

CITY DEVELOPMENT CORPORATION OF EL CAMPO
REGULAR/ANNUAL MEETING
February 27, 2012

Board Members Present: Alan Heskamp, Wesley Lange, Randy Collins, Kinnan Stockton, David Allgayer

Staff Present: Chandra Spenrath, Executive Director; Rebekkah Jones, Executive Assistant

Others Present: Ronnie Collins; Lawyer of Duckett, Bouligny, and Collins, Mindi Snyder, City Manager; Kyle Smith, University of Houston SBDC; Rebecca Munoz; Executive Director Chamber of Commerce, Paul Hermann, Craig Radley, Mitchell Whitley, George Hagle; Leedo, Steve Van Manen; HWU, Don Naiser, Cecil Davis, Leon Langhamer, and Rosa Valdez; Business and Community Lenders of Texas.

1. President Heskamp called the Meeting to order at 3:04 PM.
2. President Heskamp took roll of Directors and noted a QUORUM.
3. The minutes from the Regular Meeting of January 23, 2011 were in the Board Packet for approval.

MOTION to approve the minutes of the Regular Meeting of January 23, 2011 was made by Kinnan Stockton and Seconded by Randy Collins. The MOTION passed unanimously.

4. Review bills and financial report.

This item was unintentionally skipped. President Heskamp referred back to Item #4 before holding Executive Session.

5. Receive and review City Development Corporation's FY 2010-2011 Audit by Harrison, Waldrop & Uherek, L.L.P., discuss and take any necessary action.

President Heskamp introduced Mr. Van Manen. Stephen Van Manen with Harrison, Waldrop & Uherek, L.L.P. presented the CDC's FY 2010-2011 Audit. Mr. Van Manen reviewed the Annual Financial Report handout. Mr. Van Manen noted that CDC and other 4A and 4B economic development entities are not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. As a result the CDC's bank deposits may or may not be insured above \$250,000.00 even though they are secured by a custodial agreement with Commercial State Bank. There is still no answer as to whether they are insured or not. Heskamp stated that FDIC Legal has issued an opinion and the opinion is sitting at the Texas State Banking Department. Mr. Van Manen reviewed the letter from Harrison, Waldrop & Uherek, LLP to the CDC regarding matters and opportunities for strengthening internal control and improving operating efficiency.

6. Review and take possible action on the Leedo Manufacturing Co. – Agreement and Acknowledgement of Security Interest.

President Heskamp stated that Ronnie Collins, from the law office of Duckett, Bouligny, and Collins, has reviewed this agreement. Ronnie Collins was present and acknowledged his agreement.

MOTION to approve the Leedo Manufacturing Co. – Agreement and Acknowledgement of Security Interest as presented was made by Kinnan Stockton and Seconded by Wesley Lange. The MOTION passed unanimously.

7. Discuss and take any necessary action regarding the 1301 N. Blue Creek Road Building roof repair/replacement.

President Heskamp discussed the repair work needed on the roof. Acknowledged that Mr. Hagle, Chairman of Leedo Manufacturing and Mr. Cantrell. Six companies have looked at the building. Five bids have been submitted. One bid is pending and should be submitted tomorrow. Of the five submitted, four have unanimously said that the roof needs to be replaced due to the rust and deterioration from the inside out which is 50,000 square feet. The remainder of building also 50,000 square feet has some significant work that needs to be done. The newer roofs have severe damage and needs to be fixed as well. After discussions and meetings with Leedo Manufacturing, both the CDC and Leedo Manufacturing feel that it would be in everybody's best interest to take the contractors' recommendations and replace the roof on the original building and repair the roof on the remainder of the building. Discussion has taken place of regarding the replacement and repairs. Estimates for the roof replacement are around \$150,000.00 plus or minus insulation, etc. None of those estimates included the work to be done on the remainder of the roof. Total cost is unknown but Heskamp estimated it to be around \$200,000.00 to \$300,00.00 with it being closer to the larger number. Heskamp suggested that El Campo Economic Development Corporation (ECEDC) pay 1/3 of \$200,00.00, CDC pay 1/3, and Leedo paying 1/3 as well as any expenses past that. If the three parties paid \$66,000.00 each, then it would take care of \$198,000.00, with Leedo paying any costs above that. Heskamp said that if the decision is made now regarding the money then Leedo can proceed with what they need to do. Heskamp recapped what replacement/repair work needs to be done and the possible costs associated with it.

MOTION that the CDC contribute up to \$66,000.00 for the repair and replacement of certain parts of the roof on 1301 N. Blue Creek Road was made by Wesley Lange.

President Heskamp suggested that a contingency be put in the MOTION that states that the ECEDC formally approves it. Cecil Davis and Don Naiser are present at this meeting and stated that since they are a private corporation that they can approve it here and now. Lange asked when the final sale of the close was to happen. Spenrath said that Texas Capital Funds is on the agenda this evening at the City Council Meeting and the closing on the sale will happen after that. Lange asked if the sale would be in 30 days. Mindi Snyder, City Manager, said probably not within 30 days. Snyder mentioned that the City will have to execute the contract and send it to the state. Snyder said that they will probably finalize the lease agreement at the March 27 City Council Meeting. Randy Collins asked if the repairs would begin before the finalizing of the lease at the end of March. Mr. Hagle from Leedo thanked the CDC for being supportive of Leedo coming into the community. He stated that they have had very good response to the samples that Leedo has produced. They have sold around 30,000 cabinets and there is a sense of urgency to get the proper equipment installed and to start making the sold cabinets. Mr. Hagle asked if there was a way to get the contract started so that repairs could be

underway as soon as possible. President Heskamp stated that the repairs need to be made by CDC since the building it owned by the CDC regardless of who the customer is. David Allgayer asked if there was someone from Leedo who could oversee the repairs. Mr. Hagle said that Gary, Director of Facilities at Leedo, will is qualified to do that as well as a couple of other qualified agents who can oversee the repairs. President Heskamp asked if there was anything else Mr. Hagle could say about Leedo's scheduling assuming that CDC continues with the roof repair. Mr. Hagle said that steps are that the building needs to be dry and install needed equipment for dust collection. There are critical activities that need to happen. The current production schedule will start with fifty cabinets a day in April 2012 and then in February 2013 will hopefully go to 900 cabinets per day depending on sales, etc. Heskamp asked when Leedo will hope to be at full production. Mr. Hagle stated that they hoped to be at 900 per day in March 2013 which of course it subject to sales, etc.

Ronnie Collins stated that the MOTION may need to be modified based on current discussion and the fact that there is no actual contract with a contractor yet. Heskamp said that they can authorize the CDC to proceed with the roof repair and replacement with the \$66,000.00. Heskamp also stated then that the CDC can hold a special meeting to approve the actual contract made with the contractor. Ronnie Collins said that this would be fine if it is contingent that ECEDC also provides money as well.

The MOTION that the CDC contribute up to \$66,000.00 for the repair and replacement of certain parts of the roof on 1301 N. Blue Creek Road made by Wesley Lange was withdrawn.

MOTION was made by Alan Heskamp to authorize the CDC to make the Blue Creek Facility usable by proceeding with the roof replacement/repair and to provide funding for 1/3 of the replacement/repair expenses up to a maximum of \$66,000.00 contingent upon the following:

1. The El Campo Economic Development Corporation approval of funding 1/3 of the replacement/repair costs up to \$66,000.00/
2. The Leedo Manufacturing Co., L.P. funding 1/3 of the replacement/repair costs up to \$66,000.00 and, additionally, funding 100% of the costs exceeding \$198,000.00.
3. Once a contractor is selected, the CDC Board must give final authorization of the contract.

This MOTION was Seconded by Wesley Lange. The MOTION passed unanimously. President Heskamp also wanted to thank Leedo for the \$1,000.00 donation to Rotary.

8. Review and take any necessary action regarding Revitalization Program and Applications.

A. Pinchers RV Park

Spenrath gave an overview of Pinchers RV Park Revitalization Application stating that it is a Tier III application. She stated that Mitchell Whitley and Craig Radley were both in attendance at this meeting and asked if they would give an update of the status of the Park. Mitchell Whitley and Craig Radley gave an update of the park.

MOTION to approve the amount of \$24,500.00 for the Pinchers Park Revitalization Application was made by Kinnan Stockton and Seconded by President Heskamp. The MOTION passed unanimously.

Spenrath made a mention of Brian Swenson's Tier I Revitalization project that it was approved by staff.

9. Back to Item #4. Review bills and financial report.

Spenrath noted that the sales tax is up. Kinnan Stockton asked about the Reconciliations Reports that were mentioned in the audit given by Steve Van Manen. Spenrath noted that all changes have been implemented and all is Reconciled.

10. Board members opened executive session at 3:54 PM:

- A. Discuss and deliberate economic development, as authorized by Section 551.087 of the Texas Government Code, regarding:
 - a. Project SWATE
 - b. Project WASHINGTON
 - c. Project TOW
 - d. Project FISHBOWL
 - e. Inform Board of specific Business Retention and Expansion Program survey results
 - f. Report on Economic Development negotiations and prospects

11. Open Session reconvened at 4:54 PM:

President Heskamp appointed a committee of Kinnan Stockton and Randy Collins to review and make possible suggestions to the Board to improve the CDC Incentive Guidelines.

President Heskamp appointed a committee of Wesley Lange, Chandra Spenrath, Kyle Smith, and Alan Heskamp to make suggestions to the Board for a business luncheon.

12. President Heskamp adjourned the meeting at 4:56 PM.