at _____.

City Secretary

NOTICE

Persons with disabilities who would like special assistance or need special accommodations to participate in this meeting should contact Department of Economic Development, (325) 676-6390, at least forty-eight (48) hours in advance of this meeting. Telecommunication device for the deaf is (325) 676-6360.

**DEVELOPMENT CORPORATION OF ABILENE, INC.
BOARD MEETING MINUTES
JANUARY 22, 2013**

MEMBERS PRESENT: Paul Cannon Mike Schweikhard
Scott Senter Dani Ramsay
Marelyn Shedd

STAFF PRESENT: Richard Burdine Kim Tarrant
Mindy Patterson Daniel Santee

GUESTS PRESENT: Bill Ehrie, Abilene Industrial Foundation
Jon Weidanz, Texas Tech University
Health Sciences Center
John Mangalonzo, Abilene Reporter-News
Lee Ann Woods, Consultant
Harley Hall, Eagle Aviation Services

1. **CALL THE MEETING TO ORDER.** President Paul Cannon called the meeting to order at 1:36 p.m. in the conference room of the Abilene Life Sciences Accelerator, 1325 Pine Street, Abilene, Texas.
2. **APPROVAL OF MINUTES FROM THE JANUARY 8, 2013, BOARD MEETING.** Scott Senter moved to approve the minutes from the January 8, 2013 board meeting. Marelyn Shedd seconded and the motion carried.
3. **SALES TAX REPORT FOR JANUARY 2013.** Mindy Patterson, Director of Finance presented the January 2013 sales tax rebate report. The City's total rebate amount of \$2,914,841.72 represents November sales, which is 22.57% lower than January of 2012 and 2.23% below the projected FY2013 budget. The January actual rebate was \$728,710.43 for economic development. For the period October through January, sales tax is 7.72% below the same period last year and 3.06% above the projected FY2013 budget.
- 4.1 **EXECUTIVE SESSION #1.** I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, .072, and .087 to consult with our legal counsel, discuss real property transactions, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Paul Cannon announced the date is January 22, 2013, and the time is 1:40 p.m. Later, President Paul Cannon announced the date is still January 22, 2013, and the time is 1:53 p.m. No vote or action was taken in Executive Session.

5. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING FUNDING TO IMPLEMENT A BUSINESS DEVELOPMENT**

PROGRAM FOR THE ABILENE LIFE SCIENCES ACCELERATOR, INCLUDING PROFESSIONAL SERVICES BY CONSULTANT LEE ANN WOODS. Consultant, Lee Ann Woods, presented her business development plan for the Abilene Life Sciences Accelerator (ALSA) for a 6-month renewal of her contract beginning February 1, 2013.

Ms. Woods explained the importance of re-purposing and re-positioning the ALSA and its potential to grow biotechnology and life sciences “ecosystems.” The plan includes focusing on the trend that pharmaceutical and life sciences companies are outsourcing contracts to 3rd party organizations to reduce their marketing costs. She also mentioned ways for ALSA to seek its funding by recruiting other businesses to gain attention and recognition.

She recommends the DCOA adapt to the evolving business model of a Contract Development and Manufacturing Organization (CDMO) and work closely with its anchor tenant, Texas Tech. This business model will in fact help recruit other companies and smaller labs and will allow ALSA and Abilene to grow in biotechnology, science based lab activities as well as manufacturing.

In order to meet the anchor tenant’s needs ALSA will focus on immunotherapeutic drug discovery and development. Reaching out locally and internationally is possible by developing a website, attending industry meetings and trade shows, but it is also important to inform the community and local universities about the services available to them in the ALSA.

Ms. Woods recommends the ALSA be re-branded as “Abilene Laboratories”, and she presented a budget to implement over the next 6 months the business development plan. The budget of \$102,400 includes website development and maintenance, brochures, marketing materials, newsletter set-up, public relations using a news release service, business materials (i.e. letterhead and business cards), industry association memberships, industry meetings and trade shows, In Market meetings in Abilene, a consultant fee of \$6,000/month paid to Ms. Woods, and a contingency line item.

Scott Senter moved to approve Resolution No. DCOA-2013.13 authorizing funding of \$102,400 over a 6-month period to implement a Business Development Program for the ALSA. Mike Schweikhard seconded and the motion carried.

6. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING FUNDS TO PERFORM ENVIRONMENTAL ABATEMENT AND DEMOLITION OF AN EXTERIOR STRUCTURE AT THE DCOA-OWNED BLUE CROSS BLUE SHIELD BUILDING AT 4002 LOOP 322.** Mr. Burdine explained that DCOA has leased the building at 4002 Loop 322 to Blue Cross Blue Shield of Texas (BCBSTX) for the past 16 years to help support its current employment of 1050.

On the BCBSTX location, there is an abandoned cooling tower made of wood, which poses as a fire hazard and has asbestos-containing materials. Mr. Burdine suggested demolishing the abandoned cooling tower, which will allow BCBSTX to re-purpose the 3,000 square feet space. The estimated total funding to test and abate the asbestos-containing material and demolish is \$11,550.

Marelyn Shedd moved to approve Resolution No. DCOA-2013.12 as presented. Dani Ramsay seconded and the motion carried.

- 4.2 EXECUTIVE SESSION #2.** I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, .072, and .087 to consult with our legal counsel, discuss real property transactions, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Paul Cannon announced the date is January 22, 2013, and the time is 2:22 p.m. Later, President Paul Cannon announced the date is still January 22, 2013, and the time is 3:16 p.m. No vote or action was taken in Executive Session.

- 7. ADJOURNMENT.** The next DCOA Board meeting will be January 30th and all board members present said they would attend.

Paul Cannon, President

CITY OF ABILENE, TEXAS

DEVELOPMENT CORPORATION OF ABILENE, INC.

Balance Sheet
December 31, 2012

ASSETS:

Cash and Investments	\$16,220,935
Notes receivable	16,270,923
Accounts receivable	35,293
Due from other governments	1,738,931
Prepaid Expense	130
Total Current Assets	<u>\$34,266,212</u>

OTHER ASSETS:

Fixed assets	
Land	\$1,542,577
Construction in Progress	\$2,610,279
Buildings & Improvements	\$27,479,023
Improvements other than Buildings	\$9,965,830
Leasehold improvements	\$1,366,201
Machinery & Equipment	\$310,099
Vehicles	\$18,011
Accumulated depreciation	<u>(6,814,309)</u>
Total Other Assets	<u>36,477,711</u>

TOTAL ASSETS

\$70,743,923

LIABILITIES:

Accounts payable	<u>\$49,576</u>
Total Liabilities	<u>\$49,576</u>

FUND BALANCES:

Investment in general fixed assets	\$36,477,711
Reserved for contractual obligations(external)	12,546,479
Reserved for obligated programs(internal)	2,048,681
Undesignated Balance	<u>19,621,476</u>
Total Fund Balance	<u>\$70,694,347</u>

TOTAL LIABILITIES AND FUND BALANCES

\$70,743,923

DEVELOPMENT CORPORATION OF ABILENE
STATUS OF FUNDS @ DECEMBER 31, 2012

Object	(MARCH, 1990)			
	Beginning I-T-D Revenues	Current Month Revenues	Current FY Revenues	Ending I-T-D Revenues
City Sales Tax	\$ 147,668,795.04	\$ 768,042.91	\$ 2,507,331.88	\$ 150,176,126.92
Sales Tax Retained	506,821.56	5,061.18	13,596.02	520,417.58
Princ. - Loans & Assess	3,268,528.27	-	-	3,268,528.27
Int. - Loans & Assess	2,314,633.98	3.49	15.65	2,314,649.63
Interest on Investments	7,020,340.95	3,473.55	11,260.12	7,031,601.07
Land Lease	17,296.11	-	-	17,296.11
Building/Space Rent	7,347,601.67	110,114.00	268,506.04	7,616,107.71
Miscellaneous Federal	1,322,526.00	-	-	1,322,526.00
Miscellaneous State Grants	26,500.00	-	-	26,500.00
Other Contributions	140,712.60	-	-	140,712.60
Interfund Recovery	1,534,976.08	-	-	1,534,976.08
Miscellaneous Recovery	2,186,438.50	-	-	2,186,438.50
Miscellaneous Prior Year	61,292.02	-	-	61,292.02
Miscellaneous Revenue	1,019,770.10	8,984.20	13,220.30	1,032,990.40
Sale of Land	475,593.50	-	-	475,593.50
Sale of Buildings & Equipment	3,976,326.19	-	-	3,976,326.19
Gain (loss) Sale of Asset	600,000.00	-	-	600,000.00
GASB 22 Restatement	355,634.89	-	-	355,634.89
GASB 34 Adjustment	2,403,949.11	-	-	2,403,949.11
	\$ 182,247,736.57	\$ 895,679.33	\$ 2,813,930.01	\$ 185,061,666.58

4.2

**DEVELOPMENT CORPORATION OF ABILENE
STATUS OF FUNDS @ DECEMBER 31, 2012**

Project	Beginning I-T-D Expenditures	Current Month Expenditures	Current FY Expenditures	Ending I-T-D Expenditures	Outstanding Contracts
CONTRACTS ENCUMBERED/ EXPENDITURES-TO-DATE					
Prior Years Programs	\$ 90,706,582.41	\$ -	\$ -	\$ 90,706,582.41	
Business Services Division Div 2760	9,067,992.94	62,458.66	168,777.66	9,236,770.60	30,000.00
Life Sciences Property - Pine Div 2765	1,867,386.28	79,959.20	201,173.28	2,068,559.56	-
DCOA Annual Contracts Div 2775	2,823,494.98	(13,423.47)	143,120.54	2,966,615.52	-
Abilene Industrial Foundation 2775-62571	13,888,018.57	59,036.54	106,271.32	13,994,289.89	640,578.68
TTU Small Business Dev Cntr 2775-62572	3,055,608.55	14,831.25	25,181.25	3,080,789.80	224,818.75
Chamber Military Affairs 2775-62573	1,326,511.16	-	-	1,326,511.16	100,000.00
Airport Business Dev Mgr 2775-62574	897,833.70	9,068.34	15,277.45	913,111.15	-
Murf Systems 4998	199,665.00	-	-	199,665.00	-
EASI 04 5213	2,131,546.52	-	-	2,131,546.52	345,391.14
Fehr Food 5220	3,712,530.00	-	-	3,712,530.00	-
CBER Website 5240	7,067.07	-	-	7,067.07	1,249.93
TTU Pharmacy School 5242	658,436.00	-	265,823.00	924,259.00	24,346.00
PWFP (Project LF) 5251	2,507,898.97	-	-	2,507,898.97	426,000.00
SBIR/STTR 5263	86,200.16	-	-	86,200.16	184,991.87
TTU HSC Research 5273	2,187,988.66	-	103,000.00	2,290,988.66	709,011.34
Energy Maintenance Service 5282	248,270.07	-	-	248,270.07	621,623.53
Genesis Network Phase II 5284	22,924.00	-	-	22,924.00	1,269,000.00
Tower Tech 5285	3,596,278.51	-	120,000.00	3,716,278.51	1,586,437.09
Coca Cola Abilene 5296	-	-	-	-	2,020,000.00
ETI Contract 5304	1,236,265.25	-	(3,504.48)	1,232,760.77	-
TTU 842 Pine 5308	233,155.10	-	22,000.00	255,155.10	-
AIC Eq Lease 5312	164,128.01	-	-	164,128.01	-
Nation Wide Prod 5313	62,366.67	42,416.67	42,416.67	104,783.34	466.66
Enavail, LLC 5316	379,990.57	-	-	379,990.57	31,765.15
Cisco College Biotech Training 5318	45,701.55	-	18,884.00	64,585.55	3,064.45
Energy Maintenance Serv-Gearbox 5319	289,660.00	-	-	289,660.00	192,840.00
EASI Hangar Design 5320.1	339,901.07	-	-	339,901.07	-
EASI Hangar Construction 5320.2	4,473,442.44	-	-	4,473,442.44	-
EASI Hangar Fire Safety 5320.3	1,712,275.34	34,749.10	41,383.14	1,753,658.48	63,796.49
Pepsi Beverage Co. T5321	70,000.00	-	-	70,000.00	280,000.00
Cooperative Response Center 5324	71,748.18	-	-	71,748.18	224,751.82
Land 922 N 13th Street 5325	35,735.00	-	-	35,735.00	12,250.00
Teleperformance USA 5326	92,550.00	-	-	92,550.00	282,450.00
Docket Navigator 5327	-	-	-	-	159,000.00
Smith Pipe (SPA Coat.) Ph 1 & 2 5330	75,500.00	-	-	75,500.00	520,990.00
TTUHSC School of Nursing 5331	-	-	-	-	304,911.00
TMAC FY12 5333	33,000.00	-	-	33,000.00	-
Vine St. Lighting Upgrades 5335.1	55,457.00	-	-	55,457.00	-
Vine St. Fire Safety 5335.2	228,367.17	-	41,670.84	270,038.01	15,138.76
Vine St. Parking Lot 5335.3	158,850.00	-	-	158,850.00	-
Vine St. Construction 5335.4	32,610.00	-	-	32,610.00	323,176.20
Vine St. Interior Demo 5335.5	121,698.03	-	-	121,698.03	4,880.00
Vine St. Other Impr 5335.6	-	-	-	-	12,772.00
Gotta Go Trailways 5335.7	-	-	-	-	4,400.00
Welder Training 5339	146,766.19	42,632.09	42,632.09	189,398.28	228,039.72
Fehr Foods '12 5340	-	-	-	-	510,000.00
Prospect Development 5341	1,216.00	-	-	1,216.00	-
Pactiv Bldg Project 5344.1	10,500.00	13,595.69	14,295.69	24,795.69	7,500.31
Pactiv Compressor 5344.2	-	-	-	-	305,000.00
Owens Machine & Tool 5345	-	-	-	-	351,000.00
Biotech Marketing and PR Plan 5346	-	1,040.74	6,761.44	6,761.44	7,238.56
TMAC FY13 5347	-	11,000.00	11,000.00	11,000.00	99,000.00
Hangar Doghouses 5348.1	-	-	-	-	418,600.00
Devron Water Line Extension 5349	-	41,560.00	41,560.00	41,560.00	-
Miscellaneous Activities 2785	354,189.86	-	-	354,189.86	-
TOTAL ENCUMB. / EXPENDITURES	\$ 149,417,306.98	\$ 398,924.81	\$ 1,427,723.89	\$ 150,845,030.87	\$ 12,546,479.45
TOTAL FUND BALANCE				\$ 34,216,635.71	
UNENCUMBERED FUND BALANCE					\$ 21,670,156.26

4.3

**DEVELOPMENT CORPORATION OF ABILENE
STATUS OF FUNDS @ DECEMBER 31, 2012**

	Project	Amount Obligated	Prior Years Disbursed	Current Month Disbursed	Current Year Disbursed	Amount Encumbered	Balance Reserved for Obligated Programs
BALANCE OF OBLIGATED PROGRAMS							
Business Services Division	Div 2760	\$ 641,360.00	\$ -	\$ 62,458.66	\$ 168,777.66	30,000.00	\$ 442,582.34
Life Sciences Property -Pine	Div 2765	635,963.85	-	79,959.20	201,173.28	-	434,790.57
DCOA Annual Contracts	Div 2775	308,810.00	-	(13,423.47)	143,120.54	-	165,689.46
Abilene Industrial Foundation	2775-4950	746,850.00	-	59,036.54	106,271.32	640,578.68	-
TTU Small Business Dev Cntr	2775-4951	250,000.00	-	14,831.25	25,181.25	224,818.75	-
Chamber Military Affairs	2775-4952	100,000.00	-	-	-	100,000.00	-
Airport Business Dev Mgr	2775-4953	181,630.00	-	9,068.34	15,277.45	-	166,352.55
Murf Systems	4998	199,665.00	199,665.00	-	-	-	-
EASI 04	5213	2,476,938.00	2,131,546.52	-	-	345,391.14	0.34
Fehr Food	5220	3,712,530.00	3,712,530.00	-	-	-	-
CBER Website	5240	8,317.00	7,067.07	-	-	1,249.93	-
TTU Pharmacy School	5242	948,605.00	658,436.00	-	265,823.00	24,346.00	-
PWP (Project LF)	5251	2,933,899.00	2,507,898.97	-	-	426,000.00	0.03
SBIR/STTR	5263	271,400.00	86,200.16	-	-	184,991.87	207.97
TTU HSC Research	5273	3,000,000.00	2,187,988.66	-	103,000.00	709,011.34	-
Energy Maintenance Service	5282	869,894.00	248,270.07	-	-	621,623.53	0.40
Genesis Network Phase II	5284	1,291,924.00	22,924.00	-	-	1,269,000.00	-
Tower Tech	5285	5,302,716.00	3,596,278.51	-	120,000.00	1,586,437.09	0.40
Coca Cola Abilene	5296	2,020,000.00	-	-	-	2,020,000.00	-
ETI Contract	5304	1,239,770.00	1,236,265.25	-	(3,504.48)	-	7,009.23
TTU 842 Pine	5308	255,156.00	233,155.10	-	22,000.00	-	0.90
AIC Equipment Lease/Purchase	5312	164,128.00	164,128.01	-	-	-	(0.01)
Nation Wide Products	5313	105,250.00	62,366.67	42,416.67	42,416.67	466.66	0.00
Enavail, LLC	5316	411,756.00	379,990.57	-	-	31,765.15	0.28
Cisco College Biotech Training	5318	67,650.00	45,701.55	-	18,884.00	3,064.45	(0.00)
Energy Maintenance Serv-Gearbox	5319	482,500.00	289,660.00	-	-	192,840.00	-
EASI Hangar Design	5320.1	339,902.00	339,901.07	-	-	-	0.93
EASI Hangar Construction	5320.2	4,473,443.00	4,473,442.44	-	-	-	0.56
EASI Hangar Fire Safety	5320.3	2,592,097.00	1,712,275.34	34,749.10	41,383.14	63,796.49	774,642.03
Pepsi Beverage Co.	5321	350,000.00	70,000.00	-	-	280,000.00	-
Cooperative Response Center	5324	296,500.00	71,748.18	-	-	224,751.82	-
Land 922 N 13th Street	5325	50,000.00	35,735.00	-	-	12,250.00	2,015.00
Teleperformance USA	5326	375,000.00	92,550.00	-	-	282,450.00	-
Docket Navigator	5327	159,000.00	-	-	-	159,000.00	-
Smith Pipe Ph 1, 2, 3	5330	596,490.00	75,500.00	-	-	520,990.00	-
TTUHSC School of Nursing	5331	304,911.00	-	-	-	304,911.00	-
TMAC FY12	5333	33,000.00	33,000.00	-	-	-	-
Vine St. Warehouse	5335.1	55,457.00	55,457.00	-	-	-	-
Vine St. Fire Safety	5335.2	291,216.00	228,367.17	-	41,670.84	15,138.76	6,039.23
Vine St. Parking Lot	5335.3	158,850.00	158,850.00	-	-	-	-
Vine St. Construction	5335.4	366,324.00	32,610.00	-	-	323,176.20	10,537.80
Vine St. Interior Demo	5335.5	130,489.00	121,698.03	-	-	4,880.00	3,910.97
Vine St. Other Impr	5335.6	12,772.00	-	-	-	12,772.00	-
Gotta Go Trailways	5335.7	4,400.00	-	-	-	4,400.00	-
Welder Training	5339	417,438.00	146,766.19	42,632.09	42,632.09	228,039.72	-
Fehr Foods '12	5340	510,000.00	-	-	-	510,000.00	-
Prospect Development	5341	1,216.00	1,216.00	-	-	-	-
Pactiv Bldg Project	5344.1	32,296.00	10,500.00	13,595.69	14,295.69	7,500.31	-
Pactiv Compressor	5344.2	335,500.00	-	-	-	305,000.00	30,500.00
Owens Machine & Tool	5345	351,000.00	-	-	-	351,000.00	-
Biotech Marketing and PR Plan	5346	14,000.00	-	1,040.74	6,761.44	7,238.56	-
TMAC FY13	5347	110,000.00	-	11,000.00	11,000.00	99,000.00	-
Hangar Doghouses	5348.1	423,000.00	-	-	-	418,600.00	4,400.00
Devron Water Line Extension	5349	41,560.00	-	41,560.00	41,560.00	-	-
Miscellaneous Activities	2785	354,189.86	354,189.86	-	-	-	-
BALANCE OF OBLIGATED PROGRAMS		\$ 41,806,762.71	\$ 25,783,878.39	\$ 398,924.81	\$ 1,427,723.89	\$ 12,546,479.45	\$ 2,048,680.98

UNDESIGNATED FUND BALANCE (unencumbered balance less obligated programs and contingent liabilities) \$ 19,621,475.28

DCOA Board approved projects waiting for signed contracts	Expiration Date
West Texas Innovation Network 5328	3/31/2013
Marketing for 2nd Airline 5334	3/31/2013
Bridgestone Bandag	3/31/2013
Smith Pipe Ph 4	1/24/2013
TTUHSU SOP for ALSA Services	6/11/2013
	<u>1,380,630</u>

4.4

DEVELOPMENT CORPORATION OF ABILENE, INC.

BOARD AGENDA

MEETING DATE: January 30, 2013

PROJECT: Fehr Foods, Inc.

STAFF: Richard Burdine, CEO

THE COMPANY

Fehr Foods, Inc. (Fehr) began operations in 1992 with 27 employees after Steve Fehr purchased the assets of Magic Dream Cookies from the FDIC and Bankruptcy Court. In 1997 Fehr Baking Company, Inc., a wholly owned subsidiary, was merged into Fehr and relocated to Abilene. Fehr manufactured cookies that were sold under the name of Lil' Dutch Maid and private labels.

A summary of all assistance provided by DCOA is as follows:

February 1992 - Total assistance of \$300,000 –Retention of 27 existing FTE's

Real Estate - purchase of 5425 North 1st Street property – 50% loan participation with FNBA not to exceed \$185,000 and Equipment - purchase existing equipment of Magic Dream Cookie Company – 50% loan participation with FNBA not to exceed \$115,000.

July 1997 & January 1998 -Total assistance of \$2,101,000 –Creation of 85 and retention of 100 FTE's

Real Estate - 40% loan participation with FNBA not to exceed \$1,266,000; Equipment – reduced from 44% to 40% loan participation with FNBA not to exceed \$500,000; Relocation of equipment & fire suppression code compliance – in a maximum amount of \$90,000; Training assistance in a maximum amount of \$85,000; Architectural & Engineering – fees associated with the expansion up to \$160,000.

May 2001 - New Agreement for \$650,000-Retention of 185 FTE's and capital improvements of \$1 million

New 40% participation with FNBA up to \$185,868 for R/E improvements; New 40% participation with FNBA up to \$314,132 for new equipment purchases; Relocation of utilities and A/E fees grant up to \$150,000 associated with the R/E improvements. Fehr expanded its existing facility by approximately 36,000 sq ft, made improvements to operations, and purchased new equipment for the packaging and mixing departments. Fehr did not project the creation of new jobs but did project increased skills levels, which resulted in higher wages for existing employees. Fehr agreed to retain 185 FTE's and make capital improvements of \$1 million.

August 2004 & July 2006 – New Agreement for \$3,000,000-Retention of 185 FTE's and creation of 65, and capital investment in facilities and equipment totaling \$9,000,000

New loan for \$3,000,000 at 0% interest to be earned through job creation at the rate of \$1,200 per year per job and an annual reduction of \$150,000 based on 12% of capital investment for a 7 year period. This expansion increased substantially in size and scope when implemented, whereby the total qualified capital investment increased to \$12,396,000 and the projected job growth to 326 FTE's.

Due to the increase in the costs of expansion and the increase in the number of jobs being created, DCOA assisted the company while not expending additional funds, by converting the three existing bank loans with outstanding balances totaling \$1,055,505 to an in-house earnable loan and combined it with the existing \$3,000,000 earnable loan. Also, the training funds not used from previous assistance packages of \$78,000 were reinstated. The resulting note for \$4,043,853 has been earned down and paid down each year by Fehr and now has an outstanding balance of \$600,633, which will be paid off

after the final job certification due under the existing agreement is submitted for the period ended June 30, 2012. The company's FTE total through June 2011 was 263.7.

November 2004 & November 2011 – Fehr began leasing Warehouse A containing 70,000 sq ft at 4109 Vine from the DCOA at \$1.50/sq ft/year in November 2004. The lease was extended in 2009 at \$1.67/sq ft/year. In 2011, when Affiliated Foods ceased operations in the remainder of the warehouses and office space on Vine St., Fehr began leasing the adjacent Warehouse B totaling 42,362 sq ft at \$1.67/sq ft/year.

On October 15, 2010, 100% of the stock of Fehr Holdings, LLC (“Fehr”) was acquired along with its affiliates Fehr Foods, Inc., Oktex Baking, LP, and Oktex Baking GP, LLC. The Fehr Group is devoted to the production and merchandising of cookies, through its two production platforms, one located in Texas and the other in Oklahoma. The company mainly merchandises its products under the brands Lil’ Dutch Maid, Sun Valley, and Tru-Blu that are sold in 43 states in the United States, in Mexico, and in Panama.

Grupo Nutresa’s purchase of Fehr made the Abilene operation the only one in the U.S. In 2011, Grupo Nutresa purchased an ice cream company in the Dominican Republic. These two acquisitions are strategically located in their target region – promising to provide increased market share, diversification and improvement of international sales, potential additional synergies for the Cookies and Ice Cream divisions, and potential improvement in the company’s mix of products.

February 2012 - New Agreement for \$510,000 for capital investment of \$5.1 million

Assistance of \$510,000 for capital investment in Project El Dorado (new cream cookie line) projected to be \$4.1 million plus \$1 million for additional plant improvements. Since the job creation goals set in the prior agreement hadn’t been met, funding for the additional jobs related to Project El Dorado didn’t qualify for assistance; however, the company has taken steps to improve attendance and increase its wages. We recently received proof of expenses for Project El Dorado of about \$4.6 million.

THE REQUEST

Fehr currently employs 320 to 330 in Abilene and 100 in Marietta, OK. They have reduced their voluntary turnover from well over 100% to 59% in 2012 and are aiming to reduce it further in 2013. The company is preparing to invest in 2013 another \$2.4 million to automate a tray loader for Line 3, expand the break room and restrooms, add wrapping machines for Lines 1 and 2, and miscellaneous other improvements, i.e. oven control panels.

I recommend an amendment to the existing Agreement to add capital investment incentives for the 2013 capital projects listed above at 10%, or up to \$240,000, payable over 3 years at \$80,000 per year upon receipt of proof of such investment.

Also, because the Project El Dorado expenses have exceeded the estimated \$4.1 million, I propose amending the Agreement to allow all expenses from the original \$510,000 approval for Project El Dorado and other plant improvements be combined into one project with DCOA funding remaining capped at \$510,000. This will allow the company to be reimbursed for actual expenses related to Project El Dorado (at 10%), even if they exceed \$4.1 million. No additional funds are being requested.

FISCAL IMPACT

\$240,000 for 2013 capital projects, payable over 3 years

STAFF RECOMMENDATION

Staff recommends approval of resolution DCOA-2013.14 authorizing \$240,000 assistance for Fehr Foods, Inc. to be paid over 3 years at 10% of actual cost to assist with 2013 capital investment in various projects. Also approved is an amendment to the 2012 approval to allow the combination of those projects into one payable at 10% up to \$510,000.

ATTACHMENTS

Resolution DCOA-2013.14

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RESOLUTION NO. DCOA-2013.14

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS, AUTHORIZING ASSISTANCE FOR FEHR FOODS INC. ("FEHR") FOR ITS 2013 CAPITAL PROJECTS.

WHEREAS, Fehr began operations in 1992 with 27 employees after Steve Fehr purchased the assets of Magic Dream Cookies from the FDIC and Bankruptcy Court. Fehr manufactured cookies that were sold under the name of Lil' Dutch Maid and private labels; and,

WHEREAS, on October 15, 2010, 100% of the stock of Fehr Holdings, LLC ("Fehr") was acquired along with its affiliates by Grupo Nutresa (holding company), which is devoted to the production and merchandising of cookies through its two production platforms, one located in Texas and the other in Oklahoma. The company mainly merchandises its products under the brands Lil' Dutch Maid, Sun Valley, and Tru-Blu that are sold in 43 states in the United States, Mexico, and Panama; and,

WHEREAS, on February 14, 2012, DCOA approved resolution DCOA-2012.11 authorizing \$510,000 payable at 10% over 3 years for Grupo Nutresa's projected 2012 investment in the Abilene operation, which included \$4.1 million for Project El Dorado and another \$1 million for plant improvements; and,

WHEREAS, Fehr has provided evidence of capital expenses for Project El Dorado of approximately \$4.6 million; and,

WHEREAS, Fehr is preparing to invest in 2013 another \$2.4 million to automate a tray loader for Line 3, expand the break room and restrooms, add wrapping machines for Lines 1 and 2, and miscellaneous other improvements, i.e. oven control panels; and,

WHEREAS, staff requests the DCOA authorize additional assistance of \$240,000 for the company's 2013 capital investment in various items projected to cost \$2.4 million.

NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:

PART 1. DCOA hereby authorizes an amendment to the existing Agreement for Financial Assistance with Fehr Foods to include funding of Two Hundred Forty Thousand and no/100's Dollars (\$240,000.00) for the company's projected 2013 capital investment totaling approximately \$2.4 million. The company is preparing to automate a tray loader for Line 3, expand the break room and restrooms, add wrapping machines for Lines 1 and 2, and miscellaneous other improvements, i.e. oven control panels. The funding will be disbursed over 3 years at 10% of the company's actual costs in an amount not to exceed \$80,000/year.

Also authorized is an amendment to the existing Agreement which will allow the 2012 capital projects (Project El Dorado and other plant improvements) be combined into one project with DCOA funding remaining capped at \$510,000. This will allow the company to be reimbursed for actual expenses related to Project El Dorado (at 10%), even if they exceed \$4.1 million. No additional funds are being authorized.

PART 2. Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

PART 3. The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 30th day of January, 2013.

ATTEST:

Marelyn Shedd
Secretary/Treasurer

Paul Cannon
President

APPROVED:

T. Daniel Santee, City Attorney

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Item No. 8

Information for this item will be forwarded to you prior to the board meeting.